

US BANCORP \DE\
Form 8-K
April 17, 2001

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): December 31, 2000

1-6880

(Commission File Number)

U.S. BANCORP

(Exact name of Registrant as specified in its charter)

DELAWARE

(State of incorporation)

41-0255900

(I.R.S. Employer
Identification Number)

U.S. Bank Place
601 Second Avenue South, Minneapolis, Minnesota 55402-4302

(Address of Registrant's principal executive office)

(612) 973-1111

(Registrant's telephone number)

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ITEM 5. OTHER EVENTS

The following consolidated financial statements of U.S. Bancorp, a Delaware corporation, are included in this report:

Balance Sheet as of December 31, 2000 and 1999;

Statement of Income for the Years Ended December 31, 2000, 1999 and 1998;

Statement of Shareholders' Equity for the Years Ended December 31, 2000, 1999 and 1998;

Statement of Cash Flows for the Years Ended December 31, 2000, 1999 and 1998

Report of Independent Accountants

Supplemental Financial Data and Tables

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS

- (a) Financial statements of businesses acquired.
Not applicable.
- (b) Pro forma financial information.
Not applicable.
- (c) Exhibits. None.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. BANCORP

By: /s/ Terrance R. Dolan

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Name: Terrance R. Dolan
Title: Senior Vice President and
Controller

Date: April 17, 2001

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2000
2000 FINANCIAL STATEMENTS

RESTATED 2000 FINANCIAL STATEMENTS REFLECTING THE
MERGER OF U.S. BANCORP AND FIRSTAR CORPORATION

[US BANCORP LOGO (R)]

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[MAP]

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CORPORATE PROFILE

THE MERGER OF FIRSTAR CORPORATION AND U.S. BANCORP has been completed, and the new company is now called U.S. Bancorp. U.S. Bancorp common stock is traded on the New York Stock Exchange under the ticker symbol USB. U.S. Bancorp has the capacity, capability, resources and expertise to deliver the products and services our customers want, when they want them and on their terms.

U.S. Bancorp is a multi-state financial holding company with headquarters in Minneapolis, Minnesota. Since its merger with Firstar Corporation, the new U.S. Bancorp is now the eighth largest financial holding company in the United States

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with total assets in excess of \$160 billion.

Through U.S. Bank, Firststar Bank and other subsidiaries, we serve more than 10 million customers, principally in 24 states. We provide individuals, businesses, institutions and government entities a comprehensive selection of top quality financial products and services.

U.S. Bancorp, its full-service banks and its subsidiaries offer specialized expertise and leadership in Consumer Banking, Commercial Banking, Trust and Investment Services, Mortgage Banking, Payment Systems and Insurance Services. Through U.S. Bancorp Piper Jaffray we offer full securities brokerage services, asset management, equity capital, fixed income capital and individual investment services.

We deliver these products and services through 2,239 U.S. Bank and Firststar banking offices, loan and brokerage offices, hundreds of skilled relationship managers, 5,143 ATMs, Internet Banking and Telephone Banking.

U.S. Bancorp ranks among the top performing U.S. financial holding companies in terms of earnings per share growth, efficiency, return on assets, return on equity and other key financial indicators.

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SELECTED FINANCIAL DATA

| (Dollars in Millions, Except Per Share Data) | 2000 | 1999 | 1998 |
|---|-----------|-----------|-----------|
| CONDENSED INCOME STATEMENT | | | |
| Net interest income (taxable-equivalent basis)..... | \$6,135.0 | \$5,932.7 | \$5,676.2 |
| Merger and restructuring related gains..... | -- | -- | -- |
| Securities gains, net..... | 8.1 | 13.2 | 29.1 |
| Other noninterest income..... | 4,875.1 | 4,231.7 | 3,620.9 |
| Merger and restructuring related charges..... | 348.7 | 532.8 | 593.8 |
| Other noninterest expense..... | 5,368.3 | 5,128.5 | 4,829.6 |
| Provision for credit losses..... | 828.0 | 646.0 | 491.3 |
| Income before taxes..... | 4,473.2 | 3,870.3 | 3,411.5 |
| Taxable-equivalent adjustment..... | 85.4 | 96.3 | 111.2 |
| Income taxes..... | 1,512.2 | 1,392.2 | 1,167.4 |
| Net income..... | \$2,875.6 | \$2,381.8 | \$2,132.9 |
| FINANCIAL RATIOS | | | |
| Return on average assets..... | 1.81% | 1.59% | 1.49% |
| Return on average equity..... | 20.0 | 18.0 | 17.2 |
| Net interest margin (taxable-equivalent basis)..... | 4.36 | 4.44 | 4.44 |
| Efficiency ratio..... | 51.9 | 55.7 | 58.3 |
| Banking efficiency ratio*..... | 46.8 | 52.0 | 56.1 |
| PER COMMON SHARE | | | |
| Earnings per share..... | \$ 1.51 | \$ 1.25 | \$ 1.12 |
| Diluted earnings per share..... | 1.50 | 1.23 | 1.10 |
| Dividends declared..... | .65 | .4625 | .33 |
| SELECTED FINANCIAL RATIOS EXCLUDING MERGER AND RESTRUCTURING RELATED ITEMS | | | |
| Return on average assets..... | 2.03% | 1.94% | 1.91% |
| Return on average equity..... | 22.4 | 22.0 | 22.0 |

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| | | | |
|---|-----------|-----------|-----------|
| Efficiency ratio..... | 48.8 | 50.5 | 51.9 |
| Banking efficiency ratio*..... | 43.5 | 46.3 | 49.4 |
| AVERAGE BALANCE SHEET DATA | | | |
| Loans..... | \$118,317 | \$109,638 | \$102,451 |
| Loans held for sale..... | 1,303 | 1,450 | 1,264 |
| Investment securities..... | 17,311 | 19,271 | 21,114 |
| Earning assets..... | 140,606 | 133,757 | 127,738 |
| Assets..... | 158,481 | 150,167 | 142,887 |
| Noninterest bearing deposits..... | 23,820 | 23,556 | 23,011 |
| Deposits..... | 103,426 | 99,920 | 98,940 |
| Short-term borrowings..... | 12,586 | 11,707 | 11,102 |
| Long-term debt..... | 22,410 | 20,248 | 15,732 |
| Total shareholders' equity..... | 14,365 | 13,221 | 12,383 |
| Average shares outstanding..... | 1,906.0 | 1,907.8 | 1,898.8 |
| Average diluted shares outstanding..... | 1,918.5 | 1,930.0 | 1,930.5 |
| YEAR-END BALANCE SHEET DATA | | | |
| Loans..... | \$122,365 | \$113,229 | \$106,958 |
| Investment securities..... | 17,642 | 17,449 | 20,965 |
| Assets..... | 164,921 | 154,318 | 150,714 |
| Deposits..... | 109,535 | 103,417 | 104,346 |
| Long-term debt..... | 21,876 | 21,027 | 18,679 |
| Total shareholders' equity..... | 15,168 | 13,947 | 12,574 |

*Without investment banking and brokerage activity.

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CONSOLIDATED BALANCE SHEET

| At December 31 (Dollars in Millions) | 2000 | 1999 |
|---|-----------|-----------|
| ASSETS | | |
| Cash and due from banks..... | \$ 8,475 | \$ 7,324 |
| Money market investments..... | 657 | 1,934 |
| Trading account securities..... | 753 | 617 |
| Investment securities | | |
| Held-to-maturity (fair value \$257 and \$200, respectively)..... | 252 | 194 |
| Available-for-sale..... | 17,390 | 17,255 |
| Loans held for sale..... | 764 | 670 |
| Loans | | |
| Commercial..... | 52,817 | 45,856 |
| Commercial real estate..... | 26,443 | 25,142 |
| Residential mortgages..... | 7,753 | 11,395 |
| Retail..... | 35,352 | 30,836 |
| Total loans..... | 122,365 | 113,229 |
| Less allowance for credit losses..... | 1,787 | 1,710 |
| Net loans..... | 120,578 | 111,519 |
| Premises and equipment..... | 1,836 | 1,865 |
| Customers' liability on acceptances..... | 183 | 167 |
| Goodwill and other intangible assets..... | 5,309 | 4,825 |
| Other assets..... | 8,724 | 7,948 |
| Total assets..... | \$164,921 | \$154,318 |

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LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|-----------|-----------|
| Deposits | | |
| Noninterest-bearing..... | \$ 26,633 | \$ 26,350 |
| Interest-bearing..... | 68,177 | 66,731 |
| Time deposits greater than \$100,000..... | 14,725 | 10,336 |
| <hr/> | | |
| Total deposits..... | 109,535 | 103,417 |
| Short-term borrowings..... | 11,833 | 10,558 |
| Long-term debt..... | 21,876 | 21,027 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company..... | | |
| | 1,400 | 1,400 |
| Acceptances outstanding..... | 183 | 167 |
| Other liabilities..... | 4,926 | 3,802 |
| <hr/> | | |
| Total liabilities..... | 149,753 | 140,371 |
| Shareholders' equity | | |
| Common stock, par value \$0.01 a share -- authorized 2,000,000,000 shares; issued: 2000 -- 1,943,541,593 shares; 1999 -- 1,938,856,001 shares..... | | |
| | 19 | 19 |
| Capital surplus..... | 4,276 | 4,259 |
| Retained earnings..... | 11,658 | 10,050 |
| Less cost of common stock in treasury: 2000 -- 41,458,159 shares; 1999 -- 10,346,823 shares..... | (880) | (224) |
| Other comprehensive income..... | 95 | (157) |
| <hr/> | | |
| Total shareholders' equity..... | 15,168 | 13,947 |
| <hr/> | | |
| Total liabilities and shareholders' equity..... | \$164,921 | \$154,318 |
| <hr/> | | |

See Notes to Consolidated Financial Statements.

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U.S. Bancorp

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data) 2000

| | | |
|--|------------|----|
| INTEREST INCOME | | |
| Loans..... | \$10,562.5 | \$ |
| Loans held for sale..... | 102.1 | |
| Investment securities | | |
| Taxable..... | 1,008.3 | |
| Non-taxable..... | 140.6 | |
| Money market investments..... | 53.9 | |
| Trading securities..... | 53.7 | |
| Other interest income..... | 151.4 | |
| <hr/> | | |
| Total interest income..... | 12,072.5 | 1 |
| INTEREST EXPENSE | | |
| Deposits..... | 3,618.8 | |
| Short-term borrowings..... | 781.7 | |
| Long-term debt..... | 1,510.4 | |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent | | |

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| | | | |
|--|------------|----|--|
| company..... | 112.0 | | |
| <hr/> | | | |
| Total interest expense..... | 6,022.9 | | |
| <hr/> | | | |
| Net interest income..... | 6,049.6 | | |
| Provision for credit losses..... | 828.0 | | |
| <hr/> | | | |
| Net interest income after provision for credit losses..... | 5,221.6 | | |
| <hr/> | | | |
| NONINTEREST INCOME | | | |
| Credit card and payment processing revenue..... | 992.1 | | |
| Trust and investment management fees..... | 926.2 | | |
| Deposit service charges..... | 551.1 | | |
| Cash management fees..... | 292.4 | | |
| Mortgage banking revenue..... | 189.9 | | |
| Trading account profits and commissions..... | 258.4 | | |
| Investment products fees and commissions..... | 466.6 | | |
| Investment banking revenue..... | 360.3 | | |
| Commercial product revenue..... | 304.4 | | |
| Securities gains, net..... | 8.1 | | |
| Other..... | 533.7 | | |
| <hr/> | | | |
| Total noninterest income..... | 4,883.2 | | |
| <hr/> | | | |
| NONINTEREST EXPENSE | | | |
| Salaries..... | 2,427.1 | | |
| Employee benefits..... | 399.8 | | |
| Net occupancy..... | 396.9 | | |
| Furniture and equipment..... | 308.2 | | |
| Postage..... | 174.5 | | |
| Goodwill..... | 242.8 | | |
| Other intangible assets..... | 149.5 | | |
| Merger and restructuring related charges..... | 348.7 | | |
| Other..... | 1,269.5 | | |
| <hr/> | | | |
| Total noninterest expense..... | 5,717.0 | | |
| <hr/> | | | |
| Income before income taxes..... | 4,387.8 | | |
| Applicable income taxes..... | 1,512.2 | | |
| <hr/> | | | |
| Net income..... | \$ 2,875.6 | \$ | |
| <hr/> | | | |
| Earnings per share..... | \$ 1.51 | \$ | |
| Diluted earnings per share..... | \$ 1.50 | \$ | |
| <hr/> | | | |
| Average common shares..... | 1,906.0 | | |
| Average diluted common shares..... | 1,918.5 | | |
| <hr/> | | | |

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

| (Dollars in Millions) | Preferred Stock | Common Stock | Capital Surplus | Retained Earnings | Treasury Stock |
|-----------------------|--------------------|-----------------|--------------------|----------------------|-------------------|
|-----------------------|--------------------|-----------------|--------------------|----------------------|-------------------|

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| | | | | | |
|--|--------|--------|-----------|------------|------------|
| BALANCE DECEMBER 31, 1997..... | \$ 5.3 | \$18.8 | \$3,970.8 | \$ 7,465.0 | \$ (175.0) |
| Net income..... | | | | 2,132.9 | |
| Unrealized gain on securities available for sale..... | | | | | |
| Reclassification adjustment for gains realized in net income... | | | | | |
| Income taxes..... | | | | | |
| Total comprehensive income..... | | | | | |
| Cash dividends declared on common stock..... | | | | (977.6) | |
| Cash dividends declared on preferred stock..... | | | | (.1) | |
| Conversion of preferred stock into common stock..... | (5.3) | | 4.7 | .5 | .1 |
| Issuance of common stock and treasury shares..... | | .5 | 423.4 | 137.7 | 422.9 |
| Purchase of treasury stock..... | | | | | (1,104.0) |
| Purchase and retirement of common stock and treasury stock..... | | | (107.0) | | 106.7 |
| Shares reserved to meet deferred compensation obligations..... | | | 9.1 | | (7.9) |
| Amortization of restricted stock..... | | | 37.7 | | |
| ESOP debt reduction, net..... | | | | | 1.8 |
| <hr/> | | | | | |
| BALANCE DECEMBER 31, 1998..... | \$ -- | \$19.3 | \$4,338.7 | \$ 8,758.4 | \$ (755.4) |
| <hr/> | | | | | |
| Net income..... | | | | 2,381.8 | |
| Unrealized loss on securities available for sale..... | | | | | |
| Reclassification adjustment for losses realized in net income..... | | | | | |
| Income taxes..... | | | | | |
| Total comprehensive income..... | | | | | |
| Cash dividends declared on common stock..... | | | | (1,090.8) | |
| Issuance of common stock and treasury shares..... | | .2 | 213.8 | | 1,377.0 |
| Purchase of treasury stock..... | | | | | (1,187.9) |
| Retirement of treasury stock.... | | (.1) | (343.8) | | 344.0 |
| Shares reserved to meet deferred compensation obligations..... | | | 2.1 | | (2.0) |
| Amortization of restricted stock..... | | | 47.8 | | |
| <hr/> | | | | | |
| BALANCE DECEMBER 31, 1999..... | \$ -- | \$19.4 | \$4,258.6 | \$10,049.4 | \$ (224.3) |
| <hr/> | | | | | |
| Net income..... | | | | 2,875.6 | |
| Unrealized gain on securities available for sale..... | | | | | |
| Foreign currency translation adjustment..... | | | | | |
| Reclassification adjustment for gains realized in net income... | | | | | |
| Income taxes..... | | | | | |

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| | | | | | |
|--|-------|--------|-----------|------------|------------|
| Total comprehensive income..... | | | | | |
| Cash dividends declared on common stock..... | | | | (1,267.0) | |
| Issuance of common stock and treasury shares..... | | | (35.0) | | 534.9 |
| Purchase of treasury stock..... | | | | | (1,182.2) |
| Shares reserved to meet deferred compensation obligations..... | | | 8.5 | | (8.5) |
| Amortization of restricted stock..... | | | 43.5 | | |
| BALANCE DECEMBER 31, 2000..... | \$ -- | \$19.4 | \$4,275.6 | \$11,658.0 | \$ (880.1) |

See Notes to Consolidated Financial Statements.

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U.S. Bancorp

CONSOLIDATED STATEMENT OF CASH FLOWS

| Year Ended December 31 (Dollars in Millions) | 2000 | 1999 | 1998 |
|---|------------|------------|------------|
| OPERATING ACTIVITIES | | | |
| Net income..... | \$ 2,875.6 | \$ 2,381.8 | \$ 2,133.0 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for credit losses..... | 828.0 | 646.0 | 493.0 |
| Depreciation and amortization of capitalized assets..... | 262.6 | 270.6 | 293.0 |
| Amortization of goodwill and other intangibles..... | 392.3 | 329.8 | 303.0 |
| Provision for deferred income taxes..... | 357.1 | 252.9 | 83.0 |
| Net (increase) decrease in trading securities..... | (135.6) | 65.6 | (183.0) |
| (Gain)/loss on sale of securities and other assets, net..... | (47.3) | 149.9 | |
| Mortgage loans originated for sale in the secondary market..... | (5,563.3) | (6,117.1) | (8,303.0) |
| Proceeds from sale of mortgage loans..... | 5,475.0 | 7,229.3 | 7,003.0 |
| Other assets and liabilities, net..... | (1.8) | (242.2) | (353.0) |
| Net cash provided by operating activities..... | 4,442.6 | 4,966.6 | 1,473.0 |
| INVESTING ACTIVITIES | | | |
| Securities | | | |
| Sales..... | 10,194.0 | 6,819.7 | 2,803.0 |
| Maturities..... | 2,127.7 | 5,290.7 | 7,593.0 |
| Purchases..... | (12,161.3) | (9,135.8) | (8,963.0) |
| Loans | | | |
| Sales..... | 6,655.8 | 4,136.0 | 913.0 |
| Purchases..... | (658.1) | (254.6) | (1,573.0) |
| Net increase in loans outstandings..... | (13,541.3) | (9,002.3) | (4,493.0) |
| Proceeds from sales of premises and equipment..... | 212.9 | 64.2 | 63.0 |
| Purchase of premises and equipment..... | (382.8) | (289.0) | (373.0) |
| Acquisitions, net of cash acquired..... | 840.9 | (220.5) | (533.0) |
| Divestitures of branches..... | (78.2) | (469.0) | 13.0 |
| Cash and cash equivalents of acquired subsidiaries..... | 63.5 | 462.4 | |
| Other, net..... | (289.1) | (961.3) | (143.0) |
| Net cash used in investing activities..... | (7,016.0) | (3,559.5) | (4,203.0) |

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FINANCING ACTIVITIES

| | | | |
|---|------------|------------|---------|
| Net change in | | | |
| Deposits..... | 3,403.7 | (3,034.9) | 1,20 |
| Short-term borrowings..... | 702.1 | 544.9 | (1,67 |
| Principal payments on long-term debt..... | (5,277.5) | (5,706.1) | (4,12 |
| Proceeds from long-term debt..... | 5,862.7 | 8,067.5 | 9,21 |
| Proceeds from issuance of common stock..... | 210.0 | 275.5 | 33 |
| Issuance of Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company... | -- | -- | 35 |
| Repurchase of common stock..... | (1,182.2) | (1,187.9) | (1,10 |
| Cash dividends paid..... | (1,271.3) | (1,029.7) | (92 |
| Other, net..... | -- | -- | |
| | | | |
| Net cash provided by (used in) financing activities..... | 2,447.5 | (2,070.7) | 3,27 |
| | | | |
| Change in cash and cash equivalents..... | (125.9) | (663.6) | 53 |
| Cash and cash equivalents at beginning of year..... | 9,257.5 | 9,921.1 | 9,38 |
| | | | |
| Cash and cash equivalents at end of year..... | \$ 9,131.6 | \$ 9,257.5 | \$ 9,92 |
| | | | |

See Notes to Consolidated Financial Statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

U.S. Bancorp (the "Company"), formerly known as Firststar Corporation, is the organization created by the acquisition by Firststar Corporation ("Firststar") of the former U.S. Bancorp ("USBM"). The new Company retained the U.S. Bancorp name. The Company is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. The Company provides a full range of financial services including lending and depository services through banking offices principally in 24 states. The Company also engages in credit card, merchant, and ATM processing, mortgage banking, insurance, trust and investment management, brokerage, leasing and investment banking activities principally in domestic markets.

BASIS OF PRESENTATION The consolidated financial statements include the accounts of the Company and its subsidiaries. The consolidation eliminates all significant intercompany accounts and transactions. Certain items in prior periods have been reclassified to conform to the current presentation.

USES OF ESTIMATES The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual experience could differ from those estimates.

BUSINESS SEGMENTS

Within the Company, financial performance is measured by major lines of business based on the products and services provided to customers through its distribution channels. The Company has seven reportable operating segments:

Consumer Banking delivers products and services to the broad consumer market and small businesses through banking offices, telemarketing, on-line services,

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direct mail and automated teller machines ('ATM'). It encompasses community banking, metropolitan banking, small business banking, consumer lending, mortgage banking, ATM banking, workplace banking, student banking, 24-hour phone banking, and investment sales.

Payment Systems includes consumer and business credit cards, corporate and purchasing card services, consumer lines of credit, ATM processing and merchant processing.

Wholesale Banking offers lending, depository, treasury management and other financial services to middle market, large corporate and public sector clients.

Private Client, Trust and Asset Management provides mutual fund processing services and trust, private banking and financial advisory services through four primary businesses including: the Private Client Group, Corporate Trust, Institutional Trust and Custody and its Mutual Fund Services, LLC. The business segment also offers investment management services to several client segments including mutual funds, institutional customers, and private asset management.

Capital Markets engages in equity and fixed income trading activities, offers investment banking and underwriting services for corporate and public sector customers and provides financial advisory services and securities, mutual funds, annuities and insurance products to consumers and regionally based businesses through a network of brokerage offices.

Treasury manages the Company's investment and residential mortgage portfolios, funding, capital management and asset securitization activities and the interest rate risk position. It also includes the net effect of transfer pricing related to loan and deposit balances.

Corporate Support primarily represents business activities managed on a corporate basis including income and expenses of enterprise-wide operations and administrative support functions.

SEGMENT RESULTS Accounting policies for the lines of business are the same as those used in preparation of the consolidated financial statements with respect to activities specifically attributable to each business line. However, the preparation of business line results requires management to establish methodologies to allocate funding costs and benefits, expenses and other financial elements to each line of business. For detail of these methodologies see "Basis of Presentation" on page 6. Table 1 "Line of Business

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U.S. Bancorp

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Financial Performance" on page 46 provides details of segment results. This information is incorporated by reference into these Notes to the Consolidated Financial Statements.

SECURITIES

TRADING ACCOUNT SECURITIES Debt and equity securities held for resale are classified as trading account securities and reported at fair value. Realized and unrealized gains or losses are recognized currently in noninterest income.

AVAILABLE-FOR-SALE SECURITIES These securities are not trading account securities but may be sold before maturity in response to changes in the Company's interest rate risk profile or demand for collateralized deposits by public entities. They are carried at fair value with unrealized net gains or losses reported within comprehensive income in shareholders' equity. When sold, the amortized cost of the specific securities is used to compute the gain or loss.

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HELD-TO-MATURITY SECURITIES Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts.

LOANS

Loans are reported net of unearned income. Interest income is accrued on the unpaid principal balances as earned. Loan and commitment fees are deferred and recognized over the life of the loan and/or commitment period as yield adjustments.

ALLOWANCE FOR CREDIT LOSSES Management determines the adequacy of the allowance based on evaluations of the loan portfolio and related off-balance sheet commitments, recent loss experience, and other pertinent factors, including economic conditions. This evaluation is inherently subjective as it requires estimates, including amounts of future cash collections expected on nonaccrual loans that may be susceptible to significant change. The allowance for credit losses relating to impaired loans is based on the loan's observable market price, the collateral for certain collateral-dependent loans, or the discounted cash flows using the loan's effective interest rate.

The Company determines the amount of the allowance required for certain sectors based on relative risk characteristics of the loan portfolio and other financial instruments with credit exposure. The allowance recorded for commercial loans is based on quarterly reviews of individual loans outstanding and binding commitments to lend and an analysis of the migration of commercial loans and actual loss experience. The allowance recorded for homogeneous consumer loans is based on an analysis of product mix, risk characteristics of the portfolio, fraud loss and bankruptcy experiences, and historical losses, adjusted for current trends, for each homogenous category or group of loans. The allowance is increased through provisions charged to operating earnings and reduced by net charge-offs.

NONACCRUAL LOANS Generally commercial loans (including impaired loans) are placed on nonaccrual status when the collection of interest or principal has become 90 days past due or is otherwise considered doubtful. When a loan is placed on nonaccrual status, unpaid interest is reversed. Future interest payments are generally applied against principal. Revolving consumer lines and credit cards are charged-off by 180 days and closed-end consumer loans other than residential mortgages are charged-off at 120 days past due and are, therefore, not placed on non-accrual status.

LEASES The Company engages in both direct and leveraged lease financing. The net investment in direct financing leases is the sum of all minimum lease payments and estimated residual values less unearned income. Unearned income is added to interest income over the terms of the leases to produce a level yield.

The investment in leveraged leases is the sum of all lease payments (less nonrecourse debt payments) plus estimated residual values, less unearned income. Income from leveraged leases is recognized over the term of the leases based on the unrecovered equity investment.

LOANS HELD FOR SALE These loans are carried at the lower of cost or market value as determined on an aggregate basis by type of loan.

OTHER REAL ESTATE Other real estate ("ORE"), which is included in other assets, is property acquired through foreclosure or other proceedings. ORE is initially recorded at fair value and carried at the lower of cost or fair value, less estimated selling costs. The property is evaluated regularly and any decreases in the carrying amount are included in noninterest expense.

DERIVATIVE FINANCIAL INSTRUMENTS

INTEREST RATE SWAPS AND CONTRACTS The Company uses interest rate swaps and contracts (forwards, options, caps and floors) to manage its interest rate risk and as a financial intermediary. The Company does not enter into these contracts for speculative purposes. The Company utilizes simulation modeling and analysis of repricing mismatches to identify exposure to changes in interest rates and assess the effectiveness of interest rate swaps and contracts in reducing that risk. Interest rate swaps and contracts are designated as hedges of assets or liabilities and the Company evaluates the hedge effectiveness of the derivative instruments relative to the underlying hedged item on a regular basis. Income or expense on swaps and contracts designated as hedges of assets or liabilities is recorded as an adjustment to interest income or expense. If the swap or contract is terminated, the gain or loss is deferred and amortized over the shorter of the remaining life of the swap or the underlying asset or liability. If the hedged instrument is disposed of, the swap or contract agreement is marked to market with any resulting gain or loss included with the gain or loss from the disposition.

The initial bid/offer spread on intermediated swaps is deferred and recognized in trading account profits and commissions over the life of the agreement. Intermediated swaps and all other interest rate contracts are marked to market and resulting gains or losses are recorded in trading account profits and commissions. The Company's derivative trading activities are not material to the consolidated financial statements; the cash flows from these activities are included in operating activities.

OTHER SIGNIFICANT POLICIES

PREMISES AND EQUIPMENT Premises and equipment are stated at cost less accumulated depreciation and amortized primarily on a straight-line method.

Capital leases, less accumulated amortization, are included in premises and equipment. The lease obligations are included in long-term debt. Capitalized leases are amortized on a straight-line basis over the lease term and the amortization is included in depreciation expense.

CAPITALIZED SOFTWARE Certain costs incurred in connection with developing or obtaining software for internal use are capitalized and amortized on a straight-line basis over the estimated life of the software.

MORTGAGE SERVICING RIGHTS Mortgage servicing rights associated with loans originated and sold, where servicing is retained, are capitalized and included in goodwill and other intangible assets in the consolidated balance sheet. The value of these capitalized servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenue and recorded in noninterest expenses as amortization of intangible assets. The carrying value of these rights is periodically reviewed for impairment based on fair value. For purposes of measuring impairment, the servicing rights are stratified based on the underlying loan type and note rate and compared to a valuation prepared based on a discounted cash flow methodology, current prepayment speeds and discount rate. Impairment is recognized through a valuation allowance for each impaired stratum and charged against amortization of intangible assets.

INTANGIBLE ASSETS Goodwill, the price paid over the net fair value of acquired businesses, is included in other assets and is amortized over periods ranging up to 25 years. Other intangible assets, including core deposit intangibles, are amortized over their estimated useful lives, which range from seven to fifteen years, using straight-line and accelerated methods. The recoverability of

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goodwill and other intangible assets is evaluated if events or circumstances indicate a possible inability to realize the carrying amount. Such evaluation is based on various analyses, including undiscounted cash flow projections.

INCOME TAXES Deferred taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and the financial reporting amounts at each year-end.

STATEMENT OF CASH FLOWS For purposes of reporting cash flows, cash and cash equivalents include cash and money market investments defined as interest bearing amounts due from banks, federal funds sold and securities purchased under agreements to resell.

STOCK-BASED COMPENSATION The Company grants stock options for a fixed number of shares to employees and directors with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and accordingly recognizes no compensation expense for the stock option grants.

PER SHARE CALCULATIONS Earnings per share is calculated by dividing net income (less preferred stock dividends) by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting income and outstanding shares, assuming conversion of all potentially dilutive securities, using the treasury stock method. All per share amounts have been restated for stock splits.

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NOTE 2 ACCOUNTING CHANGES

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," and SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities -- an Amendment to FASB Statement No. 133," establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The changes in the fair value of the derivative are recognized currently in earnings unless specific hedge accounting criteria are met. If the derivative qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged. The Company adopted SFAS 133 as of January 1, 2001. Transition adjustments related to adoption resulted in an after-tax loss of approximately \$4.1 million to net income and an after tax increase of \$5.2 million to other comprehensive income.

ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES SFAS 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," established accounting and reporting standards for sales and servicing of financial assets, securitization transactions and the extinguishment of liabilities. The statement replaced SFAS 125 and provided clarification of issues related to qualified special purpose entities and additional disclosures about securitizations and residual interests retained. SFAS 140 is effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. Disclosures required for financial statements were effective for fiscal years ending after December 15, 2000.

NOTE 3 BUSINESS COMBINATIONS

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On February 27, 2001, Firststar and USBM merged in a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies. Each share of Firststar stock was converted into and exchanged for one share of the Company's common stock while each share of USBM stock was converted into and exchanged for 1.265 shares of the Company's common stock. The new Company retained the U.S. Bancorp name.

On September 20, 1999, Firststar and Mercantile Bancorporation, Inc., merged in a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies. Each share of Mercantile Bancorporation stock was converted into and exchanged for 2.091 shares of Firststar common stock.

On November 20, 1998, Firststar Corporation and Star Banc Corporation merged in a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies. Each share of Star Banc Corporation stock was converted into and exchanged for one share of new Firststar common stock while each share of old Firststar Corporation stock was converted into and exchanged for .76 of a share of new Firststar common stock.

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Separate results of operations as originally reported on a condensed basis of Firststar, Star Banc Corporation, Mercantile Bancorporation, Inc. and USBM, for the periods prior to the mergers were as follows:

| (Dollars in Millions) | Year Ended December 31 | | |
|-------------------------------------|------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| NET INTEREST INCOME | | | |
| Firststar..... | \$ 2,699 | \$ 2,643 | \$ 1,413 |
| USBM..... | 3,471 | 3,261 | 3,061 |
| Mercantile Bancorporation, Inc..... | -- | -- | 1,123 |
| Star Banc Corporation..... | -- | -- | -- |
| Total..... | \$ 6,170 | \$ 5,904 | \$ 5,597 |
| NET INCOME | | | |
| Firststar..... | \$ 1,284 | \$ 875 | \$ 430 |
| USBM..... | 1,592 | 1,507 | 1,328 |
| Mercantile Bancorporation, Inc..... | -- | -- | 375 |
| Star Banc Corporation..... | -- | -- | -- |
| Total..... | \$ 2,876 | \$ 2,382 | \$ 2,133 |
| TOTAL ASSETS AT PERIOD END | | | |
| Firststar..... | \$77,585 | \$72,788 | \$38,476 |
| USBM..... | 87,336 | 81,530 | 76,438 |
| Mercantile Bancorporation, Inc..... | -- | -- | 35,800 |
| Star Banc Corporation..... | -- | -- | -- |
| Total..... | \$164,921 | \$154,318 | \$150,714 |

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During the past three years, the Company has completed several strategic acquisitions to enhance its presence in certain growth markets and businesses. The following table summarizes acquisitions by the Company and its acquirees completed during the past three years, treating Star Banc Corporation as the original acquiring company:

| (Dollars in Millions) | Date | Assets | Deposits | Goodwill Othe Intangible |
|---|------------------|--------|----------|--------------------------------|
| Scripps Financial Corporation..... | October 2000 | \$ 650 | \$ 618 | \$ 113 |
| Lyon Financial Services, Inc..... | September 2000 | 1,289 | -- | 124 |
| Oliver-Allen Corporation..... | April 2000 | 280 | -- | 34 |
| Peninsula Bank..... | January 2000 | 491 | 452 | 71 |
| Western Bancorp..... | November 1999 | 2,508 | 2,105 | 773 |
| Mercantile Bancorporation..... | September 1999 | 35,520 | 24,334 | -- |
| Voyager Fleet Systems, Inc..... | September 1999 | 43 | -- | 25 |
| Bank of Commerce..... | July 1999 | 638 | 529 | 269 |
| Mellon Network Services' Electronic Funds Transfer Processing Unit.... | June 1999 | -- | -- | 78 |
| Libra Investments, Inc..... | January 1999 | 33 | -- | 4 |
| Northwest Bancshares, Inc..... | December 1998 | 377 | 344 | 90 |
| Firststar Corporation..... | November 1998 | 20,688 | 14,560 | -- |
| First Financial Bancorporation..... | September 1998 | 558 | 478 | -- |
| Financial Services Corporation of the Midwest..... | August 1998 | 514 | 414 | -- |
| Trans Financial, Inc..... | August 1998 | 2,409 | 1,620 | -- |
| Cargill Leasing Corporation..... | July 1998 | 613 | -- | 64 |
| CBT Corporation..... | July 1998 | 1,006 | 696 | -- |
| Firstbank of Illinois Co..... | July 1998 | 2,285 | 1,970 | -- |
| Piper Jaffray Companies, Inc..... | May 1998 | 1,272 | -- | 555 |
| HomeCorp, Inc..... | March 1998 | 335 | 309 | -- |
| Horizon Bancorp, Inc..... | February 1998 | 537 | 454 | -- |
| Great Financial Corporation..... | February 1998 | 2,809 | 2,001 | 363 |
| Branches of: | | | | |
| First Union..... | December 2000 | 424 | 1,779 | 359 |
| Bank One..... | June/August 1998 | 193 | 1,198 | 137 |

| (Dollars in Millions) | Shares Issued | Accounting Method |
|---|---------------|----------------------|
| Scripps Financial Corporation..... | 9,406,023 | Purchase |
| Lyon Financial Services, Inc..... | -- | Purchase |
| Oliver-Allen Corporation..... | 3,343,026 | Purchase |
| Peninsula Bank..... | 5,112,584 | Purchase |
| Western Bancorp..... | 35,127,108 | Purchase |
| Mercantile Bancorporation..... | 331,772,028 | Pooling |
| Voyager Fleet Systems, Inc..... | -- | Purchase |
| Bank of Commerce..... | 11,749,269 | Purchase |
| Mellon Network Services' Electronic Funds Transfer Processing Unit.... | -- | Purchase |
| Libra Investments, Inc..... | 1,299,504 | Purchase |
| Northwest Bancshares, Inc..... | -- | Purchase |
| Firststar Corporation..... | 331,737,543 | Pooling |
| First Financial Bancorporation..... | 6,563,279 | Pooling |

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| | | |
|--|------------|----------|
| Financial Services Corporation of the Midwest..... | 4,331,398 | Pooling |
| Trans Financial, Inc..... | 32,100,000 | Pooling |
| Cargill Leasing Corporation..... | -- | Purchase |
| CBT Corporation..... | 10,712,640 | Pooling |
| Firstbank of Illinois Co..... | 27,920,372 | Pooling |
| Piper Jaffray Companies, Inc..... | -- | Purchase |
| HomeCorp, Inc..... | 1,787,303 | Pooling |
| Horizon Bancorp, Inc..... | 5,331,987 | Pooling |
| Great Financial Corporation..... | 28,500,000 | Purchase |
| Branches of: | | |
| First Union..... | -- | Purchase |
| Bank One..... | -- | Purchase |

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NOTE 4

MERGER AND RESTRUCTURING CHARGES

The Company recorded merger and restructuring charges of \$348.7 million, \$532.8 million and \$593.8 million in 2000, 1999 and 1998, respectively. These charges were primarily related to the Company's various acquisitions (see Note 3) and included primarily severance and systems conversion costs. Merger and restructuring charges in 1998 includes \$45.1 million of restructuring costs associated with Mercantile Bancorporation's centralization, branch closing and consolidation of operations effort prior to its acquisition by the Company. The components of the charges are shown below:

| (Dollars in Millions) | Mercantile | Firststar | USBC* |
|--|------------|-----------|---------|
| 2000 | | | |
| Severance..... | \$ 43.0 | \$ 16.3 | \$ -- |
| Systems conversions..... | 115.2 | 19.0 | -- |
| Asset writedowns and lease terminations..... | 42.7 | 4.6 | -- |
| Charitable contributions..... | -- | -- | -- |
| Other merger-related charges..... | 26.1 | 12.7 | -- |
| Total 2000..... | \$227.0 | \$ 52.6 | \$ -- |
| 1999 | | | |
| Severance..... | \$131.0 | \$ 10.6 | \$ 8.0 |
| Systems conversions..... | 19.5 | 78.9 | 4.4 |
| Asset writedowns and lease terminations..... | .2 | 4.4 | 1.6 |
| Charitable contributions..... | 35.0 | -- | -- |
| Loss on sale of securities..... | 177.8 | -- | -- |
| Other merger-related charges..... | 46.0 | 2.0 | 18.6 |
| Total 1999..... | \$409.5 | \$ 95.9 | \$ 32.6 |
| 1998 | | | |
| Severance..... | \$ -- | \$ 80.0 | \$ -- |
| Systems conversions..... | -- | 26.9 | 229.4 |
| Asset writedowns and lease terminations..... | -- | 44.4 | -- |
| Benefit curtailment gains..... | -- | -- | (25.6) |
| Charitable contributions..... | -- | 20.0 | -- |
| Other merger-related charges..... | -- | 39.7 | -- |
| Total 1998..... | \$ -- | \$211.0 | \$203.8 |

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* Represents the former U.S. Bancorp of Portland acquired in 1997 by USBM.

The Company determines merger-related charges and related accruals based on its integration strategy and formulated plans. These plans are established as of the acquisition date and regularly evaluated during the integration process.

Severance charges include the cost of severance, other benefits and outplacement costs associated with the termination of employees primarily in branch offices and centralized corporate support and data processing functions. The severance amounts are determined based on the Company's existing severance pay programs and are paid out over a benefit period of up to two years from the time of termination. The total number of employees included in severance amounts were approximately 3,635 for USBC, 2,000 for Firststar, 2,400 for Mercantile and 520 for other acquisitions. The adequacy of the accrued severance liability is reviewed periodically taking into consideration actual payments and remaining projected payment liabilities. Adjustments are made to increase or decrease these accruals as needed. Reversals of expenses can reflect a lower utilization of benefits by affected staff, changes in initial assumptions as a result of subsequent mergers and alterations of business plans.

Systems conversion costs are recorded as incurred and are associated with the preparation and mailing of numerous customer communications for the acquisitions and conversion of customer accounts, printing and distribution of training materials and policy and procedure manuals, outside consulting fees, and other expenses related to system conversions and the integration of acquired branches and operations.

Asset writedowns and lease terminations represent lease termination costs and impairment of assets for redundant office space, branches that will be vacated and equipment disposed of as part of the integration plan.

In connection with certain mergers, the Company has made charitable contributions at the time of merger to reaffirm the Company's commitment to a market or as part of specific conditions necessary to achieve regulatory approval. These contributions are generally funded up-front and represent costs that would not have been incurred

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had the merger not occurred. Charitable contributions are charged to merger and restructuring expenses or considered in determining the acquisition cost at the applicable closing date.

Other merger-related expenses are recorded as incurred and include investment banking fees, legal fees and stock registration fees. The following table presents a summary of activity with respect to the merger and restructuring related accruals:

| (Dollars in Millions) | Mercantile | Firststar | USBC |
|---|------------|-----------|----------|
| Balance at December 31, 1997..... | \$ -- | \$ -- | \$ 189.0 |
| Provision charged to operating expense..... | -- | 211.0 | 203.8 |
| Additions related to purchase acquisitions..... | -- | -- | -- |
| Cash outlays..... | -- | (78.7) | (273.6) |
| Noncash writedowns and other..... | -- | (7.1) | (37.9) |

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| | | | |
|---|---------|---------|--------|
| Balance at December 31, 1998..... | -- | 125.2 | 81.3 |
| Provision charged to operating expense..... | 409.4 | 95.8 | 32.6 |
| Additions related to purchase acquisitions..... | -- | -- | -- |
| Cash outlays..... | (182.8) | (176.5) | (36.0) |
| Noncash writedowns and other..... | (27.7) | (44.5) | (28.2) |
| Loss on sale of securities..... | (177.7) | -- | -- |
| Transfer of tax liability*..... | -- | -- | (33.8) |
| <hr/> | | | |
| Balance at December 31, 1999..... | 21.2 | -- | 15.9 |
| Provision charged to operating expense..... | 227.0 | 52.6 | -- |
| Additions related to purchase acquisitions..... | -- | -- | -- |
| Cash outlays..... | (197.9) | (52.6) | (11.2) |
| Noncash writedowns and other..... | (50.3) | -- | (4.7) |
| <hr/> | | | |
| Balance at December 31, 2000..... | \$ -- | \$ -- | \$ -- |

*The liability relates to certain severance related items.

The components of the merger related accrual were as follows:

| (Dollars in Millions) | December 31 | |
|---|-------------|---------|
| | 2000 | 1999 |
| Severance..... | \$13.8 | \$ 55.8 |
| Other employee-related costs..... | 6.8 | 16.6 |
| Lease termination and facility costs..... | 8.4 | 9.5 |
| Contracts and system writeoffs..... | 7.4 | 6.4 |
| Other..... | 13.4 | 14.9 |
| <hr/> | | |
| Total..... | \$49.8 | \$103.2 |

The merger related accrual by significant acquisition was as follows:

| (Dollars in Millions) | December 31 | |
|------------------------------------|-------------|---------|
| | 2000 | 1999 |
| Piper Jaffray Companies, Inc..... | \$15.0 | \$ 17.5 |
| Western Bancorp..... | 5.1 | 20.8 |
| Scripps Financial Corporation..... | 4.6 | -- |
| Bank of Commerce..... | 4.1 | 7.5 |
| Peninsula Bank..... | 3.0 | -- |
| Lyon Financial Services, Inc..... | 2.7 | -- |
| Northwest Bancshares, Inc..... | 2.3 | 3.5 |
| USBC..... | -- | 15.9 |
| Mercantile Bancorporation..... | -- | 21.2 |
| Other acquisitions..... | 13.0 | 16.8 |
| <hr/> | | |
| Total..... | \$49.8 | \$103.2 |

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In connection with the merger of Firststar and USBM, management estimates the Company will incur pre-tax merger related charges of approximately \$970 million. These are currently estimated to include \$188 million in employee related costs, \$327 million for conversions of systems and consolidation of operations, \$104 million in

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occupancy and equipment charges (elimination of duplicate facilities and write-off of equipment), \$178 million of charges related to credit and other balance sheet restructuring activities and \$173 million in other merger related costs (including investment banking fees, legal fees and other transaction costs of \$59 million and \$76 million of charitable contribution to foundations).

In addition to the estimated expenses of the Firststar and USBM merger, the Company expects to incur an additional \$101 million, pretax, of merger and restructuring related expenses primarily in 2001 as a result of prior years' acquisitions.

NOTE 5
RESTRICTIONS ON CASH AND DUE FROM BANKS

Bank subsidiaries are required to maintain minimum average reserve balances with the Federal Reserve Bank. The amount of those reserve balances was approximately \$389 million at December 31, 2000.

NOTE 6
INVESTMENT SECURITIES

The detail of the amortized cost, gross unrealized holding gains and losses, and fair value of held-to-maturity and available-for-sale securities at December 31 was as follows:

| (Dollars in Millions) | 2000 | | | | Fair Value |
|--|-----------------|--------------------------------|---------------------------------|----------------|-----------------|
| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | | |
| Held-to-maturity: | | | | | |
| U.S. Treasuries and agencies..... | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Mortgage-backed securities..... | 36 | -- | -- | -- | 36 |
| Obligations of state and political subdivisions..... | 216 | 5 | -- | -- | 221 |
| Total held-to-maturity securities.... | \$ 252 | \$ 5 | \$ -- | \$ -- | \$ 257 |
| Available-for-sale: | | | | | |
| U.S. Treasuries and agencies..... | \$ 1,600 | \$ 27 | \$ (3) | \$ (3) | \$ 1,624 |
| Mortgage-backed securities..... | 11,800 | 128 | (35) | (35) | 11,893 |
| Obligations of state and political subdivisions..... | 2,370 | 41 | (2) | (2) | 2,407 |
| Other..... | 1,472 | 21 | (29) | (29) | 1,464 |
| Total available-for-sale securities..... | \$17,242 | \$217 | \$ (69) | \$ (69) | \$17,390 |

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| (Dollars in Millions) | 1999 | |
|---|--|---------------|
| | Gross Unrealized Holding Losses | Fair Value |
| ----- | | |
| Held-to-maturity: | | |
| U.S. Treasuries and agencies..... | \$ -- | \$ -- |
| Mortgage-backed securities..... | -- | 45 |
| Obligations of state and political subdivisions..... | -- | 155 |
| ----- | | |
| Total held-to-maturity securities.... | \$ -- | \$ 200 |
| ----- | | |
| Available-for-sale: | | |
| U.S. Treasuries and agencies..... | \$ (21) | \$ 2,363 |
| Mortgage-backed securities..... | (193) | 9,461 |
| Obligations of state and political subdivisions..... | (18) | 2,738 |
| Other..... | (88) | 2,693 |
| ----- | | |
| Total available-for-sale securities..... | \$ (320) | \$17,255 |
| ----- | | |

Securities carried at \$13.3 billion at December 31, 2000, and \$10.7 billion at December 31, 1999, were pledged to secure public, private and trust deposits and for other purposes required by law. Securities sold under agreements to repurchase were collateralized by securities and securities purchased under agreements to resell with an amortized cost of \$1.0 billion and \$1.2 billion at December 31, 2000, and 1999, respectively.

The following table provides information as to the amount of gross gains and (losses) realized through the sales of available-for-sale investment securities. Included in the gross losses below for 1999 is \$177.7 million related to the Mercantile balance sheet restructuring. These losses were included in merger and restructuring related expense.

| (Dollars in Millions) | 2000 | 1999 | 1998 |
|--|---------|------------|--------|
| ----- | | | |
| Gross realized gains..... | \$ 23.1 | \$ 31.1 | \$36.4 |
| Gross realized losses..... | (15.0) | (195.6) | (7.3) |
| ----- | | | |
| Net realized gains (losses)..... | \$ 8.1 | \$ (164.5) | \$29.1 |
| ----- | | | |
| Income tax (benefit) on realized gains (losses)..... | \$ 2.8 | \$ (57.9) | \$10.5 |
| ----- | | | |

For amortized cost, fair value and yield by maturity date of held-to-maturity and available-for-sale securities outstanding as of December 31, 2000, see Table 9 from which such information is incorporated by reference into these Notes to Consolidated Financial Statements.

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NOTE 7
LOANS AND ALLOWANCE FOR CREDIT LOSSES

The composition of the loan portfolio at December 31, 2000 was as follows:

| (Dollars in Millions) | 2000 | 1999 |
|-----------------------------------|-----------|-----------|
| COMMERCIAL | | |
| Commercial..... | \$ 47,041 | \$ 42,021 |
| Lease financing..... | 5,776 | 3,835 |
| Total commercial..... | 52,817 | 45,856 |
| COMMERCIAL REAL ESTATE | | |
| Commercial mortgages..... | 19,466 | 18,636 |
| Construction and development..... | 6,977 | 6,506 |
| Total commercial real estate..... | 26,443 | 25,142 |
| RESIDENTIAL MORTGAGES..... | 7,753 | 11,395 |
| RETAIL | | |
| Credit card..... | 6,012 | 5,004 |
| Retail leasing..... | 4,153 | 2,123 |
| Other retail..... | 25,187 | 23,709 |
| Total retail..... | 35,352 | 30,836 |
| Total loans..... | \$122,365 | \$113,229 |

Loans are presented net of unearned interest which amounted to \$1.1 billion and \$553.2 million at December 31, 2000 and 1999, respectively. The Company had loans of \$7.8 billion at December 31, 2000, and \$3.5 billion at December 31, 1999 pledged at the Federal Home Loan Bank ("FHLB"). Loans of \$3.6 billion at December 31, 2000, and \$3.7 billion at December 31, 1999, were pledged by USBM at the Federal Reserve Bank.

The following table lists information related to nonperforming loans as of December 31.

| (Dollars in Millions) | 2000 | 1999 |
|--|---------|---------|
| Loans on nonaccrual status..... | \$765.0 | \$518.0 |
| Renegotiated loans..... | -- | 2.0 |
| Total nonperforming loans..... | \$765.0 | \$520.0 |
| Interest income that would have been recognized at original contractual terms..... | 72.2 | 47.2 |
| Amount recognized as interest income..... | 21.4 | 17.7 |
| Forgone revenue..... | \$ 50.8 | \$ 29.5 |

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Activity in the allowance for credit losses was as follows:

| (Dollars in Millions) | 2000 | 1999 | |
|---|-----------|-----------|------|
| Balance at beginning of year..... | \$1,710.3 | \$1,705.7 | \$1, |
| Add: | | | |
| Provision charged to operating expense..... | 828.0 | 646.0 | |
| Deduct: | | | |
| Loans charged off..... | 1,017.6 | 902.8 | |
| Less recoveries of loans charged off..... | 192.2 | 230.2 | |
| Net loans charged off..... | 825.4 | 672.6 | |
| Acquisitions and other changes..... | 74.0 | 31.2 | |
| Balance at end of year..... | \$1,786.9 | \$1,710.3 | \$1, |

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A portion of the allowance for credit losses is allocated to loans deemed impaired. All impaired loans are included in nonperforming assets. A summary of these loans and the related allowance for loan losses is as follows:

| (Dollars in Millions) | 2000 | | 1999 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | Recorded Investment | Valuation Allowance | Recorded Investment | Valuation Allowance |
| Impaired Loans: | | | | |
| Valuation allowance required..... | \$198 | \$57 | \$ 22 | \$ |
| No valuation allowance required..... | 486 | -- | 397 | -- |
| Total impaired loans..... | \$684 | \$57 | \$419 | \$ |
| Average balance of impaired loans during year... | \$526 | | \$408 | |
| Interest income recognized on impaired loans during year..... | 7.8 | | 3.3 | |

Commitments to lend additional funds to customers whose loans were classified as nonaccrual or renegotiated at December 31, 2000, totaled \$22.3 million. During 2000, there were no loans that were restructured at market interest rates and returned to a fully performing status.

NOTE 8

TRANSFERS AND SERVICING OF FINANCIAL ASSETS

RECEIVABLE SALES When the Company sells receivables or selected financial assets, it may retain interest-only strips, servicing rights and/or other retained interests in the receivables. The gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, allocated between the assets sold and the

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retained interests based on their relative fair values at the date of transfer. Market prices are used to determine retained interest fair values when readily available. However, quotes are generally not available for retained interests, so the Company estimates fair value based on the present value of future expected cash flows using management's best estimates of certain key assumptions including credit losses, prepayment speeds, forward yield curves and discount rates commensurate with the risks involved. Retained interests recorded to date have been valued using a discounted cash flow methodology.

At least quarterly, the Company revalues the retained interests by obtaining market prices if available or by calculating the present value of remaining cash flows. When using a present value methodology, key assumptions from the most recent valuation, including asset specific characteristics, are reviewed for appropriateness and updated as necessary.

The Company has established a securitization trust which holds short-term commercial loans that were originated by the Company. These loans totaled \$2.0 billion at December 31, 2000 and included net sales of originated loans to the trust of approximately \$3.7 billion during 2000. The Company received \$18 million in servicing fee revenue from the trust during 2000. Under a credit enhancement agreement with the trust, the Company may repurchase assets or provide alternative funding to the trust if the credit quality of the assets held falls below certain levels. No funding or repurchase of assets occurred during 2000.

The Company also established a securitization trust which held credit card receivables originated by the Company. This trust was terminated in December 2000 and \$509 million of credit card receivables were transferred from the trust to the Company in exchange for the seller's certificates held by the Company. During the period in 2000 that the trust was in existence, \$665 million of credit card collections were reinvested in the trust. The Company received \$18 million in servicing fee revenue from the trust in 2000 and recorded a \$2.2 million gain upon the termination of the trust.

For the year ended December 31, 2000, the Company sold \$255.7 million of the U.S. government guaranteed portions of loans originated under Small Business Administration (SBA) programs, recognizing a pre-tax gain on sale of \$10.6 million. The SBA covers losses occurring on these guaranteed portions.

Although the Company has no credit recourse relating to these sales, it does continue to own a portion of the non-guaranteed elements of the loans.

The Company continues to service the loans and is required under the SBA programs to retain specified yield amounts. A portion of the yield is recognized as servicing fee income as it occurs, and the remainder is capitalized as an excess servicing asset and is included in the gain on sale calculation.

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SERVICING ASSET POSITION

| (Dollars in Millions) | SBA Loans |
|--|--------------|
| ----- | |
| Servicing assets at December 31, 1999..... | \$ 4.3 |
| Servicing assets recognized during the period..... | 4.0 |
| Amortization..... | (1.4) |
| | ----- |

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Servicing assets at December 31, 2000..... \$ 6.9

No valuation allowances were required during 2000. Servicing assets are reported in aggregate but measured on a transaction specific basis. Market values were determined using discounted cash flows, utilizing the assumptions noted in the table below. Key economic assumptions used in valuing servicing assets at the date of sale resulting from sales completed during 2000 were as follows:

| (Dollars in Millions) | 2000 SBA Loans (1) |
|--------------------------------------|-----------------------|
| Fair value of assets recognized..... | \$7.9 |
| Prepayment speed(2)..... | 21 CPR |
| Weighted average life (years)..... | 3.9 |
| Expected credit losses..... | Not Applicable |
| Discount rate..... | 12% |
| Variable returns to transferees..... | Not Applicable |

1. All loans were adjustable based on the Wall Street Journal Prime rate.
2. The Company used a prepayment vector based on loan seasoning for valuation. The given speed was the effective prepayment speed that yields the same weighted average life calculated using the prepayment vector.

RESIDUAL ECONOMIC ASSUMPTIONS AND ADVERSE CHANGES

The Company has retained interests on the following asset sales: \$1.8 billion sale of indirect automobile loans on September 24, 1999, \$420 million sale of corporate and purchasing card receivables on February 27, 1997, and sales of SBA loans since 1988.

At December 31, 2000, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions were as follows:

| At December 31, 2000 (Dollars in Millions) | Indirect Automobile Loans | SBA Loans (1) | Co Receiva |
|---|---------------------------------|------------------|---------------|
| Carrying amount/fair value of retained interests..... | \$46.2 | \$4.2 | |
| Weighted-average life (in years)..... | 1.0 | 3.9 | |
| PREPAYMENT SPEED ASSUMPTION (ANNUAL RATE) (3,4)..... | 1.5 ABS | 21 CPR | |
| Impact on fair value of 10% adverse change..... | \$ (.3) | \$ (.3) | |
| Impact on fair value of 20% adverse change..... | \$ (.7) | \$ (.6) | |
| EXPECTED CREDIT LOSSES (CUMULATIVE)..... | 1.6% | -- | |
| Impact on fair value of 10% adverse change..... | \$ (1.2) | -- | |
| Impact on fair value of 20% adverse change..... | \$ (2.4) | -- | |
| RESIDUAL CASH FLOWS DISCOUNT RATE (ANNUAL)..... | 12.0% | 12.0% | |
| Impact on fair value of 10% adverse change..... | \$ (.6) | \$ (.2) | |
| Impact on fair value of 20% adverse change..... | \$ (1.2) | \$ (.3) | |

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| | | |
|--|----|----|
| INTEREST RATES ON VARIABLE AND ADJUSTABLE CONTRACTS..... | NA | NA |
| Impact on fair value of 10% adverse change..... | NA | NA |
| Impact on fair value of 20% adverse change..... | NA | NA |

1. Credit losses are covered by the appropriate SBA loan program and are not included in retained interests. Principal reductions caused by defaults are included in the prepayment assumption.
2. Retained interest is effectively a single period receivable that is paid and renewed each month during the revolving period. Therefore, no assumptions are used in its estimate. Losses are recognized in the period they occur.
3. The Company uses prepayment vectors based on loan seasoning for valuation. The given speed is the effective prepayment speed that yields the same weighted average life calculated using the prepayment vector.
4. ABS is the absolute prepayment rate and is the auto industry's standard measure of prepayment speed. CPR is the constant prepayment rate.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in this table the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; however, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

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OTHER INFORMATION

The table below summarizes certain cash flows received from and paid to special purpose entities for the loan sales described above:

| (Dollars in Millions) | Year Ended December 31 2000 |
|---|-----------------------------------|
| Proceeds from new sales..... | \$ 3,966.3 |
| Proceeds from corporate and credit card securitization(1)... | 8,042.7 |
| Reinvestment in corporate and credit card securitization receivables(2)..... | (7,972.9) |
| Servicing fees received..... | 52.9 |
| Other cash flows received on retained interests(2)..... | 34.2 |
| Purchases of delinquent or foreclosed assets..... | -- |

1. The corporate and credit card, securitizations are revolving transaction where proceeds are reinvested until its legal termination. The indirect automobile and SBA loan sales are amortizing transaction where the cash flow is used to pay amounts due to investors.
2. This amount represents total cash flows received from retained interests by the Company other than servicing fees. Other cash flows include, for example, all cash flows from interest-only strips and cash above the minimum required level in cash collateral accounts.

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Quantitative information relating to loan sales and managed assets is given below:

| Asset Type (Dollars in Millions) | December 31, | |
|----------------------------------|-------------------------|---------------------|
| | Period Ended | |
| | Total Principal Balance | Delinquent* Balance |
| Commercial loans..... | \$ 17,382 | \$ 50 |
| Indirect automobile loans..... | 1,242 | 21 |
| Guaranteed SBA loans..... | 828 | 11 |
| Corporate card receivables..... | 815 | 27 |
| Credit card receivables..... | 2,219 | 70 |
| Total loans managed..... | \$ 22,486 | \$ 179 |
| Less: | | |
| Loans sold or securitized..... | 3,853 | |
| Loans held in portfolio..... | \$ 18,633 | |

*Principal amount 60 days or more past due.

NOTE 9

PREMISES AND EQUIPMENT

Premises and equipment at December 31 consisted of the following:

| (Dollars in Millions) | 2000 | 1999 |
|---|---------|---------|
| Land..... | \$ 276 | \$ 282 |
| Buildings and improvements..... | 1,786 | 1,960 |
| Furniture, fixtures and equipment..... | 1,888 | 1,752 |
| Capitalized building and equipment leases..... | 171 | 108 |
| Construction in progress..... | 48 | 46 |
| | 4,169 | 4,148 |
| Less accumulated depreciation and amortization..... | 2,333 | 2,283 |
| Total..... | \$1,836 | \$1,865 |

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NOTE 10

MORTGAGE SERVICING RIGHTS

Changes in capitalized mortgage servicing rights are summarized as follows:

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| (Dollars in Millions) | 2000 | 1999 |
|-----------------------------------|--------|--------|
| Balance at beginning of year..... | \$ 213 | \$ 232 |
| Rights purchased..... | 16 | 1 |
| Rights capitalized..... | 137 | 170 |
| Amortization..... | (35) | (47) |
| Rights sold..... | (101) | (144) |
| Impairment..... | (1) | -- |
| Balance at end of year..... | \$ 229 | \$ 212 |

The fair value of capitalized mortgage servicing rights was \$244.8 million on December 31, 2000 and \$269.1 million on December 31, 1999. At December 31, 2000, the reduction in the current fair value of mortgage servicing rights to immediate 25 and 50 basis point adverse interest rate changes would be approximately \$11.2 million and \$25.2 million, respectively. The Company has purchased principal-only securities that act as a partial economic hedge to this possible adverse interest rate change. The Company serviced \$17.0 billion and \$19.5 billion of mortgage loans for other investors as of December 31, 2000 and 1999, respectively.

NOTE 11
INTANGIBLE ASSETS

The following is a summary of intangible assets at December 31, which are included in the consolidated balance sheet:

| (Dollars in Millions) | 2000 | 1999 |
|-----------------------------------|---------|---------|
| Goodwill..... | \$4,312 | \$3,790 |
| Core deposit benefits..... | 374 | 407 |
| Mortgage servicing rights..... | 229 | 212 |
| Other identified intangibles..... | 394 | 416 |
| Total intangible assets..... | \$5,309 | \$4,825 |

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NOTE 12
SHORT-TERM BORROWINGS

The following table is a summary of short-term borrowings for the last three years:

| (Dollars in Millions) | 2000 | | 1999 | |
|-----------------------|--------|------|--------|------|
| | Amount | Rate | Amount | Rate |
| At year end | | | | |

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| | | | | |
|---|------------------|-------------|------------------|-----------|
| Federal funds purchased..... | \$ 2,849 | 5.8% | \$ 5,489 | 4. |
| Securities sold under agreements to repurchase..... | 3,347 | 4.6 | 3,174 | 3. |
| Commercial paper..... | 223 | 6.4 | 170 | 4. |
| Treasury, tax and loan notes..... | 776 | 5.2 | 619 | 5. |
| Other short-term borrowings..... | 4,638 | 6.1 | 1,106 | 5. |
| Total..... | \$ 11,833 | 5.6% | \$ 10,558 | 4. |
| ----- | | | | |
| Average for the year | | | | |
| Federal funds purchased..... | \$ 5,690 | 6.2% | \$ 5,898 | 5. |
| Securities sold under agreements to repurchase..... | 3,028 | 4.8 | 3,128 | 4. |
| Commercial paper..... | 215 | 6.3 | 370 | 5. |
| Treasury, tax and loan notes..... | 912 | 6.1 | 577 | 4. |
| Other short-term borrowings..... | 2,741 | 7.7 | 1,734 | 6. |
| Total..... | \$ 12,586 | 6.2% | \$ 11,707 | 5. |
| ----- | | | | |
| Maximum month-end balance | | | | |
| Federal funds purchased..... | \$ 7,807 | | \$ 7,080 | |
| Securities sold under agreements to repurchase..... | 3,415 | | 3,278 | |
| Commercial paper..... | 300 | | 397 | |
| Treasury, tax and loan notes..... | 3,578 | | 1,435 | |
| Other short-term borrowings..... | 4,920 | | 4,945 | |

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NOTE 13
LONG-TERM DEBT

Long-term debt (debt with original maturities of more than one year) at December 31 consisted of the following:

| (Dollars in Millions) | 2000 | 1999 |
|---|--------|--------|
| ----- | | |
| U.S. BANCORP (Parent Company) | | |
| Fixed-rate subordinated notes | | |
| 7.625% due 2002..... | \$ 150 | \$ 150 |
| 8.125% due 2002..... | 150 | 150 |
| 7.00% due 2003..... | 150 | 150 |
| 6.625% due 2003..... | 100 | 100 |
| 8.00% due 2004..... | 125 | 125 |
| 7.625% due 2005..... | 150 | 150 |
| 6.75% due 2005..... | 300 | 300 |
| 6.875% due 2007..... | 250 | 250 |
| 7.30% due 2007..... | 200 | 200 |
| 7.50% due 2026..... | 200 | 200 |
| 7.25% due 2003..... | 32 | 32 |
| Fixed-rate senior notes | | |
| 6.35% due 2001..... | 200 | 200 |
| 6.80% due 2001..... | 150 | 150 |
| 6.50% due 2002..... | 199 | 199 |
| 5.875% due 2003..... | 100 | 100 |
| 7.05% due 2004..... | 150 | 150 |
| Medium-term notes..... | 3,835 | 2,654 |
| Capitalized lease obligations, mortgage indebtedness and other..... | 122 | 71 |

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| | 6,563 | 5,331 |
|---|-----------|-----------|
| Subtotal..... | | |
| SUBSIDIARIES | | |
| Fixed-rate subordinated notes | | |
| 6.00% due 2003..... | 100 | 100 |
| 7.55% due 2004..... | 100 | 100 |
| 8.35% due 2004..... | 100 | 100 |
| 7.30% due 2005..... | 100 | 100 |
| 6.875% due 2006..... | 125 | 125 |
| 6.50% due 2008..... | 300 | 300 |
| 6.30% due 2008..... | 300 | 300 |
| 5.70% due 2008..... | 400 | 400 |
| 6.375% due 2004..... | 75 | 75 |
| 6.375% due 2004..... | 149 | 149 |
| 6.625% due 2006..... | 99 | 99 |
| 7.125% due 2009..... | 495 | 495 |
| 7.80% due 2010..... | 299 | -- |
| Fixed-rate senior notes | | |
| 6.25% due 2002..... | 249 | 249 |
| 7.13% due 2000..... | -- | 25 |
| Federal Home Loan Bank advances..... | 2,753 | 3,946 |
| Bank notes..... | 9,051 | 8,459 |
| Euro medium-term notes due 2004..... | 400 | 400 |
| Floating-rate notes due 2000..... | -- | 250 |
| Capitalized lease obligations, mortgage indebtedness and other..... | 218 | 24 |
| | ----- | ----- |
| Total..... | \$ 21,876 | \$ 21,027 |
| | ----- | ----- |

Medium-term notes ("MTNs") outstanding at December 31, 2000, mature from January 2001 through December 2004. The MTNs bear fixed or floating interest rates ranging from 5.80 percent to 7.50 percent. The weighted average interest rate of MTNs at December 31, 2000, was 6.82 percent. Federal Home Loan Bank advances outstanding at December 31, 2000, mature from 2001 through 2026. The advances bear fixed or floating interest rates ranging from 4.99 percent to 8.25 percent. The Company has an arrangement with the FHLB whereby

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based on collateral available (residential and commercial mortgages), the Company could have borrowed an additional \$13.0 billion at December 31, 2000. The weighted average interest rate of FHLB advances at December 31, 2000, was 6.45 percent. Bank notes outstanding at December 31, 2000, mature from January 2001 through 2005. The notes bear fixed or floating interest rates ranging from 5.25 percent to 7.02 percent. The weighted average interest rate of Bank notes at December 31, 2000, was 6.73 percent. Euro medium-term notes outstanding at December 31, 2000, bear floating rate interest at three-month LIBOR plus .15 percent. The interest rate at December 31, 2000, was 6.95 percent.

The Company has a line of credit of \$200 million, of which the total amount was available at December 31, 2000.

Maturities of long-term debt outstanding at December 31, 2000, were:

| (Dollars in Millions) | Consolidated | Parent Company |
|-----------------------|--------------|-------------------|
| | ----- | ----- |

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| | | |
|-----------------|----------|----------|
| 2001..... | \$ 7,732 | \$ 1,422 |
| 2002..... | 4,551 | 1,468 |
| 2003..... | 2,804 | 1,541 |
| 2004..... | 2,069 | 932 |
| 2005..... | 1,426 | 457 |
| Thereafter..... | 3,294 | 743 |
| ----- | | |
| Total..... | \$21,876 | \$ 6,563 |
| ----- | | |

NOTE 14

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF
SUBSIDIARY TRUSTS HOLDING SOLELY THE JUNIOR SUBORDINATED DEBENTURES OF
THE PARENT COMPANY

The Company issued \$1.4 billion of company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company (the "Trust Preferred Securities") through six separate issuances by six wholly-owned subsidiary grantor trusts (the "Trusts"). The Trust Preferred Securities accrue and pay distributions periodically at specified rates as provided in the indentures. The Trusts used the net proceeds from the offerings to purchase a like amount of Junior Subordinated Deferrable Interest Debentures (the "Debentures") of the Company. The Debentures are the sole assets of the Trusts and are eliminated, along with the related income statement effects, in the consolidated financial statements.

The Company's obligations under the Debentures and related documents, taken together, constitute a full and unconditional guarantee by the Company of the obligations of the Trusts. The guarantee covers the distributions and payments on liquidation or redemption of the Trust Preferred Securities, but only to the extent of funds held by the Trusts.

The Trust Preferred Securities are mandatorily redeemable upon the maturity of the Debentures, or upon earlier redemption as provided in the indentures. The Company has the right to redeem the Debentures in whole, (but not in part), on or after specific dates, at a redemption price specified in the indentures plus any accrued but unpaid interest to the redemption date. The Trust Preferred Securities are redeemable in whole or in part in 2003, 2006 and 2007 in the amounts of \$350 million, \$750 million and \$300 million, respectively.

The Trust Preferred Securities qualify as Tier I capital of the Company for regulatory capital purposes. The Company used the proceeds from the sales of the Debentures for general corporate purposes.

The following table is a summary of the Trust Preferred Securities as of December 31, 2000:

| Issuance Trust (Dollars in Millions) | Issuance Date | Debenture Amount | Rate Type | R |
|--------------------------------------|---------------|------------------|-----------|----|
| USB Capital II..... | 03/1998 | \$350 | Fixed | 12 |
| USB Capital I..... | 12/1996 | 300 | Fixed | |
| FBS Capital I..... | 11/1996 | 300 | Fixed | |
| Star Capital I..... | 06/1997 | 150 | Variable | |
| Firststar Capital Trust I..... | 12/1996 | 150 | Fixed | |
| Mercantile Capital Trust I..... | 02/1997 | 150 | Variable | |

Note: The variable rate Trust Preferred Securities re-price quarterly.

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NOTE 15
SHAREHOLDERS' EQUITY

At December 31, 2000 and 1999, the Company had authority to issue 2.0 billion shares of common stock and 10 million shares of preferred stock. The Company had 1,902.1 million and 1,928.5 million shares of common stock outstanding at December 31, 2000 and 1999, respectively. At December 31, 2000 the Company had 207.2 million shares of common stock reserved for future issuances. These shares are primarily reserved for stock option plans, dividend reinvestment plans and deferred compensation plans. In connection with the merger of Firststar and USBM, the number of authorized common shares for U.S. Bancorp was increased from 2 billion to 4 billion effective February 27, 2001.

Under the U.S. Bancorp Preferred Share Purchase Rights Plan each share of common stock carries a right to purchase one one-thousandth of a share of preferred stock. The rights become exercisable in certain limited circumstances involving a potential business combination transaction or an acquisition of shares of the Company and are exercisable at a price of \$100 per right, subject to adjustment. Following certain other events, each right entitles its holder to purchase for \$100 an amount of common stock of the Company, or, in certain circumstances, securities of the acquiror, having a then-current market value of twice the exercise price of the right. The rights are redeemable and may be amended at the Company's option before they are exercisable. Until a right is exercised, the holder or a right has no rights as a shareholder of the Company. The rights expire on February 27, 2011.

The Company issued 18.2 million and 47.8 million shares of common stock with an aggregate value of \$.3 billion and \$1.3 billion in connection with purchase acquisitions during 2000 and 1999, respectively.

On February 16, 2000, USBM's Board of Directors authorized the repurchase of up to \$2.5 billion of its common stock over a two-year period ending March 31, 2002. This USBM repurchase program replaced a program which was scheduled to expire on March 31, 2000. On April 11, 2000, Firststar's Board of Directors approved a common stock repurchase program of 100 million shares. The stock repurchase programs of Firststar and USBM were rescinded on October 4, 2000 and January 17, 2001, respectively, in connection with the planned merger of the formerly separate companies.

The following table summarizes the Company's common stock repurchases for each of the last three years:

| (Dollars and Shares in Millions) | Number of Shares | Value |
|----------------------------------|------------------|-----------|
| 2000..... | 58.6 | \$1,182.2 |
| 1999..... | 44.5 | 1,187.9 |
| 1998..... | 37.0 | 1,104.0 |

USBM offered employees and directors an Employee Stock Purchase Plan ("ESPP") that permitted all eligible employees with at least one year of service and directors to purchase common stock (see Note 17). In connection with the planned merger with Firststar, the ESPP was terminated effective October 13, 2000.

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USBM's Dividend Reinvestment Plan providing for automatic reinvestment of dividends and optional cash purchases was suspended on November 9, 2000, following the announcement of the definitive agreement to merge with Firststar.

A reconciliation of the transactions affecting Other Comprehensive Income included in shareholders' equity for the years ended December 31, is as follows:

| (Dollars in Millions) | Pre-tax | Tax-effect | Net-of-tax |
|--|------------|------------|------------|
| ----- | | | |
| 2000 | | | |
| Unrealized gain on securities available for sale..... | \$ 436.0 | \$ (157.8) | \$ 278.2 |
| Reclassification adjustment for gains realized in net income..... | (41.6) | 15.8 | (25.8) |
| Foreign currency translation adjustment..... | (.5) | .2 | (.3) |
| | ----- | | |
| Total..... | \$ 393.9 | \$ (141.8) | \$ 252.1 |
| | ----- | | |
| 1999 | | | |
| Unrealized loss on securities available for sale..... | \$ (743.9) | \$ 268.2 | \$ (475.7) |
| Reclassification adjustment for losses realized in net income..... | 163.9 | (57.7) | 106.2 |
| | ----- | | |
| Total..... | \$ (580.0) | \$ 210.5 | \$ (369.5) |
| | ----- | | |
| 1998 | | | |
| Unrealized gain on securities available for sale..... | \$ 179.9 | \$ (64.8) | \$ 115.1 |
| Reclassification adjustment for gains realized in net income..... | (34.0) | 12.2 | (21.8) |
| | ----- | | |
| Total..... | \$ 145.9 | \$ (52.6) | \$ 93.3 |
| | ----- | | |

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NOTE 16
EARNINGS PER SHARE

The components of earnings per share were:

| (Dollars in Millions, Except Per Share Data) | 2000 | 1999 | 1998 |
|---|-----------|-----------|-----------|
| ----- | | | |
| Net income..... | \$2,875.6 | \$2,381.8 | \$2,132.9 |
| Adjustments to net income: | | | |
| Dividends on preferred stock..... | -- | -- | (.1) |
| | ----- | | |
| Net income applicable to common shareholders..... | \$2,875.6 | \$2,381.8 | \$2,132.8 |

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| | | | |
|---|---------|---------|---------|
| ----- | | | |
| Weighted average shares outstanding: (in millions) | | | |
| Common shares..... | 1,906.0 | 1,907.8 | 1,898.8 |
| Net effect of the assumed purchase of stock based on the treasury stock method: | | | |
| Preferred shares..... | -- | -- | .6 |
| Options and stock plans..... | 12.5 | 22.2 | 31.1 |
| ----- | | | |
| Dilutive common shares outstanding..... | 1,918.5 | 1,930.0 | 1,930.5 |
| Earning per share: | | | |
| Basic..... | \$1.51 | \$1.25 | \$1.12 |
| Diluted..... | \$1.50 | \$1.23 | \$1.10 |
| ----- | | | |

NOTE 17

EMPLOYEE BENEFITS

RETIREMENT PLANS Pension benefits are provided to substantially all employees based on years of service and employees' compensation while employed with the Company. Employees are fully vested after five years of service. The Company's funding policy is to contribute amounts to its plans sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Company determines to be appropriate. The actuarial cost method used to compute the pension liabilities and expense is the projected unit credit method. Prior to their acquisition dates, employees of certain acquired companies were covered by separate, noncontributory pension plans that provided benefits based on years of service and compensation. Plan assets primarily consist of listed stocks, corporate bonds, U.S. Treasury and Agency securities, and mutual funds.

The Company also maintains several unfunded, nonqualified, supplemental executive retirement programs that provide additional defined pension benefits for certain employees. The assumptions used in computing the present value of the accumulated benefit obligation, the projected benefit obligation and net pension expense are substantially consistent with those assumptions used for the funded qualified plans.

OTHER POSTRETIREMENT PLANS In addition to providing pension benefits, the Company provides health care and death benefits to certain retired employees. Employees may become eligible for health care benefits by meeting defined age and service requirements. The Company may also subsidize the cost of coverage for employees meeting certain requirements. The plan contains other cost-sharing features such as deductibles and coinsurance. The estimated cost of these retiree benefit payments is accrued during the employees' active service.

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Information presented in the tables below reflects a measurement date of September 30. The following table sets forth the components of net periodic benefit cost for the retirement plans.

| (Dollars in Millions) | Pension Plans | | |
|---|---------------|---------|---------|
| | 2000 | 1999 | 1998 |
| ----- | | | |
| Components of net periodic benefit cost | | | |
| Service cost..... | \$ 65.4 | \$ 70.1 | \$ 68.4 |

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| | | | |
|---|-----------|----------|---------|
| Interest cost..... | 117.3 | 107.1 | 109.3 |
| Expected return on plan assets..... | (201.6) | (177.5) | (145.5) |
| Net amortization and deferral..... | (13.2) | 1.3 | (6.6) |
| Recognized actuarial loss..... | .7 | 1.9 | 1.9 |
| Net periodic benefit cost..... | (31.4) | 2.9 | 27.5 |
| Curtailment and settlement (gains) losses..... | (17.0) | (6.2) | (22.6) |
| Net periodic benefit cost after curtailment and settlement (gains)..... | \$ (48.4) | \$ (3.3) | \$ 4.9 |

The following tables summarize benefit obligation and plan asset activity for the retirement plans.

| (Dollars in Millions) | Pension Plans | | Pos |
|---|---------------|-----------|-------|
| | 2000 | 1999 | |
| CHANGE IN BENEFIT OBLIGATION | | | |
| Benefit obligation at beginning of measurement period.... | \$1,580.3 | \$1,653.0 | \$ 2 |
| Service cost..... | 65.4 | 70.1 | |
| Interest cost..... | 117.4 | 107.1 | |
| Plan participants' contributions..... | -- | -- | |
| Plan amendments..... | -- | 23.4 | |
| Actuarial (gain) loss..... | .1 | (144.3) | |
| Acquisitions and special termination benefits..... | -- | 1.9 | |
| Benefit payments..... | (111.8) | (92.0) | (|
| Curtailments..... | (4.4) | (4.0) | |
| Settlements..... | (51.6) | (34.9) | |
| Benefit obligation at end of measurement period..... | \$1,595.4 | \$1,580.3 | \$ 2 |
| CHANGE IN FAIR VALUE OF PLAN ASSETS | | | |
| Fair value at beginning of measurement period..... | \$1,985.3 | \$1,808.0 | \$ |
| Actual return on plan assets..... | 443.7 | 220.3 | |
| Employer contributions..... | 18.9 | 76.0 | |
| Plan participants' contributions..... | -- | -- | |
| Acquisition/divestitures..... | 1.1 | 7.9 | |
| Settlements..... | (51.6) | (34.9) | |
| Benefit payments..... | (111.7) | (92.0) | (|
| Fair value at end of measurement period..... | \$2,285.7 | \$1,985.3 | \$ |
| FUNDED STATUS | | | |
| Funded status at end of measurement period..... | \$ 690.3 | \$ 405.0 | \$ (2 |
| Unrecognized transition (asset) obligation..... | (1.8) | (6.3) | |
| Unrecognized prior service cost..... | (87.6) | (97.9) | |
| Unrecognized net (gain)..... | (338.6) | (103.0) | |
| Fourth quarter contribution..... | 1.2 | .7 | |
| Net amount recognized..... | \$ 263.5 | \$ 198.5 | \$ (2 |
| COMPONENTS OF BALANCE SHEET | | | |
| Prepaid benefit cost..... | \$ 433.1 | \$ 351.6 | \$ |
| Accrued benefit liability..... | (169.6) | (153.1) | (2 |

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Net amount recognized..... \$ 263.5 \$ 198.5 \$ (2

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The following table sets forth the weighted average plan assumptions and other data:

| | USBM | | |
|---|---------|----------|----------|
| | 2000 | 1999 | 1998 |
| Pension Plan Actuarial Computations | | | |
| Discount rate in determining benefit obligations... | 7.8% | 7.5% | 6.5% |
| Expected long-term return on plan assets..... | 9.5 | 9.5 | 9.5 |
| Rate of increase in future compensation..... | 5.6 | 5.6 | 5.6 |
| Other Postretirement Plan Actuarial Computations | | | |
| Discount rate in determining benefit obligations... | 7.8% | 7.5% | 6.5% |
| Expected long-term return on plan assets..... | 5.0 | 5.0 | 5.0 |
| Health care cost trend rate | | | |
| Prior to age 65..... | 7.7 | 7.0 | 7.0 |
| After age 65..... | 7.7 | 5.5 | 6.4 |
| Effect of One Percent Increase in Health Care Cost | | | |
| Trend Rate Service and interest costs..... | \$ 1.0 | \$ 1.3 | \$ 1.2 |
| Accumulated postretirement benefit obligation..... | 13.1 | 12.4 | 13.1 |
| Effect of One Percent Decrease in Health Care Cost | | | |
| Trend Rate Service and interest costs..... | \$ (.9) | \$ (1.0) | \$ (1.0) |
| Accumulated postretirement benefit obligation..... | (11.6) | (10.9) | (11.8) |

* The Firststar Plan had no assets as of December 31, 2000, 1999 and 1998.

The following table provides information for pension plans with benefit obligations in excess of plan assets:

| (Dollars in Millions) | 2000 | 1999 |
|-------------------------------------|---------|---------|
| Benefit obligation..... | \$216.5 | \$189.8 |
| Accumulated benefit obligation..... | 193.9 | 155.0 |
| Fair value of plan assets..... | -- | -- |

EMPLOYEE INVESTMENT PLAN The Company has defined contribution retirement savings plans which allow qualified employees, at their option, to make contributions up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. A portion of these contributions is matched by the Company. All of the Company's matching contributions are invested in the Company's common stock. Employee contributions are invested, at the employees' direction, among a variety of investment alternatives. Total expense was \$53.6 million, \$57.3 million and \$37.1 million in 2000, 1999 and 1998, respectively.

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EMPLOYEE STOCK PURCHASE PLAN The ESPP of USBM permitted all eligible employees with at least one year of service and directors to purchase common stock. Plan participants could purchase stock for 85 percent of the fair market value, which is based on the price at the beginning or the end of the purchase period, whichever is lower. Any discount was determined by a committee of the Board of Directors. In 2000 and 1999, the purchase price was 85 percent of the fair market value. The plan resulted in no compensation expense to the Company. Due to the merger with Firststar, the ESPP was terminated effective October 13, 2000.

NOTE 18

STOCK OPTIONS AND COMPENSATION PLANS

STOCK OPTION AND COMPENSATION PLANS As part of its employee and director compensation programs, the Company may grant certain stock awards under the provisions of existing stock option and compensation plans. The Company has stock options outstanding under various plans at December 31, including plans assumed in acquisitions. The plans provide for grants of options to purchase shares of common stock generally at the stock's fair market value at the date of grant. In addition, the plans provide for grants of shares of common stock which are subject to restriction on transfer and to a right of repurchase by the Company.

With respect to stock option and stock compensation plans, the Company has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") in accounting for its employee stock incentive and purchase plans. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock

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on the date of grant, no compensation expense is recognized. On the date exercised, if new shares are issued, the option proceeds equal to the par value of the shares are credited to common stock and additional proceeds are credited to capital surplus. If treasury shares are issued, the option proceeds equal to the average treasury share price are credited to treasury stock and additional proceeds are credited to capital surplus.

Options granted are generally exercisable up to ten years from the date of grant and vest over three to five years. Restricted shares vest over three to seven years. The vesting of certain options and restricted shares accelerate based on growth in diluted operating earnings per share and on the performance of the Company in comparison to performance of a predetermined group of regional banks. Compensation expense for restricted stock is based on the market price of the Company stock at the time of the grant and amortized on a straight-line basis over the vesting period. For the performance-based restricted shares, compensation expense is amortized using the estimated vesting period. Compensation expense related to the restricted stock was \$43.4 million, \$69.5 million and \$41.9 million in 2000, 1999 and 1998, respectively.

Stock incentive plans of acquired companies are generally terminated at the merger closing dates. Option holders under such plans receive the Company's common stock, or options to buy the Company's stock, based on the conversion terms of the various merger agreements. The historical option information presented below has been restated to reflect the options originally granted under acquired companies' plans.

At December 31, 2000, there were 40.6 million shares (subject to adjustment for forfeitures) available for grant under various plans.

The following is a summary of stock options outstanding and exercised under various stock options plans of the Company.

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| | 2000 | | 1999 | |
|--|--------------------------|--|--------------------------|--|
| | Stock Options/ Awards | Weighted- Average Exercise Price | Stock Options/ Awards | Weighted- Average Exercise Price |
| EXECUTIVE STOCK OPTION PLANS: | | | | |
| Number outstanding at beginning of year..... | 153,163,030 | \$22.74 | 107,405,102 | \$17.97 |
| Granted..... | 22,633,170 | 19.64 | 75,922,950 | 27.08 |
| Assumed/converted..... | 447,341 | 6.85 | 1,210,738 | 16.58 |
| Exercised..... | (10,017,357) | 11.02 | (22,332,730) | 13.03 |
| Cancelled..... | (12,829,958) | 19.91 | (9,043,030) | 25.63 |
| Number outstanding at end of year..... | 153,396,226 | \$22.80 | 153,163,030 | \$22.74 |
| Exercisable at end of year..... | 68,870,745 | \$19.78 | 70,527,758 | \$18.00 |
| RESTRICTED SHARE PLANS: | | | | |
| Number outstanding at beginning of year..... | 4,212,954 | | 6,072,217 | |
| Granted..... | 4,110,440 | | 1,379,808 | |
| Cancelled..... | (1,946,257) | | (3,239,071) | |
| Number outstanding at end of year..... | 6,377,137 | | 4,212,954 | |

Additional information regarding options outstanding as of December 31, 2000 is as follows:

| Range of Exercise Prices | Options Outstanding | | |
|-----------------------------|---------------------|---|------------------------------------|
| | Shares | Weighted-Average Remaining Contractual Life (Years) | Weighted-Average Exercise Price |
| \$ 1.44 - \$10.00..... | 11,373,733 | 3.6 | \$ 6.09 |
| \$10.01 - \$15.00..... | 9,099,454 | 5.4 | 11.61 |
| \$15.01 - \$20.00..... | 21,459,832 | 7.4 | 17.66 |
| \$20.01 - \$25.00..... | 40,893,167 | 8.6 | 22.50 |
| \$25.01 - \$30.00..... | 62,864,266 | 8.0 | 28.14 |
| \$30.01 - \$35.00..... | 6,704,533 | 7.4 | 32.52 |
| \$35.01 - \$37.20..... | 1,001,241 | 7.5 | 35.82 |
| | 153,396,226 | 7.6 | \$22.80 |

Pro forma information regarding net income and earnings per share is required by SFAS 123, "Accounting and Disclosure of Stock-Based Compensation"

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and has been determined as if the Company accounted for its employee stock option plans under the fair value method of SFAS 123. The fair value of options was estimated at the grant date using a Black-Scholes option pricing model. Option valuation models require the use of highly subjective assumptions. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective

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input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

The pro forma disclosures include options granted in 2000, 1999 and 1998 and are not likely to be representative of the pro forma disclosures for future years. The estimated fair value of the options is amortized to expense over the options' vesting period.

| (Dollars in Millions, Except Per-Share Data) | Year Ended December 31 | | |
|--|------------------------|-----------|-----------|
| | 2000 | 1999 | 1998 |
| Pro forma net income..... | \$2,752.1 | \$2,240.5 | \$1,922.1 |
| Pro forma earnings per share: | | | |
| Earnings per share..... | \$ 1.44 | \$ 1.17 | \$ 1.01 |
| Diluted earnings per share..... | 1.43 | 1.16 | 1.00 |
| ----- | | | |
| Weighted average assumptions in option valuation: | | | |
| USBM | | | |
| Risk-free interest rates..... | 6.1% | 5.4% | 5.4% |
| Dividend yields..... | 3.0 | 3.5 | 2.3 |
| Stock volatility factor..... | 0.37 | 0.27 | 0.25 |
| Expected life of options (in years)..... | 4.7 | 6.1 | 2.3 |
| FIRSTAR | | | |
| Risk-free interest rates..... | 5.4% | 5.6% | 4.8% |
| Dividend yields..... | 2.5 | 2.0 | 1.6 |
| Stock volatility factor..... | 0.37 | 0.41 | 0.38 |
| Expected life of options (in years)..... | 2.5-5.5 | 2.5-5.5 | 2.5-5.5 |

Directors and selected senior officers of the Company may participate in deferred compensation plans which may postpone the receipt of compensation. Amounts deferred under the plan may be valued on the basis of an interest index or be used to purchase shares of the Company's common stock. Although the plan is unfunded for tax purposes, a portion of the shares of treasury stock held at December 31, 2000, 1999 and 1998 were acquired to meet obligations arising from these plans and are considered common stock equivalents for the purpose of computing earnings per share.

The Company has entered into agreements with certain officers that provide for the payment of a lump sum benefit to the officer, plus the continuation of

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certain medical and insurance benefits and immediate exercisability of stock options, in the event that the officer's employment is terminated involuntarily by the Company or voluntarily by the officer for good reason, following a change in control of the Company during the officer's protected period. The benefits payable under the agreements can be up to three times the officer's base salary and incentive bonus.

NOTE 19
INCOME TAXES

The components of income tax expense (benefit) were:

| (Dollars in Millions) | 2000 | 1999 | |
|---------------------------------|-----------|-----------|------|
| FEDERAL | | | |
| Current..... | \$ 996.1 | \$1,036.0 | \$ |
| Deferred..... | 324.5 | 219.5 | |
| Federal income tax..... | 1,320.6 | 1,255.5 | 1, |
| STATE | | | |
| Current..... | 159.0 | 103.3 | |
| Deferred..... | 32.6 | 33.4 | |
| State income tax..... | 191.6 | 136.7 | |
| Total income tax provision..... | \$1,512.2 | \$1,392.2 | \$1, |

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The reconciliation between income tax expense and the amount computed by applying the statutory federal income tax rate was as follows:

| (Dollars in Millions) | 2000 | 1999 | |
|---|-----------|-----------|------|
| Tax at statutory rate (35%)..... | \$1,535.8 | \$1,320.9 | \$1, |
| State income tax, at statutory rates, net of federal tax benefit..... | 124.5 | 88.9 | |
| Tax effect of: | | | |
| Tax-exempt interest, net..... | (56.0) | (60.3) | |
| Amortization of nondeductible goodwill..... | 91.6 | 73.1 | |
| Tax credits..... | (62.7) | (41.7) | |
| Nondeductible merger charges..... | 4.9 | 56.4 | |
| Sale of preferred minority interest..... | (50.0) | -- | |
| Other items..... | (75.9) | (45.1) | |
| Applicable income taxes..... | \$1,512.2 | \$1,392.2 | \$1, |

At December 31, 2000, for income tax purposes, the Company had federal net operating loss carry forwards of \$2.8 million available, which expire in years 2001 through 2009.

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Deferred income tax assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the same items for income tax reporting purposes.

Significant components of the Company's deferred tax assets and liabilities as of December 31 were as follows:

| (Dollars in Millions) | 2000 | 1999 | 1998 |
|--|-------------------|----------------|-----------------|
| DEFERRED TAX ASSETS | | | |
| Allowance for credit losses..... | \$ 637.0 | \$ 633.4 | \$ 626.0 |
| Pension and postretirement benefits..... | 53.5 | 67.7 | 73.0 |
| Deferred fees..... | 35.0 | 56.2 | 75.0 |
| Real estate and other asset basis differences..... | 31.9 | 30.2 | 31.0 |
| State and federal net operating loss carry forwards..... | 25.0 | 23.8 | 22.0 |
| Federal AMT credits and capital losses..... | 22.0 | 22.9 | 7.0 |
| Charitable contributions..... | .9 | 6.5 | 4.0 |
| Accrued severance, pension and retirement benefits..... | 30.6 | 70.9 | 56.0 |
| Other deferred tax assets, net..... | 196.0 | 186.4 | 293.0 |
| Gross deferred tax assets..... | 1,031.9 | 1,098.0 | 1,190.0 |
| DEFERRED TAX LIABILITIES | | | |
| Leasing activities..... | (1,218.1) | (941.0) | (673.0) |
| Accelerated depreciation..... | (92.7) | (68.4) | (44.0) |
| Other investment basis differences..... | (41.1) | (16.8) | (13.0) |
| Securities available-for-sale..... | (52.2) | 89.3 | (121.0) |
| Other deferred tax liabilities, net..... | (124.0) | (107.9) | (104.0) |
| Gross deferred tax liabilities..... | (1,528.1) | (1,044.8) | (956.0) |
| Valuation allowance..... | (16.6) | (12.7) | (10.0) |
| NET DEFERRED TAX ASSETS (LIABILITIES)..... | \$ (512.8) | \$ 40.5 | \$ 223.0 |

Realization of the deferred tax assets over time is dependent upon the existence of taxable income in carryback periods or the Company generating sufficient taxable earnings in future periods. In determining that realization of the deferred tax asset was more likely than not, the Company gave consideration to a number of factors, including its taxable income during carryback periods, its recent earnings history, its expectations for earnings in the future and, where applicable, the expiration dates associated with tax carrybacks and carryforwards. A valuation allowance has been established to offset deferred tax assets related to state net operating loss carryforwards totaling approximately \$437 million, which expire at various times within the next 15 years.

Certain events covered by Internal Revenue Code section 593 (e), which was not repealed, will trigger a recapture of base year reserve of acquired thrift institutions. The base year reserve of acquired thrift institutions would be recaptured if an entity ceases to qualify as a bank for federal income tax purposes. The base year reserve of thrift institutions also remain subject to income tax penalty provisions that, in general, require recapture upon certain stock redemptions of, and excess distributions to, stockholders. At December 31, 2000, retained earnings included approximately \$101.8 million of base year

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reserves for which no deferred federal income tax liability has been recognized.

NOTE 20

FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CREDIT CONCENTRATIONS

In the normal course of business, the Company uses various off-balance sheet financial instruments to manage its interest rate and market risk and to meet the needs of its customers. These instruments carry varying degrees of credit, interest rate or liquidity risk. The contract or notional amounts of these financial instruments at December 31 were as follows:

| (Dollars In Millions) | 2000 | 1999 |
|--|----------|----------|
| <hr style="border-top: 1px dashed black;"/> | | |
| Commitments to extend credit | | |
| Commercial..... | \$46,434 | \$46,734 |
| Corporate and purchasing cards..... | 21,236 | 18,503 |
| Consumer credit cards..... | 20,254 | 19,971 |
| Other consumer..... | 8,580 | 8,895 |
| Letters of credit | | |
| Standby..... | 6,380 | 5,832 |
| Commercial..... | 527 | 587 |
| Interest rate swap contracts | | |
| Hedges..... | 8,758 | 8,643 |
| Basis swaps..... | 1,000 | -- |
| Intermediated..... | 4,007 | 2,008 |
| Options contracts | | |
| Hedge interest rate floors purchased..... | 500 | 805 |
| Intermediated interest rate and foreign exchange caps and floors purchased..... | 709 | 589 |
| Intermediated interest rate and foreign exchange caps and floors written..... | 709 | 589 |
| Credit derivatives purchased..... | 80 | 20 |
| Futures and forward contracts..... | 25 | 34 |
| Recourse on assets sold..... | 2,138 | 1,927 |
| Foreign currency commitments | | |
| Commitments to purchase..... | 1,717 | 1,639 |
| Commitments to sell..... | 1,724 | 1,597 |
| Commitments from securities lending..... | 1,037 | 717 |
| Commitments to sell residential mortgages..... | 963 | 589 |
| <hr style="border-top: 1px dashed black;"/> | | |

COMMITMENTS TO EXTEND CREDIT Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount represents the Company's exposure to credit loss, in the event of default by the borrower. The Company manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to secure commitments based on management's credit assessment of the borrower. The collateral may include marketable securities, receivables, inventory, equipment and real estate. Since the Company expects many of the commitments to expire without being drawn, total commitment amounts do not necessarily represent the Company's future liquidity requirements. In addition, the commitments include consumer credit lines that are cancelable upon notification to the consumer.

LETTERS OF CREDIT Standby letters of credit are conditional commitments the Company issues to guarantee the performance of a customer to a third party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar

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transactions. The Company issues commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's nonperformance, the Company's credit loss exposure is the same as in any extension of

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credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring the Company to fund letters of credit may not occur, the Company expects its liquidity requirements to be less than the total outstanding commitments.

INTEREST RATE SWAPS AND OPTIONS Interest rate swaps are contracts to exchange fixed- and variable-rate interest payment obligations based on a notional principal amount. The Company enters into swaps to hedge its balance sheet against fluctuations in interest rates and as an intermediary for customers.

At December 31, 2000, and 1999, interest rate swaps with notional values totaling \$8.8 billion and \$8.6 billion, respectively, hedged loans, borrowings, deposits and long-term debt.

The Company received fixed-rate interest and paid floating-rate interest on substantially all swaps in its hedging portfolio as of December 31, 2000. Activity with respect to interest rate swap hedges was as follows:

| (Dollars In Millions) | 2000 | 1999 | 1998 |
|---|---------|----------|----------|
| ----- | | | |
| Notional amount outstanding at beginning of year..... | \$8,643 | \$ 8,107 | \$ 6,528 |
| Additions..... | 1,720 | 5,032 | 3,180 |
| Maturities..... | (260) | (2,240) | (1,358) |
| Amortization..... | (666) | (143) | -- |
| Terminations..... | (679) | (2,113) | (243) |
| ----- | | | |
| Notional amount outstanding at end of year..... | \$8,758 | \$ 8,643 | \$ 8,107 |
| ----- | | | |
| At December 31: | | | |
| Weighted average interest rate paid..... | 6.78% | 6.51% | 5.72% |
| Weighted average interest rate received..... | 6.54% | 6.38% | 6.24% |
| ----- | | | |

For the hedging portfolio's notional balances and yields by maturity date as of year-end 2000, see Table 19.

At December 31, 2000, and 1999, LIBOR-based interest rate floors totaling \$500 million with an average remaining maturity of .7 years and \$805 million with an average remaining maturity of 1.1 years, respectively, hedged floating rate commercial loans and deposits. The strike rate on these LIBOR-based floors was 4.63 percent at December 31, 2000 and 4.68 percent at December 31, 1999. The premium on floors is amortized over the life of the contract. The impact of the floors on net interest income was not significant for the years ended December 31, 2000, 1999 and 1998.

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For swaps and options used as hedges, the Company recognizes interest income or expense as it is accrued over the term of the hedge. The gain or loss on a terminated hedge is amortized over the remaining life of the original swap or remaining life of the hedged item, whichever is shorter. The impact of the amortization of deferred gains and losses on hedges on net interest income was not significant for the years ended December 31, 2000, 1999 and 1998. Net unamortized deferred losses were \$18.7 million at December 31, 2000.

In addition to utilizing swaps and options as part of its asset/liability management strategy, the Company acts as an intermediary for swap and option agreements on behalf of its customers. To reduce its market risk exposure, the Company generally enters into offsetting positions. The total notional amount of customer swap agreements, including the offsetting positions, was \$4.0 billion and \$2.0 billion at December 31, 2000 and 1999, respectively. The total notional amount of customer option agreements, including the offsetting positions, was \$1.4 billion and \$1.2 billion at December 31, 2000, and 1999, respectively. Market value changes on intermediated swaps, options and futures contracts are recognized in income in the period of change. Realized gains or losses on intermediated transactions were not significant for the years ended December 31, 2000, 1999 and 1998.

The credit risk related to interest rate swap and option agreements is that counterparties may be unable to meet the contractual terms. The Company estimates this risk by calculating the present value of the cost to replace all outstanding contracts in a gain position at current market rates, reported on a net basis by each counterparty. At December 31, 2000 and 1999, the gain position of these contracts, in the aggregate, was approximately \$167 million and \$53 million, respectively.

The Company manages the credit risk of its interest rate swap and option contracts through bilateral collateral agreements, credit approvals, limits and monitoring procedures. Commercial lending officers perform credit analyses and establish counterparty limits. Senior Credit Administration periodically reviews positions to monitor compliance with the limits. In addition, the Company reduces the assumed counterparty credit risk through master netting agreements that permit the Company to settle multiple interest rate contracts with a given counterparty on a net basis.

FUTURES AND FORWARD CONTRACTS Futures and forward contracts are agreements for the delayed delivery of securities or cash settlement money market instruments. The Company enters into futures contracts to hedge the

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market risk on its fixed income inventory positions. The Company enters into forward contracts to hedge the interest rate risk of its mortgage loans held for sale. At December 31, 2000 and 1999, futures contracts outstanding were \$25 million and \$15 million, respectively. There were no forward contracts outstanding at December 31, 2000. Forward contracts outstanding at December 31, 1999 were \$19 million. At December 31, 2000, net unamortized deferred gains on the forward agreements were not significant. The Company manages its credit risk on forward contracts, which arises from nonperformance by counterparties, through credit approval and limit procedures.

RECOURSE ON ASSETS SOLD The Company is obligated under recourse provisions related to the sale of certain loans. The contract amount of these loans was \$3.5 billion at December 31, 2000, and \$3.8 billion at December 31, 1999. The maximum contractual amount of recourse on these loans was \$2.1 billion at December 31, 2000, and \$1.9 billion at December 31, 1999.

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FOREIGN CURRENCY COMMITMENTS The Company uses foreign currency commitments to help customers reduce the risks associated with changes in foreign currency exchange rates. Through these contracts, the Company exchanges currencies at specified rates on specified dates with various counterparties. The Company minimizes the market and liquidity risks by taking offsetting positions. In addition, the Company controls the market risks by limiting the net exposure through policies, procedures, and monitoring. The Company manages its credit risk, or potential risk of loss from default by a counterparty, through credit limit approval and monitoring procedures. The aggregate replacement cost of contracts in a gain position at December 31, 2000, was not significant.

COMMITMENTS FROM SECURITIES LENDING The Company participates in securities lending activities by acting as a customer's agent involving the loan or sale of securities. The Company indemnifies customers for the difference between the market value of the securities lent and the market value of the collateral received. These transactions are collateralized by cash.

CREDIT CONCENTRATIONS The Company primarily lends to borrowers in the 24 states where it has banking offices. Collateral for commercial loans may include marketable securities, accounts receivable, inventory and equipment. For detail of the Company's commercial portfolio by industry group and geography as of December 31, 2000, and 1999, see Table 9 on page 50, which is incorporated by reference into these Notes to Consolidated Financial Statements.

For detail of the Company's commercial real estate portfolio by property type and geography as of December 31, 2000, and 1999, see Table 10 on page 51, which is incorporated by reference into these Notes to Consolidated Financial Statements. Such loans are collateralized by the related property.

For detail of the company's retail loan portfolio see Table 7 on page 49 under the category "Retail" for the last five years ended December 31, which is incorporated by reference into these Notes to Consolidated Financial Statements.

RESIDENTIAL MORTGAGE SALE COMMITMENTS The Company enters into commitments to sell groups of residential mortgage loans that it originates or purchases as part of its mortgage banking activities. The Company commits to sell the loans at specified prices in a future period typically within 90 days. The risk associated with these commitments consists primarily of loans not closing in sufficient volumes and at appropriate yields to meet the sale commitments. The Company had contracts totaling \$963 million and \$589 million on December 31, 2000 and 1999, respectively. Gains or losses on these contracts are included in the determination of the market value of mortgages held for sale.

NOTE 21 FAIR VALUES OF FINANCIAL INSTRUMENTS

Due to the nature of its business and its customers' needs, the Company offers a large number of financial instruments, most of which are not actively traded. When market quotes are unavailable, valuation techniques including discounted cash flow calculations and pricing models or services are used. The Company also uses various aggregation methods and assumptions, such as the discount rate and cash flow timing and amounts. As a result, the fair value estimates can neither be substantiated by independent market comparisons, nor realized by the immediate sale or settlement of the financial instrument. Also, the estimates reflect a point in time and could change significantly based on changes in economic factors, such as interest rates. Furthermore, the disclosure of certain financial and nonfinancial assets and liabilities are not required. Finally, the fair value disclosure is not intended to estimate a market value of the Company as a whole. A summary of the Company's valuation techniques and assumptions follows.

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CASH AND CASH EQUIVALENTS The carrying value of cash, amounts due from banks, federal funds sold and securities purchased under resale agreements was assumed to approximate fair value.

SECURITIES Generally, trading account securities and available-for-sale securities were valued using available market quotes. In some instances, for securities that are not widely traded, market quotes for comparable securities were used.

LOANS The loan portfolio consists of both floating and fixed-rate loans, the fair value of which was estimated using discounted cash flow analyses and other valuation techniques. To calculate discounted cash flows, the loans were aggregated into pools of similar types and expected repayment terms. The expected cash flows of loans considered historical prepayment experiences and estimated credit losses for nonperforming loans and were discounted using current rates offered to borrowers of similar credit characteristics.

DEPOSIT LIABILITIES The fair value of demand deposits, savings accounts and certain money market deposits is equal to the amount payable on demand at year-end. The fair value of fixed-rate certificates of deposit was estimated by discounting the contractual cash flow using the discount rates implied by the high-grade corporate bond yield curve.

SHORT-TERM BORROWINGS Federal funds purchased, securities sold under agreements to repurchase and other short-term funds borrowed are at floating rates or have short-term maturities. Their carrying value is assumed to approximate their fair value.

LONG-TERM DEBT AND COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY THE JUNIOR SUBORDINATED DEBENTURES OF THE PARENT COMPANY Medium-term notes, Euro medium-term notes, bank notes, Federal Home Loan Bank Advances, capital lease obligations and mortgage note obligations estimated fair value was determined using a discounted cash flow analysis based on current market rates of similar maturity debt securities to discount cash flows. Other long-term debt instruments and company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company were valued using available market quotes.

INTEREST RATE SWAPS, BASIS SWAPS AND OPTIONS The interest rate options and swap cash flows were estimated using a third party pricing model and discounted based on appropriate LIBOR, Eurodollar futures, swap and Treasury Note yield curves.

LOAN COMMITMENTS, LETTERS OF CREDIT AND GUARANTEES The Company's commitments have floating rates and do not expose the Company to interest rate risk. No premium or discount was ascribed to the loan commitments because virtually all funding would be at current market rates.

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The estimated fair values of the Company's financial instruments are shown in the table below.

| | 2000 | |
|-----------------------|-----------------|-----------------|
| (Dollars in Millions) | Carrying Amount | Fair Value |
| | | Carrying Amount |

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FINANCIAL ASSETS

| | | | |
|---------------------------------|-----------|-----------|-----------|
| Cash and cash equivalents..... | \$ 9,132 | \$ 9,132 | \$ 9,258 |
| Trading account securities..... | 753 | 753 | 617 |
| Investment securities..... | 17,642 | 17,647 | 17,449 |
| Loans held for sale..... | 764 | 764 | 670 |
| Loans..... | 120,578 | 121,139 | 111,519 |
| | | ----- | |
| Total financial assets..... | 148,869 | \$149,435 | 139,513 |
| | | ----- | |
| Nonfinancial assets..... | 16,052 | | 14,805 |
| | | ----- | |
| Total assets..... | \$164,921 | | \$154,318 |
| | | ----- | |

FINANCIAL LIABILITIES

| | | | |
|--|-----------|-----------|-----------|
| Deposits..... | \$109,535 | \$109,593 | \$103,417 |
| Short-term borrowings..... | 11,833 | 11,833 | 10,558 |
| Long-term debt..... | 21,876 | 22,006 | 21,027 |
| Company-obligated mandatorily redeemable preferred securities..... | 1,400 | 1,351 | 1,400 |
| | | ----- | |
| Total financial liabilities..... | 144,644 | \$144,783 | 136,402 |
| | | ----- | |
| Nonfinancial liabilities..... | 5,109 | | 3,969 |
| Shareholders' equity..... | 15,168 | | 13,947 |
| | | ----- | |
| Total liabilities and shareholders' equity..... | \$164,921 | | \$154,318 |
| | | ----- | |

OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

| | | | |
|----------------------------|------|------|------|
| Hedge swaps | | | |
| Gain..... | | 140 | |
| Loss..... | | (33) | |
| Trading swaps | | | |
| Interest rate contracts | | | |
| Gain..... | 27 | 27 | 42 |
| Loss..... | (21) | (21) | (38) |
| Foreign exchange contracts | | | |
| Gain..... | 13 | 13 | 7 |
| Loss..... | (9) | (9) | (5) |

NOTE 22

COMMITMENTS AND CONTINGENT LIABILITIES

Rental expense for operating leases amounted to \$219.3 million in 2000, \$193.8 million in 1999, and \$197.8 million in 1998. Future minimum payments, net of sublease rentals, under capitalized leases and noncancelable operating leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2000:

| (Dollars in Millions) | Capitalized Leases | Operating Leases |
|-----------------------|-----------------------|---------------------|
| | ----- | ----- |
| 2001..... | \$ 11.4 | \$ 196.5 |
| 2002..... | 10.3 | 180.3 |
| 2003..... | 8.7 | 155.7 |
| 2004..... | 7.9 | 122.3 |
| 2005..... | 6.6 | 101.7 |

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| | | |
|--|---------|-----------|
| Thereafter..... | 56.5 | 564.7 |
| Total minimum lease payments..... | \$101.4 | \$1,321.2 |
| Less amount representing interest..... | 42.3 | |
| Present value of net minimum lease payments..... | \$ 59.1 | |

Various legal proceedings are currently pending against the Company. Due to their complex nature, it may be years before some matters are resolved. In the opinion of management, the aggregate liability, if any, will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

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NOTE 23
U.S. BANCORP (PARENT COMPANY)

CONDENSED BALANCE SHEET

| December 31 (Dollars in Millions) | 2000 | 1999 |
|---|----------|----------|
| ASSETS | | |
| Deposits with subsidiary banks, principally interest-bearing..... | \$ 1,714 | \$ 1,046 |
| Available-for-sale securities..... | 325 | 340 |
| Investments in: | | |
| Bank affiliates..... | 15,019 | 14,625 |
| Nonbank affiliates..... | 1,059 | 796 |
| Advances to: | | |
| Bank affiliates..... | 1,071 | 1,016 |
| Nonbank affiliates..... | 2,858 | 1,927 |
| Other assets..... | 2,179 | 2,180 |
| Total assets..... | \$24,225 | \$21,930 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Short-term funds borrowed..... | \$ 224 | \$ 170 |
| Advances from subsidiaries..... | 97 | 111 |
| Long-term debt..... | 6,563 | 5,331 |
| Junior subordinated debentures issued to subsidiary trusts..... | 1,443 | 1,434 |
| Other liabilities..... | 730 | 937 |
| Shareholders' equity..... | 15,168 | 13,947 |
| Total liabilities and shareholders' equity..... | \$24,225 | \$21,930 |

CONDENSED STATEMENT OF INCOME

| Year Ended December 31 (Dollars in Millions) | 2000 | 1999 |
|--|------|------|
|--|------|------|

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INCOME

| | | | |
|--|------------------|------------------|-------------|
| Dividends from subsidiaries (including \$3,010.5, \$1,661.0 and \$2,093.2 from bank subsidiaries)..... | \$3,027.8 | \$1,704.3 | \$2, |
| Interest from subsidiaries..... | 234.8 | 177.2 | |
| Service and management fees from subsidiaries..... | 246.0 | 229.1 | |
| Other income..... | 217.0 | 202.0 | |
| Total income..... | 3,725.6 | 2,312.6 | 2, |
| EXPENSES | | | |
| Interest on short-term funds borrowed..... | 19.3 | 26.8 | |
| Interest on long-term debt..... | 441.7 | 296.4 | |
| Interest on junior subordinated debentures issued to subsidiary trusts..... | 111.3 | 110.3 | |
| Merger-related charges..... | 21.3 | 103.8 | |
| Other expenses..... | 225.2 | 307.7 | |
| Total expenses..... | 818.8 | 845.0 | |
| Income before income taxes and equity in undistributed income of subsidiaries..... | 2,906.8 | 1,467.6 | 1, |
| Income tax credit..... | (34.0) | (36.9) | (|
| Income of parent company..... | 2,940.8 | 1,504.5 | 2, |
| Equity (deficiency) in undistributed income of subsidiaries..... | (65.2) | 877.3 | |
| Net income..... | \$2,875.6 | \$2,381.8 | \$2, |

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CONDENSED STATEMENT OF CASH FLOWS

| Year Ended December 31 (Dollars in Millions) | 2000 | 1999 | |
|---|----------------|----------------|----|
| OPERATING ACTIVITIES | | | |
| Net income..... | \$ 2,875.6 | \$ 2,381.8 | \$ |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| (Equity) deficiency in undistributed income of subsidiaries..... | 65.2 | (877.3) | |
| Losses (gains) on available-for-sale securities..... | 4.1 | (7.0) | |
| Depreciation and amortization of premises and equipment..... | 51.7 | 76.2 | |
| Other -- net..... | (391.1) | (3.2) | |
| Net cash provided by operating activities..... | 2,605.5 | 1,570.5 | |
| INVESTING ACTIVITIES | | | |
| Available-for-sale securities | | | |
| Sales and maturities..... | 92.2 | 128.9 | |
| Purchases..... | (59.4) | (334.3) | |
| Investments in subsidiaries..... | (4.6) | (26.0) | |
| Equity distributions from subsidiaries..... | -- | 145.0 | |
| Net decrease (increase) in short-term advances to affiliates..... | (829.0) | 58.1 | |
| Other -- net..... | (113.7) | (421.3) | |

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| | | | |
|---|------------|------------|----|
| Net cash used in investing activities..... | (914.5) | (449.6) | |
| FINANCING ACTIVITIES | | | |
| Net (decrease) increase in short-term advances from subsidiaries..... | (15.6) | 62.6 | |
| Net (decrease) increase in short-term funds borrowed..... | 53.3 | (11.5) | |
| Net change in long-term debt..... | 1,183.7 | 824.8 | |
| Issuance of junior subordinated debentures to subsidiary trusts..... | -- | -- | |
| Proceeds from dividend reinvestment, stock option and stock purchase plans..... | 210.0 | 277.6 | |
| Repurchase of common stock..... | (1,182.2) | (1,187.9) | |
| Shares reserved to meet deferred compensation obligations... | -- | -- | |
| Cash dividends..... | (1,271.3) | (1,029.7) | |
| Net cash used in financing activities..... | (1,022.1) | (1,064.1) | |
| Change in cash and cash equivalents..... | 668.9 | 56.8 | |
| Cash and cash equivalents at beginning of year..... | 1,045.5 | 988.7 | |
| Cash and cash equivalents at end of year..... | \$ 1,714.4 | \$ 1,045.5 | \$ |

Transfer of funds (dividends, loans or advances) from bank subsidiaries to the Company is restricted. Federal law prohibits loans unless they are secured and generally limits any loan to the Company or individual affiliate to 10 percent of the bank's equity. In aggregate, loans to the Company and all affiliates cannot exceed 20 percent of the bank's equity.

Dividend payments to the Company by its subsidiary banks are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. The approval of the Comptroller of the Currency is required if total dividends by a national bank in any calendar year exceed the bank's net income for that year combined with its retained net income for the preceding two calendar years or if the bank's retained earnings are less than zero. Furthermore, dividends are restricted by the Comptroller of the Currency's minimum capital constraints for all national banks. Within these guidelines, all bank subsidiaries have the ability to pay dividends without prior regulatory approval. The amount of dividends available to the parent company from the bank subsidiaries at December 31, 2000 was \$504 million.

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NOTE 24

SUPPLEMENTAL DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOWS

Listed below are supplemental disclosures to the Consolidated Statement of Cash Flows:

| Year Ended December 31 (Dollars in Millions) | 2000 | 1999 | 1998 |
|---|------------|----------|----------|
| Income taxes paid..... | \$ 1,046.5 | \$ 901.1 | \$ 816.0 |
| Interest paid..... | 5,686.3 | 4,697.6 | 4,888.0 |
| Net noncash transfers to foreclosed property..... | 94.3 | 102.9 | 86.0 |
| Change in unrealized gain (loss) on available-for-sale securities, net of taxes of \$141.5 in 2000, \$210.6 in 1999 | | | |

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| | | | |
|-------------------------------|------------|------------|----------|
| and \$52.0 in 1998..... | 252.4 | (369.5) | 93 |
| ----- | | | |
| Acquisitions and divestitures | | | |
| Assets acquired..... | \$ 3,314.6 | \$ 4,229.3 | \$ 7,840 |
| Liabilities (assumed)..... | (3,755.9) | (2,610.0) | (7,097) |
| ----- | | | |
| Net..... | \$ (441.3) | \$ 1,619.3 | \$ 743 |
| ----- | | | |

REGULATORY CAPITAL The measures used to assess capital include the capital ratios established by bank regulatory agencies, including the specific ratios for the "well capitalized" designation. For a description of the regulatory capital requirements and the actual ratios as of December 31, 2000 and 1999 for the Company and its significant bank subsidiaries, see Table 21.

MONEY MARKET INVESTMENTS are included with cash and due from banks as part of cash and cash equivalents. Money market investments are comprised of the following components at December 31:

| (Dollars in Millions) | 2000 | 1999 |
|--|-------|---------|
| ----- | | |
| Interest-bearing deposits..... | \$ 82 | \$ 56 |
| Federal funds sold..... | 203 | 1,100 |
| Securities purchased under agreements to resell..... | 372 | 778 |
| ----- | | |
| Total money market investments..... | \$657 | \$1,934 |
| ----- | | |

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REPORT OF INDEPENDENT
ACCOUNTANTS

To the Shareholders and Board of Directors of U.S. Bancorp:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of U.S. Bancorp and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Corporation's management; our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements give retroactive effect to the merger of Firststar Corporation and the former U.S. Bancorp on February 27, 2001 in a transaction accounted for as a pooling of interests, as described in Notes 1 and 3 to the consolidated financial statements. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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/S/ PRICEWATERHOUSECOOPERS, LLP

Minneapolis, Minnesota

April 13, 2001

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CONSOLIDATED BALANCE SHEET --

FIVE-YEAR SUMMARY

| December 31 (Dollars in Millions) | 2000 | 1999 | 1998 | 1997 |
|--|-----------|-----------|-----------|-----------|
| ASSETS | | | | |
| Cash and due from banks..... | \$ 8,475 | \$ 7,324 | \$ 8,882 | \$ 7,324 |
| Money market investments..... | 657 | 1,934 | 1,039 | 1,039 |
| Trading account securities..... | 753 | 617 | 666 | 666 |
| Held-to-maturity securities..... | 252 | 194 | 233 | 233 |
| Available-for-sale securities..... | 17,390 | 17,255 | 20,732 | 17,255 |
| Loans held for sale..... | 764 | 670 | 1,794 | 1,794 |
| Loans | | | | |
| Commercial..... | 52,817 | 45,856 | 41,068 | 36,443 |
| Commercial real estate..... | 26,443 | 25,142 | 21,808 | 19,995 |
| Residential mortgages..... | 7,753 | 11,395 | 13,980 | 15,395 |
| Retail..... | 35,352 | 30,836 | 30,102 | 27,753 |
| Total loans..... | 122,365 | 113,229 | 106,958 | 99,585 |
| Less allowance for credit losses..... | 1,787 | 1,710 | 1,706 | 1,706 |
| Net loans..... | 120,578 | 111,519 | 105,252 | 97,879 |
| Other assets..... | 16,052 | 14,805 | 12,116 | 9,995 |
| Total assets..... | \$164,921 | \$154,318 | \$150,714 | \$137,779 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | |
| Deposits | | | | |
| Noninterest-bearing..... | \$ 26,633 | \$ 26,350 | \$ 27,479 | \$ 24,633 |
| Interest-bearing..... | 82,902 | 77,067 | 76,867 | 74,633 |
| Total deposits..... | 109,535 | 103,417 | 104,346 | 99,266 |
| Short-term borrowings..... | 11,833 | 10,558 | 10,011 | 10,011 |
| Long-term debt..... | 21,876 | 21,027 | 18,679 | 13,876 |
| Company-obligated mandatorily redeemable preferred securities..... | 1,400 | 1,400 | 1,400 | 1,400 |
| Other liabilities..... | 5,109 | 3,969 | 3,704 | 3,969 |
| Total liabilities..... | 149,753 | 140,371 | 138,140 | 126,521 |
| Shareholders' equity..... | 15,168 | 13,947 | 12,574 | 11,258 |
| Total liabilities and shareholders' equity..... | \$164,921 | \$154,318 | \$150,714 | \$137,779 |

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equity..... \$164,921 \$154,318 \$150,714 \$137

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CONSOLIDATED STATEMENT OF INCOME -- FIVE-YEAR SUMMARY

| Year Ended December 31 (Dollars in Millions) | 2000 | 1999 | 1998 | 1997 |
|--|------------|------------|------------|-------|
| INTEREST INCOME | | | | |
| Loans..... | \$10,562.5 | \$ 9,122.7 | \$ 8,818.3 | \$8,4 |
| Loans held for sale..... | 102.1 | 103.9 | 91.9 | |
| Investment securities | | | | |
| Taxable..... | 1,008.3 | 1,047.1 | 1,179.5 | 1,0 |
| Non-taxable..... | 140.6 | 150.1 | 158.2 | 1 |
| Money market investments..... | 53.9 | 44.9 | 63.0 | |
| Trading securities..... | 53.7 | 45.0 | 25.6 | |
| Other interest income..... | 151.4 | 113.0 | 88.2 | |
| Total interest income..... | 12,072.5 | 10,626.7 | 10,424.7 | 9,8 |
| INTEREST EXPENSE | | | | |
| Deposits..... | 3,618.8 | 2,970.0 | 3,234.7 | 3,0 |
| Short-term borrowings..... | 781.7 | 582.4 | 594.7 | 6 |
| Long-term debt..... | 1,510.4 | 1,126.9 | 926.5 | 5 |
| Company-obligated mandatorily redeemable preferred securities..... | 112.0 | 111.0 | 103.8 | |
| Total interest expense..... | 6,022.9 | 4,790.3 | 4,859.7 | 4,3 |
| Net interest income..... | 6,049.6 | 5,836.4 | 5,565.0 | 5,4 |
| Provision for credit losses..... | 828.0 | 646.0 | 491.3 | 6 |
| Net interest income after provision for credit losses..... | 5,221.6 | 5,190.4 | 5,073.7 | 4,7 |
| NONINTEREST INCOME | | | | |
| Credit card and payment processing revenue..... | 992.1 | 837.8 | 748.0 | 6 |
| Trust and investment management fees..... | 926.2 | 887.1 | 788.3 | 6 |
| Deposit service charges..... | 551.1 | 497.2 | 470.3 | 4 |
| Cash management fees..... | 292.4 | 280.6 | 242.0 | 2 |
| Mortgage banking revenue..... | 189.9 | 190.4 | 244.6 | 1 |
| Trading account profits and commissions..... | 258.4 | 222.4 | 130.3 | |
| Investment products fees and commissions..... | 466.6 | 450.8 | 306.9 | 1 |
| Investment banking revenue..... | 360.3 | 246.6 | 100.4 | |
| Commercial product revenue..... | 304.4 | 215.7 | 121.9 | |
| Securities gains, net..... | 8.1 | 13.2 | 29.1 | |
| Other..... | 533.7 | 403.1 | 468.2 | 3 |
| Total noninterest income..... | 4,883.2 | 4,244.9 | 3,650.0 | 2,7 |
| NONINTEREST EXPENSE | | | | |
| Salaries..... | 2,427.1 | 2,355.3 | 2,196.7 | 1,8 |
| Employee benefits..... | 399.8 | 410.1 | 424.9 | 4 |
| Net occupancy..... | 396.9 | 371.8 | 356.9 | 3 |
| Furniture and equipment..... | 308.2 | 307.9 | 314.1 | 3 |
| Postage..... | 174.5 | 170.7 | 155.4 | 1 |
| Goodwill..... | 242.8 | 177.7 | 177.2 | 1 |
| Other intangible assets..... | 149.5 | 152.1 | 124.6 | |

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| | | | | |
|---|------------|------------|------------|-------|
| Merger and restructuring related charges..... | 348.7 | 532.8 | 593.8 | 6 |
| Other..... | 1,269.5 | 1,182.9 | 1,079.8 | 1,0 |
| Total noninterest expense..... | 5,717.0 | 5,661.3 | 5,423.4 | 4,9 |
| Income before income taxes..... | 4,387.8 | 3,774.0 | 3,300.3 | 2,5 |
| Applicable income taxes..... | 1,512.2 | 1,392.2 | 1,167.4 | 9 |
| Net income..... | \$ 2,875.6 | \$ 2,381.8 | \$ 2,132.9 | \$1,5 |
| Net income applicable to common equity..... | \$ 2,875.6 | \$ 2,381.8 | \$ 2,132.8 | \$1,5 |

*Information not available, amounts included in other line items above.

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QUARTERLY CONSOLIDATED FINANCIAL DATA

| (Dollars in Millions, Except Per Share Data) | 2000 | | | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| | Fourth Quarter | Third Quarter | Second Quarter | First Quarter | Fourth Quarter |
| INTEREST INCOME | | | | | |
| Loans..... | \$2,787.9 | \$2,710.7 | \$2,591.8 | \$2,472.1 | \$2,379.4 |
| Loans held for sale..... | 22.2 | 32.7 | 35.2 | 12.0 | 24.6 |
| Investment securities | | | | | |
| Taxable..... | 251.3 | 250.4 | 255.6 | 251.0 | 246.8 |
| Non-taxable..... | 33.4 | 34.8 | 33.5 | 38.9 | 35.9 |
| Money market investments..... | 10.8 | 14.5 | 15.0 | 13.6 | 10.3 |
| Trading securities..... | 14.0 | 12.8 | 12.6 | 14.3 | 10.9 |
| Other interest income..... | 39.4 | 37.7 | 37.0 | 37.3 | 32.5 |
| Total interest income.... | 3,159.0 | 3,093.6 | 2,980.7 | 2,839.2 | 2,740.4 |
| INTEREST EXPENSE | | | | | |
| Deposits..... | 975.7 | 954.0 | 875.9 | 813.2 | 775.0 |
| Short-term borrowings..... | 220.7 | 191.2 | 198.7 | 171.1 | 144.2 |
| Long-term debt..... | 398.3 | 403.9 | 371.3 | 336.9 | 315.6 |
| Company-obligated mandatorily redeemable preferred securities..... | 22.8 | 31.5 | 29.3 | 28.4 | 27.1 |
| Total interest expense... | 1,617.5 | 1,580.6 | 1,475.2 | 1,349.6 | 1,261.9 |
| Net interest income..... | 1,541.5 | 1,513.0 | 1,505.5 | 1,489.6 | 1,478.5 |
| Provision for credit losses.... | 229.5 | 214.0 | 201.3 | 183.2 | 173.7 |
| Net interest income after provision for credit losses... | 1,312.0 | 1,299.0 | 1,304.2 | 1,306.4 | 1,304.8 |
| NONINTEREST INCOME | | | | | |
| Credit card and payment processing revenue..... | 264.7 | 261.2 | 247.3 | 218.9 | 234.6 |
| Trust and investment management fees..... | 233.8 | 231.1 | 230.4 | 230.9 | 229.9 |
| Deposit service charges..... | 145.4 | 144.3 | 138.0 | 123.4 | 131.2 |
| Cash management fees..... | 71.8 | 74.7 | 74.1 | 71.8 | 73.2 |
| Mortgage banking revenue..... | 54.4 | 44.7 | 48.1 | 42.7 | 35.3 |

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| | | | | | |
|---|----------|----------|----------|----------|----------|
| Trading account profits and commissions..... | 62.4 | 50.9 | 59.8 | 85.3 | 66.7 |
| Investment products fees and commissions..... | 108.9 | 107.8 | 109.1 | 140.8 | 115.3 |
| Investment banking revenue..... | 92.8 | 100.6 | 72.9 | 94.0 | 89.0 |
| Commercial product revenue..... | 85.2 | 86.0 | 71.6 | 61.6 | 57.6 |
| Securities gains (losses), net..... | 7.0 | 1.1 | .3 | (.3) | 2.1 |
| Other..... | 138.5 | 131.2 | 151.7 | 112.3 | 102.3 |
| <hr/> | | | | | |
| Total noninterest income..... | 1,264.9 | 1,233.6 | 1,203.3 | 1,181.4 | 1,137.2 |
| NONINTEREST EXPENSE | | | | | |
| Salaries..... | 593.7 | 602.4 | 601.4 | 629.6 | 610.4 |
| Employee benefits..... | 98.2 | 89.4 | 100.3 | 111.9 | 91.6 |
| Net occupancy..... | 104.2 | 99.8 | 95.7 | 97.2 | 95.7 |
| Furniture and equipment..... | 76.2 | 79.6 | 75.7 | 76.7 | 79.6 |
| Postage..... | 44.2 | 43.1 | 42.6 | 44.6 | 41.4 |
| Goodwill..... | 64.2 | 60.4 | 59.8 | 58.4 | 51.7 |
| Other intangible assets..... | 37.8 | 37.3 | 37.0 | 37.4 | 35.5 |
| Merger-related charges..... | 84.1 | 117.7 | 81.9 | 65.0 | 90.5 |
| Other..... | 329.3 | 321.7 | 316.7 | 301.8 | 336.2 |
| <hr/> | | | | | |
| Total noninterest expense..... | 1,431.9 | 1,451.4 | 1,411.1 | 1,422.6 | 1,432.6 |
| <hr/> | | | | | |
| Income before income taxes..... | 1,145.0 | 1,081.2 | 1,096.4 | 1,065.2 | 1,009.4 |
| Applicable income taxes..... | 376.3 | 370.9 | 386.6 | 378.4 | 372.4 |
| <hr/> | | | | | |
| Net income..... | \$ 768.7 | \$ 710.3 | \$ 709.8 | \$ 686.8 | \$ 637.0 |
| <hr/> | | | | | |
| Earnings per share..... | \$.41 | \$.37 | \$.37 | \$.36 | \$.33 |
| Diluted earnings per share..... | \$.40 | \$.37 | \$.37 | \$.36 | \$.33 |
| <hr/> | | | | | |

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CONSOLIDATED DAILY AVERAGE BALANCE

Year Ended December 31

2000

| (Dollars in Millions) | Balance | Interest |
|---------------------------------|---------|----------|
| ASSETS | | |
| Money market investments..... | \$ 931 | \$ 53.9 |
| Trading account securities..... | 779 | 57.6 |
| Taxable securities..... | 14,567 | 1,008.3 |
| Nontaxable securities..... | 2,744 | 203.1 |
| Loans held for sale..... | 1,303 | 102.1 |
| Loans | | |
| Commercial..... | 50,062 | 4,257.2 |
| Commercial real estate..... | 26,040 | 2,305.5 |
| Residential mortgage..... | 9,578 | 723.4 |
| Retail..... | 32,637 | 3,295.4 |
| <hr/> | | |
| Total loans..... | 118,317 | 10,581.5 |

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| | | |
|--|-----------|------------|
| Other earning assets..... | 1,965 | 151.4 |
| Allowance for credit losses..... | 1,781 | |
| | ----- | |
| Total earning assets*..... | 140,606 | 12,157.9 |
| Other assets..... | 19,656 | |
| | ----- | |
| Total assets..... | \$158,481 | |
| | ----- | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Noninterest-bearing deposits..... | \$ 23,820 | |
| Interest-bearing deposits | | |
| Interest checking..... | 13,035 | 270.4 |
| Money market accounts..... | 22,774 | 1,000.0 |
| Savings accounts..... | 5,027 | 74.0 |
| Time certificates of deposit less than \$100,000..... | 25,861 | 1,458.3 |
| Time deposits greater than \$100,000..... | 12,909 | 816.1 |
| | ----- | |
| Total interest-bearing deposits..... | 79,606 | 3,618.8 |
| Short-term borrowings..... | 12,586 | 781.7 |
| Long-term debt..... | 22,410 | 1,510.4 |
| Company-obligated mandatorily redeemable preferred securities..... | 1,400 | 112.0 |
| | ----- | |
| Total interest-bearing liabilities..... | 116,002 | 6,022.9 |
| Other liabilities..... | 4,294 | |
| Shareholders' equity..... | 14,365 | |
| | ----- | |
| Total liabilities and shareholders' equity..... | \$158,481 | |
| | ----- | |
| Net interest income..... | | \$ 6,135.0 |
| | | ----- |
| Gross interest margin..... | | |
| Gross interest margin without taxable-equivalent increments..... | | |
| PERCENT OF EARNING ASSETS | | |
| Interest income..... | | |
| Interest expense..... | | |
| Net interest margin..... | | |
| Net interest margin without taxable-equivalent increments... | | |
| | ----- | |

Interest and rates are presented on a fully taxable-equivalent basis under a tax rate of 35 percent.

Interest income and rates on loans include loan fees. Nonaccrual loans are included in average loan balances.

*Before deducting the allowance for credit losses and excluding the unrealized (loss) gain on available-for-sale securities.

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SHEET AND RELATED YIELDS AND RATES

1999

1998

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| Balance | Interest | Yields and Rates | Balance | Interest | Y and |
|-----------|------------|---------------------|-----------|------------|----------|
| \$ 1,082 | \$ 44.9 | 4.15% | \$ 1,170 | \$ 63.0 | 5. |
| 630 | 47.8 | 7.59 | 428 | 27.6 | 6. |
| 16,301 | 1,047.1 | 6.42 | 17,977 | 1,179.5 | 6. |
| 2,970 | 220.6 | 7.43 | 3,137 | 238.2 | 7. |
| 1,450 | 103.9 | 7.17 | 1,264 | 91.9 | 7. |
| 43,328 | 3,288.3 | 7.59 | 38,983 | 3,110.4 | 7. |
| 23,076 | 1,940.3 | 8.41 | 20,458 | 1,784.1 | 8. |
| 12,680 | 953.7 | 7.52 | 15,160 | 1,170.5 | 7. |
| 30,554 | 2,963.4 | 9.70 | 27,850 | 2,782.5 | 9. |
| ----- | ----- | ----- | ----- | ----- | ----- |
| 109,638 | 9,145.7 | 8.34 | 102,451 | 8,847.5 | 8. |
| ----- | ----- | ----- | ----- | ----- | ----- |
| 1,686 | 113.0 | 6.70 | 1,311 | 88.2 | 6. |
| 1,709 | | | 1,688 | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| 133,757 | 10,723.0 | 8.02 | 127,738 | 10,535.9 | 8. |
| 18,119 | | | 16,837 | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| \$150,167 | | | \$142,887 | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| \$ 23,556 | | | \$ 23,011 | | |
| 12,898 | 231.0 | 1.79 | 12,263 | 230.9 | 1. |
| 22,534 | 842.2 | 3.74 | 20,337 | 825.1 | 4. |
| 5,961 | 111.9 | 1.88 | 6,504 | 146.7 | 2. |
| 26,296 | 1,322.6 | 5.03 | 29,583 | 1,622.7 | 5. |
| 8,675 | 462.3 | 5.33 | 7,242 | 409.3 | 5. |
| ----- | ----- | ----- | ----- | ----- | ----- |
| 76,364 | 2,970.0 | 3.89 | 75,929 | 3,234.7 | 4. |
| 11,707 | 582.4 | 4.97 | 11,102 | 594.7 | 5. |
| 20,248 | 1,126.9 | 5.57 | 15,732 | 926.5 | 5. |
| 1,400 | 111.0 | 7.93 | 1,314 | 103.8 | 7. |
| ----- | ----- | ----- | ----- | ----- | ----- |
| 109,719 | 4,790.3 | 4.37 | 104,077 | 4,859.7 | 4. |
| 3,671 | | | 3,416 | | |
| 13,221 | | | 12,383 | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| \$150,167 | | | \$142,887 | | |
| ----- | ----- | ----- | ----- | ----- | ----- |
| | \$ 5,932.7 | | | \$ 5,676.2 | |
| | ----- | | | ----- | |
| | | 3.65% | | | 3. |
| | | ----- | | | ----- |
| | | 3.58% | | | 3. |
| | | ----- | | | ----- |
| | | 8.02% | | | 8. |
| | | 3.58 | | | 3. |
| | | ----- | | | ----- |
| | | 4.44 | | | 4. |
| | | ----- | | | ----- |
| | | 4.37% | | | 4. |
| | | ----- | | | ----- |

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SUPPLEMENTAL FINANCIAL DATA

| EARNINGS PER SHARE SUMMARY | 2000 | 1999 | 1998 |
|---|-----------|-----------|---------|
| Earnings per share..... | \$1.51 | \$1.25 | \$1.12 |
| Diluted earnings per share..... | \$1.50 | \$1.23 | \$1.10 |
| RATIOS | | | |
| Return on average assets..... | 1.81% | 1.59% | 1.49% |
| Return on average common equity..... | 20.0 | 18.0 | 17.2 |
| Average total equity to average assets..... | 9.1 | 8.8 | 8.7 |
| Dividends per share to net income per share..... | 43.0 | 37.0 | 29.5 |
| OTHER STATISTICS (Shares in Millions) | | | |
| Common shares outstanding -- year end *..... | 1,902.0 | 1,982.5 | 1,903.5 |
| Average common shares outstanding and common stock equivalents | | | |
| Earnings per share..... | 1,906.0 | 1,907.8 | 1,898.8 |
| Diluted earnings per share..... | 1,918.5 | 1,930.0 | 1,930.5 |
| Common dividends declared (millions)..... | \$1,267.0 | \$1,090.8 | \$977.6 |

*Defined as total common shares less common stock held in treasury.

STOCK PRICE RANGE AND DIVIDENDS

| | 2000 | | | |
|-----------------------------------|-------------|---------|-----------------------|-------------|
| | Sales Price | | Dividends Declared | Sal High |
| | High | Low | | |
| First quarter..... | \$24.63 | \$17.00 | \$.1625 | \$31.85 |
| Second quarter..... | 27.75 | 21.06 | .1625 | 34.56 |
| Third quarter..... | 25.00 | 19.75 | .1625 | 29.44 |
| Fourth quarter..... | 24.25 | 15.63 | .1625 | 29.38 |
| Closing price -- December 31..... | 23.25 | | | |

The common stock of U.S. Bancorp is traded on the New York Stock Exchange, under the ticker symbol, "USB."

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TABLE 1
LINE OF BUSINESS FINANCIAL PERFORMANCE

Operating segments are components of the Company about which financial information is available and is evaluated regularly in deciding how to allocate resources and assess performance. Prior to the merger, the Company operated its business units separately in 2000 and 1999 as Firststar and USBM and the basis of financial presentation differed significantly. Accordingly, the presentation of comparative business line results is not practicable at this time.

At the date of the merger of Firststar and USBM, the Company has reorganized into the following operating segments: Consumer Banking; Payment Systems; Wholesale Banking; Private Client, Trust and Asset Management; Capital Markets; Treasury; and Corporate Support. For descriptions of these operating segments see "BUSINESS SEGMENTS" in Note 1 on page 6.

The following table provides restated financial results during 2000 for the Company's primary operating segments:

| (Dollars in Millions) | Year Ended December 31, 2000 | | | |
|--|------------------------------|-----------------|-------------------|--|
| | Consumer Banking | Payment Systems | Wholesale Banking | Private Client, Trust and Asset Management |
| Net interest income..... | \$3,123.3 | \$ 515.2 | \$1,780.1 | \$ 227.6 |
| Noninterest income..... | 1,128.8 | 867.4 | 495.7 | 906.2 |
| Total revenue..... | 4,252.1 | 1,382.6 | 2,275.8 | 1,133.8 |
| Noninterest expense..... | 1,677.6 | 357.6 | 382.2 | 478.3 |
| Other intangible amortization..... | 62.3 | 23.7 | 1.3 | 19.9 |
| Goodwill amortization..... | 4.4 | 11.4 | 8.0 | 1.2 |
| Total noninterest expense..... | 1,744.3 | 392.7 | 391.5 | 499.4 |
| Operating income..... | 2,507.8 | 989.9 | 1,884.3 | 634.4 |
| Provision for credit losses..... | 368.7 | 400.8 | 141.4 | 7.0 |
| Income before taxes..... | 2,139.1 | 589.1 | 1,742.9 | 627.4 |
| Income taxes and taxable-equivalent adjustment..... | 760.9 | 209.5 | 619.9 | 223.2 |
| Operating earnings, before merger-related charges..... | \$1,378.2 | \$ 379.6 | \$1,123.0 | \$ 404.2 |
| Net merger-related charges (after-tax)* | | | | |
| Net income | | | | |
| AVERAGE BALANCE SHEET DATA | | | | |
| Loans..... | \$ 41,016 | \$ 8,871 | \$ 55,763 | \$ 3,802 |
| Assets..... | 46,706 | 9,400 | 60,254 | 5,255 |
| Noninterest-bearing deposits..... | 11,483 | 184 | 9,436 | 2,267 |
| Interest-bearing deposits..... | 62,156 | 1 | 4,847 | 4,754 |
| Total Deposits..... | \$ 73,639 | \$ 185 | \$ 14,283 | \$ 7,021 |

Year Ended December 31, 2000

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| (Dollars in Millions) | Treasury | Corporate Support | Consolidated Company |
|--|-----------|-------------------|----------------------|
| Net interest income..... | \$1,322.7 | \$ (862.8) | \$6,135.0 |
| Noninterest income..... | 218.1 | 168.8 | 4,883.2 |
| Total revenue..... | 1,540.8 | (694.0) | 11,018.2 |
| Noninterest expense..... | 18.7 | 1,152.5 | 4,976.0 |
| Other intangible amortization..... | -- | 42.3 | 149.5 |
| Goodwill amortization..... | -- | 216.8 | 242.8 |
| Total noninterest expense..... | 18.7 | 1,411.6 | 5,368.3 |
| Operating income..... | 1,522.1 | (2,105.6) | 5,649.9 |
| Provision for credit losses..... | 1.0 | (90.9) | 828.0 |
| Income before taxes..... | 1,521.1 | (2,014.7) | 4,821.9 |
| Income taxes and taxable-equivalent adjustment..... | 541.1 | (716.8) | 1,715.0 |
| Operating earnings, before merger-related charges..... | \$ 980.0 | \$ (1,297.9) | \$3,106.9 |
| Net merger-related charges (after-tax)* | | | (231.3) |
| Net income | | | \$2,875.6 |
| AVERAGE BALANCE SHEET DATA | | | |
| Loans..... | \$ 11,923 | \$ (3,321) | \$118,317 |
| Assets..... | 24,417 | 9,057 | 158,481 |
| Noninterest-bearing deposits..... | 255 | 40 | 23,820 |
| Interest-bearing deposits..... | 10,793 | (2,945) | 79,606 |
| Total Deposits..... | \$ 11,048 | \$ (2,905) | \$103,426 |

*Merger-related charges are not allocated to the business lines.

TABLE 2

RECONCILIATION OF OPERATING EARNINGS* TO NET INCOME IN ACCORDANCE WITH GAAP

| (Dollars in Millions) | 2000 | 1999 | |
|--|-----------|-----------|------|
| Operating earnings, before merger and restructuring items... | \$3,106.9 | \$2,799.0 | \$2, |
| Merger and restructuring related items | | | |
| Other merger -- related charges..... | (348.7) | (355.1) | (|
| Securities losses..... | -- | (177.7) | |
| Provision for credit losses..... | -- | (7.5) | |
| Gain on sale of branches..... | -- | -- | |
| Applicable tax benefit..... | 117.4 | 123.1 | |
| Net income in accordance with GAAP..... | \$2,875.6 | \$2,381.8 | \$2, |

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*The Company analyzes its performance on a net income basis in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger and restructuring related charges referred to as "operating earnings." Operating earnings are presented as supplemental information to enhance the readers' understanding of, and highlight trends in, the Company's core financial results excluding the impact of discrete business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earning per share as determined in accordance with accounting principles generally accepted in the United States.

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TABLE 3
ANALYSIS OF NET INTEREST INCOME

| (Dollars in Millions) | 2000 | 1999 | |
|---|------------|------------|----|
| ----- | | | |
| Components of net interest income | | | |
| Income on earning assets..... | \$12,157.9 | \$10,723.0 | \$ |
| Expenses on interest bearing liabilities..... | 6,022.9 | 4,790.3 | |
| Net interest income -- (taxable-equivalent basis)..... | \$ 6,135.0 | \$ 5,932.7 | \$ |
| Net interest income, as reported..... | \$ 6,049.6 | \$ 5,836.4 | \$ |
| ----- | | | |
| Average yields and rates paid -- (taxable-equivalent basis) | | | |
| Earning assets yield..... | 8.65% | 8.02% | |
| Rate paid on interest-bearing liabilities..... | 5.19 | 4.37 | |
| Gross interest margin..... | 3.46% | 3.65% | |
| Net interest margin..... | 4.36% | 4.44% | |
| Net interest margin -- (without taxable-equivalent increments)..... | 4.30% | 4.37% | |
| ----- | | | |
| Average balances: | | | |
| Investment securities..... | \$ 17,311 | \$ 19,271 | \$ |
| Loans..... | 118,317 | 109,638 | |
| Earning assets..... | 140,606 | 133,757 | |
| Interest bearing liabilities..... | 116,002 | 109,719 | |
| Net free funds*..... | 24,604 | 24,038 | |
| ----- | | | |

*Represents noninterest-bearing deposits, other non-earning assets and liabilities and equity.

TABLE 4
NET INTEREST INCOME -- CHANGES DUE TO RATE AND VOLUME

| (Dollars in Millions) | 2000 Compared with 1999 | | | Volume |
|-----------------------|-------------------------|------------|-------|--------|
| | Volume | Yield/Rate | Total | |
| ----- | | | | |

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| | | | | |
|---|----------|-----------|----------|----------|
| Increase (decrease) in | | | | |
| Interest income | | | | |
| Commercial loans..... | \$ 511.1 | \$ 457.8 | \$ 968.9 | \$ 346.7 |
| Commercial real estate..... | 249.2 | 116.0 | 365.2 | 228.3 |
| Residential mortgages..... | (233.3) | 3.0 | (230.3) | (191.5) |
| Retail loans..... | 202.0 | 130.0 | 332.0 | 270.2 |
| <hr/> | | | | |
| Total loans..... | 729.0 | 706.8 | 1,435.8 | 653.7 |
| Loans held for sale... | (10.5) | 8.7 | (1.8) | 13.5 |
| Investment securities..... | (128.2) | 71.9 | (56.3) | (122.7) |
| Money market investments..... | (6.3) | 15.3 | 9.0 | (4.7) |
| Trading securities.... | 11.3 | (1.5) | 9.8 | 13.0 |
| Other earning assets..... | 18.7 | 19.7 | 38.4 | 25.2 |
| <hr/> | | | | |
| Total..... | 614.0 | 820.9 | 1,434.9 | 578.0 |
| Interest expense | | | | |
| Interest checking..... | 2.5 | 36.9 | 39.4 | 12.0 |
| Money market accounts..... | 9.0 | 148.8 | 157.8 | 89.1 |
| Other savings accounts..... | (17.5) | (20.4) | (37.9) | (12.2) |
| Savings certificates..... | (21.9) | 157.6 | 135.7 | (180.3) |
| Certificates over \$100,000..... | 225.6 | 128.2 | 353.8 | 81.0 |
| <hr/> | | | | |
| Total interest-bearing deposits..... | 197.7 | 451.1 | 648.8 | (10.4) |
| Short-term borrowings..... | 43.7 | 155.6 | 199.3 | 32.4 |
| Long-term debt..... | 120.3 | 263.2 | 383.5 | 266.0 |
| Mandatorily redeemable preferred securities of subsidiary trusts..... | -- | 1.0 | 1.0 | 6.8 |
| <hr/> | | | | |
| Total..... | 361.7 | 870.9 | 1,232.6 | 294.8 |
| <hr/> | | | | |
| Increase (decrease) in net interest income..... | \$ 252.3 | \$ (50.0) | \$ 202.3 | \$ 283.2 |
| <hr/> | | | | |

This table shows the components of the change in net interest income by volume and rate on a taxable-equivalent basis. The effect of changes in rates on volume changes is allocated based on the percentage relationship of changes in volume and changes in rate. This table does not take into account the level of noninterest-bearing funding, nor does it fully reflect changes in the mix of assets and liabilities.

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NONINTEREST INCOME

| (Dollars in Millions) | 2000 | 1999 | |
|---|------------------|------------------|-------------|
| Credit card and payment processing revenue..... | \$ 992.1 | \$ 837.8 | \$ |
| Trust and investment management fees..... | 926.2 | 887.1 | |
| Deposit service charges..... | 551.1 | 497.2 | |
| Cash management fees..... | 292.4 | 280.6 | |
| Mortgage banking revenue..... | 189.9 | 190.4 | |
| Trading account profits and commissions..... | 258.4 | 222.4 | |
| Investment products fees and commissions..... | 466.6 | 450.8 | |
| Investment banking revenue..... | 360.3 | 246.6 | |
| Insurance product revenue..... | 145.3 | 105.3 | |
| Commercial product revenue..... | 304.4 | 215.7 | |
| Retail product revenue..... | 69.1 | 78.0 | |
| Securities gains, net..... | 8.1 | 13.2 | |
| Other..... | 319.3 | 219.8 | |
| Total noninterest income..... | \$4,883.2 | \$4,244.9 | \$3, |

TABLE 6
NONINTEREST EXPENSE

| (Dollars in Millions) | 2000 | 1999 | 1998 |
|--|------------------|------------------|------------------|
| Salaries..... | \$2,427.1 | \$2,355.3 | \$2,196.7 |
| Employee benefits..... | 399.8 | 410.1 | 424.9 |
| Net occupancy..... | 396.9 | 371.8 | 356.9 |
| Furniture and equipment..... | 308.2 | 307.9 | 314.1 |
| Professional services..... | 109.0 | 95.7 | 105.3 |
| Advertising and marketing..... | 122.1 | 124.1 | 126.9 |
| Other personnel costs..... | 107.0 | 88.4 | 73.7 |
| Software..... | 111.9 | 72.2 | 51.5 |
| Data Processing..... | 149.7 | 133.7 | 120.0 |
| Communication..... | 138.8 | 123.4 | 114.2 |
| Postage..... | 174.5 | 170.7 | 155.4 |
| Printing..... | 86.5 | 90.7 | 89.6 |
| Goodwill..... | 242.8 | 177.7 | 177.2 |
| Other intangible assets..... | 149.5 | 152.1 | 124.6 |
| Other..... | 444.5 | 454.7 | 398.6 |
| Total operating noninterest expense..... | 5,368.3 | 5,128.5 | 4,829.6 |
| Merger and restructuring-related charges..... | 348.7 | 532.8 | 593.8 |
| Total noninterest expense..... | \$5,717.0 | \$5,661.3 | \$5,423.4 |
| Efficiency ratio*..... | 51.9% | 55.7% | 58.3% |
| Efficiency ratio, before merger and restructuring-related charges..... | 48.8 | 50.5 | 51.9 |
| Banking efficiency ratio, before merger and restructuring-related charges**..... | 43.5 | 46.3 | 49.4 |

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*Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net.

**Without investment banking and brokerage activity.

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TABLE 7
LOAN PORTFOLIO DISTRIBUTION

| At December 31 (Dollars in Millions) | 2000 | | 1999 | | 1998 |
|--------------------------------------|-----------|------------------|-----------|------------------|-----------|
| | Amount | Percent of Total | Amount | Percent of Total | Amount |
| COMMERCIAL | | | | | |
| Commercial..... | \$ 47,041 | 38.5% | \$ 42,021 | 37.1% | \$ 37,777 |
| Lease financing..... | 5,776 | 4.7 | 3,835 | 3.4 | 3,291 |
| Total commercial..... | 52,817 | 43.2 | 45,856 | 40.5 | 41,068 |
| COMMERCIAL REAL ESTATE | | | | | |
| Commercial mortgages..... | 19,466 | 15.9 | 18,636 | 16.5 | 16,602 |
| Construction and development..... | 6,977 | 5.7 | 6,506 | 5.7 | 5,206 |
| Total commercial real estate..... | 26,443 | 21.6 | 25,142 | 22.2 | 21,808 |
| RESIDENTIAL MORTGAGES..... | 7,753 | 6.3 | 11,395 | 10.1 | 13,980 |
| RETAIL | | | | | |
| Credit card..... | 6,012 | 4.9 | 5,004 | 4.4 | 4,856 |
| Retail leasing..... | 4,153 | 3.4 | 2,123 | 1.9 | 1,621 |
| Other retail..... | 25,187 | 20.6 | 23,709 | 20.9 | 23,625 |
| Total retail..... | 35,352 | 28.9 | 30,836 | 27.2 | 30,102 |
| Total loans..... | \$122,365 | 100.0% | \$113,229 | 100.0% | \$106,958 |

| At December 31 (Dollars in Millions) | 1996 | |
|--------------------------------------|----------|------------------|
| | Amount | Percent of Total |
| COMMERCIAL | | |
| Commercial..... | \$30,790 | 33.7% |
| Lease financing..... | 2,351 | 2.6 |
| Total commercial..... | 33,141 | 36.3 |
| COMMERCIAL REAL ESTATE | | |
| Commercial mortgages..... | 15,363 | 16.8 |
| Construction and development..... | 3,541 | 3.9 |
| Total commercial real estate..... | 18,904 | 20.7 |
| RESIDENTIAL MORTGAGES..... | 13,919 | 15.3 |
| RETAIL | | |

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| | | |
|---------------------|----------|--------|
| Credit card..... | 5,089 | 5.6 |
| Retail leasing..... | 787 | 0.8 |
| Other retail..... | 19,402 | 21.3 |
| | ----- | ----- |
| Total retail..... | 25,278 | 27.7 |
| | ----- | ----- |
| Total loans..... | \$91,242 | 100.0% |

TABLE 8
SELECTED LOAN MATURITY DISTRIBUTION

| At December 31, 2000 (Dollars in Millions) | One Year or Less | Over One Through Five Years | Over Five Years |
|--|---------------------|-----------------------------------|--------------------|
| Commercial..... | \$23,498 | \$24,673 | \$ 4,646 |
| Commercial real estate..... | 7,645 | 13,261 | 5,537 |
| Residential mortgages..... | 526 | 892 | 6,335 |
| Retail..... | 16,974 | 11,399 | 6,979 |
| | ----- | ----- | ----- |
| Total loans..... | \$48,643 | \$50,225 | \$23,497 |
| Total of loans due after one year with: | | | |
| Predetermined interest rates..... | | | |
| Floating interest rates..... | | | |

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TABLE 9
COMMERCIAL LOAN EXPOSURE BY INDUSTRY GROUP AND GEOGRAPHY

| INDUSTRY GROUP (Dollars in Millions) | December 31, 2000 | |
|--|-------------------|--------|
| | Loans | % |
| Consumer products and services..... | \$ 9,791 | 18.4% |
| Capital goods..... | 6,984 | 13.2 |
| Financials..... | 5,438 | 10.3 |
| Consumer staples..... | 5,427 | 10.3 |
| Agriculture..... | 4,177 | 7.9 |
| Transportation..... | 2,775 | 5.3 |
| Private investors..... | 2,405 | 4.6 |
| Paper and forestry products, mining and basic materials..... | 2,249 | 4.3 |
| Health care..... | 1,631 | 3.1 |
| Technology..... | 1,223 | 2.3 |
| Mortgage banking..... | 961 | 1.8 |
| Energy..... | 742 | 1.4 |
| Other..... | 9,014 | 17.1 |
| | ----- | ----- |
| Total..... | \$52,817 | 100.0% |

GEOGRAPHY

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| | | | |
|----------------------------|----------|--------|-----|
| California..... | \$ 3,174 | 6.0% | \$ |
| Colorado..... | 2,661 | 5.0 | |
| Illinois..... | 3,336 | 6.3 | |
| Minnesota..... | 8,724 | 16.5 | |
| Missouri..... | 2,163 | 4.1 | |
| Ohio..... | 2,269 | 4.3 | |
| Oregon..... | 2,769 | 5.2 | |
| Washington..... | 4,860 | 9.2 | |
| Wisconsin..... | 3,153 | 6.0 | |
| Other banking regions: | | | |
| Midwest..... | 4,547 | 8.6 | |
| Mideast..... | 2,230 | 4.2 | |
| Mountain..... | 1,316 | 2.5 | |
| Southwestern..... | 1,460 | 2.8 | |
| Total banking regions..... | 42,662 | 80.8 | 3 |
| Other regions..... | 10,155 | 19.2 | |
| Total..... | \$52,817 | 100.0% | \$4 |

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TABLE 10
COMMERCIAL REAL ESTATE EXPOSURE BY PROPERTY TYPE AND GEOGRAPHY

| PROPERTY TYPE (Dollars in Millions) | December 31, 2000 | | |
|-------------------------------------|-------------------|--------|-----|
| | Loans | % | |
| Business owner occupied..... | \$ 7,329 | 27.7% | \$ |
| Multi-family..... | 3,908 | 14.8 | |
| Commercial property: | | | |
| Industrial..... | 1,923 | 7.3 | |
| Office..... | 2,761 | 10.4 | |
| Retail..... | 2,537 | 9.6 | |
| Other..... | 2,755 | 10.4 | |
| Homebuilders..... | 1,521 | 5.8 | |
| Hotel/motel..... | 1,916 | 7.2 | |
| Other..... | 1,793 | 6.8 | |
| Total..... | \$26,443 | 100.0% | \$2 |
| GEOGRAPHY | | | |
| California..... | \$ 3,255 | 12.3% | \$ |
| Colorado..... | 855 | 3.2 | |
| Illinois..... | 836 | 3.2 | |
| Minnesota..... | 1,088 | 4.1 | |
| Missouri..... | 2,842 | 10.7 | |
| Ohio..... | 2,425 | 9.2 | |
| Oregon..... | 1,638 | 6.2 | |
| Washington..... | 2,937 | 11.1 | |
| Wisconsin..... | 2,113 | 8.0 | |
| Other banking regions: | | | |
| Midwest..... | 2,982 | 11.3 | |
| Mideast..... | 1,798 | 6.8 | |

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| | | | |
|----------------------------|----------|--------|-----|
| Mountain..... | 573 | 2.2 | |
| Southwestern..... | 1,264 | 4.8 | |
| Total banking regions..... | 24,606 | 25.1 | 2 |
| Other regions..... | 1,837 | 6.9 | |
| Total..... | \$26,443 | 100.0% | \$2 |

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TABLE 11
INVESTMENT SECURITIES

| December 31, 2000 (Dollars in Millions) | Available-for-Sale | | |
|---|--------------------|------------|---------------------------|
| | Amortized Cost | Fair Value | Average Maturity in Years |
| U.S. Treasuries and agencies..... | \$ 498 | \$ 500 | 0.32 |
| Within one year..... | 1,030 | 1,050 | 2.74 |
| One through five years..... | 63 | 65 | 6.81 |
| Five through ten years..... | 9 | 9 | 14.96 |
| Over..... | -- | -- | -- |
| Total..... | \$ 1,600 | \$ 1,624 | 2.22 |
| Mortgage-backed securities | | | |
| Within one year..... | \$ 379 | \$ 379 | 0.54 |
| One through five years..... | 1,679 | 1,687 | 2.96 |
| Five through ten years..... | 2,235 | 2,255 | 6.74 |
| Over..... | 7,507 | 7,572 | 15.28 |
| Total..... | \$11,800 | \$11,893 | 11.44 |
| Obligations of state and political subdivisions | | | |
| Within one year..... | \$ 347 | \$ 348 | 0.50 |
| One through five years..... | 1,265 | 1,284 | 3.10 |
| Five through ten years..... | 600 | 614 | 7.39 |
| Over..... | 158 | 163 | 15.13 |
| Total..... | \$ 2,370 | \$ 2,409 | 4.61 |
| Other | | | |
| Within one year..... | \$ 15 | \$ 15 | 0.46 |
| One through five years..... | 655 | 658 | 2.78 |
| Five through ten years..... | 8 | 8 | 7.30 |
| Over..... | 269 | 256 | 26.18 |
| Total..... | \$ 947 | \$ 937 | 9.44 |
| Other equity securities..... | \$ 274 | \$ 276 | -- |
| Money market funds..... | 251 | 251 | -- |
| Total investment securities..... | \$17,242 | \$17,390 | 9.47 |

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| December 31, 2000 (Dollars in Millions) | Held-to-Maturity | |
|---|---------------------------|------------------------|
| | Average Maturity in Years | Weighted Average Yield |
| U.S. Treasuries and agencies..... | -- | --% |
| Within one year..... | -- | -- |
| One through five years..... | -- | -- |
| Five through ten years..... | -- | -- |
| Over..... | -- | -- |
| Total..... | -- | -- |
| Mortgage-backed securities | | |
| Within one year..... | -- | -- |
| One through five years..... | 4.63 | 7.92 |
| Five through ten years..... | -- | -- |
| Over..... | -- | -- |
| Total..... | 4.63 | 7.92 |
| Obligations of state and political subdivisions | | |
| Within one year..... | 0.41 | 5.78 |
| One through five years..... | 3.21 | 5.61 |
| Five through ten years..... | 7.8 | 5.55 |
| Over..... | 15.38 | 5.68 |
| Total..... | 7.09 | 5.64 |
| Other | | |
| Within one year..... | -- | -- |
| One through five years..... | -- | -- |
| Five through ten years..... | -- | -- |
| Over..... | -- | -- |
| Total..... | -- | -- |
| Other equity securities..... | -- | -- |
| Money market funds..... | -- | -- |
| Total investment securities..... | -- | --% |

Note: Information related to mortgage-backed securities included above is presented based upon weighted average maturities anticipating future prepayments. Average yields are presented on a fully-taxable equivalent basis. Yields on available-for-sale securities are computed based on historical cost balances.

TABLE 12
NET CHARGE-OFFS AS A PERCENTAGE OF AVERAGE LOANS OUTSTANDING

| | 2000 | 1999 | 1998 | 1997 |
|------------|------|------|------|------|
| COMMERCIAL | | | | |

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| | | | | |
|-----------------------------------|------|------|-------|-------|
| Commercial..... | .56% | .41% | *% | *% |
| Lease financing..... | .46 | .24 | * | * |
| <hr/> | | | | |
| Total commercial..... | .55 | .40 | .31 | .50 |
| COMMERCIAL REAL ESTATE | | | | |
| Commercial mortgages..... | .03 | .02 | * | * |
| Construction and development..... | .11 | .03 | * | * |
| <hr/> | | | | |
| Total commercial real estate..... | .05 | .02 | (.04) | (.05) |
| RESIDENTIAL MORTGAGES..... | .13 | .12 | .08 | .06 |
| RETAIL | | | | |
| Credit card..... | 3.68 | 3.50 | 3.53 | 4.05 |
| Retail leasing..... | .41 | .28 | * | * |
| Other retail..... | 1.27 | 1.23 | * | * |
| <hr/> | | | | |
| Total retail..... | 1.60 | 1.57 | 1.51 | 1.65 |
| <hr/> | | | | |
| Total loans..... | .70% | .61% | .53% | .63% |

*Information not available

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TABLE 13
NONPERFORMING ASSETS*

| (Dollars in Millions) | December 31 | | | |
|--|-------------|---------|---------|---------|
| | 2000 | 1999 | 1998 | 1997 |
| <hr/> | | | | |
| COMMERCIAL | | | | |
| Commercial..... | \$470.4 | \$219.0 | \$230.4 | \$267.0 |
| Lease financing..... | 70.5 | 31.5 | 17.7 | 17.7 |
| <hr/> | | | | |
| Total commercial..... | 540.9 | 250.5 | 248.1 | 284.7 |
| COMMERCIAL REAL ESTATE | | | | |
| Commercial mortgages..... | 105.5 | 138.2 | 86.9 | 91.9 |
| Construction and development..... | 38.2 | 31.6 | 28.4 | 17.7 |
| <hr/> | | | | |
| Total commercial real estate..... | 143.7 | 169.8 | 115.3 | 109.6 |
| RESIDENTIAL MORTGAGES..... | 56.9 | 72.8 | 98.7 | 91.9 |
| RETAIL | | | | |
| Credit card..... | 8.8 | 5.0 | 2.6 | 2.6 |
| Retail leasing..... | -- | .4 | .5 | .5 |
| Other retail..... | 15.0 | 21.1 | 30.4 | 17.7 |
| <hr/> | | | | |
| Total retail..... | 23.8 | 26.5 | 33.5 | 20.8 |
| <hr/> | | | | |
| Total nonperforming loans..... | 765.3 | 519.6 | 495.6 | 506.1 |
| OTHER REAL ESTATE..... | 61.1 | 40.0 | 35.1 | 50.0 |
| OTHER ASSETS..... | 40.6 | 28.9 | 16.9 | 17.7 |
| <hr/> | | | | |
| Total nonperforming assets..... | \$867.0 | \$588.5 | \$547.6 | \$573.8 |
| <hr/> | | | | |
| Accruing loans 90 days or more past due**..... | \$385.2 | \$248.6 | \$252.9 | \$211.0 |
| Nonperforming loans to total loans..... | .63% | .46% | .46% | .46% |

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| | | | | |
|---|---------|---------|---------|------|
| Nonperforming assets to total loans plus other real estate..... | .71 | .52 | .51 | |
| Net interest lost on nonperforming loans..... | \$ 50.8 | \$ 29.5 | \$ 21.3 | \$ 3 |

*Throughout this document, nonperforming assets and related ratios do not include accruing loans 90 days or more past due.

**These loans are not included in nonperforming assets and continue to accrue interest because they are secured by collateral and/or are in the process of collection and are reasonably expected to result in repayment or restoration to current status.

***Information not available

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TABLE 14
SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

| (Dollars in Millions) | 2000 | 1999 | 1998 |
|-----------------------------------|-----------|-----------|-----------|
| Balance at beginning of year..... | \$1,710.3 | \$1,705.7 | \$1,665.8 |
| CHARGE-OFFS | | | |
| Commercial | | | |
| Commercial..... | 319.8 | 250.1 | * |
| Lease financing..... | 27.9 | 12.4 | * |
| Total commercial..... | 347.7 | 262.5 | 202.3 |
| Commercial real estate | | | |
| Commercial mortgages..... | 15.8 | 19.1 | * |
| Construction and development..... | 10.3 | 2.6 | * |
| Total commercial real estate..... | 26.1 | 21.7 | 23.6 |
| Residential mortgages..... | 13.7 | 16.2 | 14.4 |
| Retail | | | |
| Credit card..... | 235.8 | 220.2 | 223.9 |
| Retail leasing..... | 14.8 | 6.2 | * |
| Other retail..... | 379.5 | 376.0 | * |
| Total retail..... | 630.1 | 602.4 | 533.4 |
| Total charge-offs..... | 1,017.6 | 902.8 | 773.7 |
| RECOVERIES | | | |
| Commercial | | | |
| Commercial..... | 64.0 | 84.8 | * |
| Lease financing..... | 7.2 | 4.0 | * |
| Total commercial..... | 71.2 | 88.8 | 81.9 |
| Commercial real estate | | | |
| Commercial mortgages..... | 10.8 | 15.1 | * |
| Construction and development..... | 2.6 | 1.0 | * |
| Total commercial real estate..... | 13.4 | 16.1 | 31.0 |
| Residential mortgages..... | 1.3 | 1.4 | 3.0 |
| Retail | | | |
| Credit card..... | 27.5 | 34.6 | 36.9 |
| Retail leasing..... | 2.0 | 1.1 | * |
| Other retail..... | 76.8 | 88.2 | * |

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| | | | |
|-------------------------------------|-----------|-----------|-----------|
| Total retail..... | 106.3 | 123.9 | 112.6 |
| Total recoveries..... | 192.2 | 230.2 | 228.5 |
| NET CHARGE-OFFS | | | |
| Commercial | | | |
| Commercial..... | 255.8 | 165.3 | * |
| Lease financing..... | 20.7 | 8.4 | * |
| Total commercial..... | 276.5 | 173.7 | 120.4 |
| Commercial real estate | | | |
| Commercial mortgages..... | 5.0 | 4.0 | * |
| Construction and development..... | 7.7 | 1.6 | * |
| Total commercial real estate..... | 12.7 | 5.6 | (7.4) |
| Residential mortgages..... | 12.4 | 14.8 | 11.4 |
| Retail | | | |
| Credit card..... | 208.3 | 185.6 | 187.0 |
| Retail leasing..... | 12.8 | 5.1 | * |
| Other retail..... | 302.7 | 287.8 | * |
| Total retail..... | 523.8 | 478.5 | 420.8 |
| Total net charge-offs..... | 825.4 | 672.6 | 545.2 |
| Provision for credit losses..... | 828.0 | 646.0 | 491.3 |
| Acquisitions and other changes..... | 74.0 | 31.2 | 93.8 |
| Balance at end of year..... | \$1,786.9 | \$1,710.3 | \$1,705.7 |
| Allowance as a percentage of: | | | |
| Period-end loans..... | 1.46% | 1.51% | 1.59% |
| Nonperforming loans..... | 233 | 329 | 344 |
| Nonperforming assets..... | 206 | 291 | 312 |
| Net charge-offs..... | 216 | 254 | 313 |

*Information not available

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TABLE 15
DELINQUENT LOAN RATIOS*

| 90 days or more past due | December 31 | | | |
|-----------------------------------|-------------|------|------|------|
| | 2000 | 1999 | 1998 | 1997 |
| COMMERCIAL | | | | |
| Commercial..... | 1.11% | .57% | .69% | **% |
| Lease financing..... | 1.24 | .82 | .57 | ** |
| Total commercial..... | 1.13 | .59 | .68 | .84 |
| COMMERCIAL REAL ESTATE | | | | |
| Commercial mortgages..... | .61 | .82 | .59 | ** |
| Construction and development..... | .57 | .53 | .60 | ** |
| Total commercial real estate..... | .60 | .74 | .59 | .67 |

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| | | | | |
|----------------------------|------|------|------|------|
| RESIDENTIAL MORTGAGES..... | 1.49 | 1.11 | 1.26 | .90 |
| RETAIL | | | | |
| Credit card..... | 1.85 | 1.33 | 1.07 | ** |
| Retail leasing..... | .20 | .14 | .13 | ** |
| Other retail..... | .64 | .47 | .47 | ** |
| Total retail..... | .79 | .59 | .55 | .42 |
| Total..... | .94% | .68% | .70% | .72% |

* Ratios include nonperforming loans and are expressed as a percent of ending loan balances.

** Information not available

TABLE 16
ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

| (Dollars in Millions) | Allocation Amount At December 31 | | | | |
|-----------------------------------|----------------------------------|-----------|-----------|-----------|-----------|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| COMMERCIAL | | | | | |
| Commercial..... | \$ 626.5 | \$ 408.3 | \$ 343.7 | \$ 370.5 | \$ 341.5 |
| Lease financing..... | 26.7 | 20.2 | 21.5 | 16.4 | 13.7 |
| Total commercial..... | 653.2 | 428.5 | 365.2 | 386.9 | 355.2 |
| COMMERCIAL REAL ESTATE | | | | | |
| Commercial mortgages..... | 59.2 | 110.4 | 105.2 | 105.6 | 149.3 |
| Construction and development..... | 23.6 | 22.5 | 25.9 | 27.7 | 24.1 |
| Total commercial real estate..... | 82.8 | 132.9 | 131.1 | 133.3 | 173.4 |
| RESIDENTIAL MORTGAGES..... | 9.6 | 18.6 | 27.2 | 36.9 | 30.9 |
| RETAIL | | | | | |
| Credit card..... | 265.6 | 320.8 | 304.3 | 217.4 | 234.5 |
| Retail leasing..... | 27.2 | 18.6 | 6.5 | 4.9 | 2.4 |
| Other retail..... | 358.9 | 389.2 | 365.6 | 257.9 | 201.0 |
| Total retail..... | 651.7 | 728.6 | 676.4 | 480.2 | 437.9 |
| Total allocated allowance..... | 1,397.3 | 1,308.6 | 1,199.9 | 1,037.3 | 997.4 |
| Unallocated portion..... | 389.6 | 401.7 | 505.8 | 628.5 | 602.7 |
| Total allowance..... | \$1,786.9 | \$1,710.3 | \$1,705.7 | \$1,665.8 | \$1,600.1 |

| (Dollars in Millions) | Allocation as a Percent of Loans Outstanding | | | | |
|-----------------------|--|------|------|-------|-------|
| | 2000 | 1999 | 1998 | 1997 | 1996 |
| COMMERCIAL | | | | | |
| Commercial..... | 1.33% | .97% | .91% | 1.10% | 1.11% |
| Lease financing..... | .46 | .53 | .65 | .62 | .58 |

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| | | | | | |
|--------------------------------------|-------|-------|-------|-------|-------|
| Total commercial..... | 1.24 | .93 | .89 | 1.06 | 1.07 |
| COMMERCIAL REAL ESTATE | | | | | |
| Commercial mortgages..... | .30 | .59 | .63 | .67 | .97 |
| Construction and development..... | .34 | .35 | .50 | .68 | .68 |
| Total commercial real estate..... | .31 | .53 | .60 | .67 | .92 |
| RESIDENTIAL MORTGAGES..... | .12 | .16 | .19 | .23 | .22 |
| RETAIL | | | | | |
| Credit card..... | 4.42 | 6.41 | 6.27 | 4.35 | 4.61 |
| Retail leasing..... | .65 | .87 | .40 | .45 | .31 |
| Other retail..... | 1.43 | 1.64 | 1.55 | 1.23 | 1.04 |
| Total retail..... | 1.84 | 2.36 | 2.25 | 1.78 | 1.73 |
| Total allocated allowance..... | 1.14 | 1.16 | 1.12 | 1.05 | 1.09 |
| Unallocated portion..... | .32 | .35 | .47 | .63 | .66 |
| Total allowance..... | 1.46% | 1.51% | 1.59% | 1.68% | 1.75% |

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TABLE 17
DEPOSITS BY TYPE

| December 31 (Dollars in Millions) | 2000 | 1999 | 1998 |
|---|-----------|-----------|-----------|
| Noninterest-bearing deposits..... | \$ 26,633 | \$ 26,350 | \$ 27,479 |
| Interest-bearing deposits | | | |
| Savings accounts..... | 4,516 | 5,445 | 6,352 |
| Interest checking..... | 13,982 | 13,141 | 13,385 |
| Money market accounts..... | 23,899 | 22,751 | 22,086 |
| Time certificates of deposit less than \$100,000..... | 25,780 | 25,394 | 27,935 |
| Time deposits greater than \$100,000 | | | |
| Domestic..... | 11,221 | 9,348 | 6,261 |
| Foreign..... | 3,504 | 988 | 848 |
| Total deposits..... | \$109,535 | \$103,417 | \$104,346 |
| Percent of deposits by type | | | |
| Noninterest-bearing deposits..... | 24.3% | 25.4% | 26.3% |
| Interest-bearing deposits | | | |
| Savings accounts..... | 4.1 | 5.3 | 6.1 |
| Interest checking..... | 12.8 | 12.6 | 12.8 |
| Money market accounts..... | 21.8 | 22.0 | 21.2 |
| Time certificates of deposit less than \$100,000..... | 23.5 | 24.6 | 26.8 |
| Time deposits greater than \$100,000 | | | |
| Domestic..... | 10.3 | 9.1 | 6.0 |
| Foreign..... | 3.2 | 1.0 | .8 |
| Total deposits..... | 100.0% | 100.0% | 100.0% |

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The maturity of time deposits greater than \$100,000 is as follows:

December 31, 2000 (Dollars in Millions)

| | |
|--|----------|
| Three months or less..... | \$ 9,466 |
| Over three months through six months..... | 1,727 |
| Over six months through twelve months..... | 1,850 |
| Over twelve months..... | 1,682 |
| Total..... | \$14,725 |

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TABLE 18
INTEREST RATE SENSITIVITY GAP ANALYSIS

| December 31, 2000 (Dollars in Millions) | Repricing Ma | | |
|--|-----------------------|---------------|----------------|
| | Less than 3 months | 3-6 months | 6-12 months |
| EARNING ASSETS | | | |
| Loans..... | \$64,299 | \$ 7,246 | \$ 9,900 |
| Loans held for sale..... | 764 | -- | -- |
| Investment securities..... | 2,357 | 1,028 | 1,644 |
| Other..... | 2,420 | 7 | 13 |
| Total earning assets..... | \$69,840 | \$ 8,281 | \$11,557 |
| INTEREST-BEARING LIABILITIES | | | |
| Deposits..... | \$43,813 | \$ 7,714 | \$ 9,443 |
| Short-term borrowings..... | 9,394 | 25 | 2,406 |
| Long-term debt..... | 13,825 | 389 | 839 |
| Company-obligated mandatorily redeemable preferred securities..... | 300 | -- | -- |
| Total interest-bearing liabilities..... | \$67,332 | \$ 8,128 | \$12,688 |
| Effect of off-balance sheet hedging instruments | | | |
| Receiving fixed..... | \$ 811 | \$ 423 | \$ 568 |
| Receiving floating..... | 1,500 | -- | -- |
| Paying fixed..... | -- | -- | (500) |
| Paying floating..... | (9,093) | (150) | -- |
| Total effect of off-balance sheet hedging instruments..... | \$ (6,782) | \$ 273 | \$ 68 |
| Repricing gap..... | \$ (4,274) | \$ 426 | \$ (1,063) |
| Cumulative repricing gap..... | (4,274) | (3,848) | (4,911) |

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The estimates of the Company's assets, liabilities, and hedging instruments are based upon the Company's assessment of the repricing characteristics of contractual and non-contractual instruments. Non-contractual deposit liabilities are subject to immediate withdrawal. For purposes of the above analysis these accounts are reported based upon a historical analysis of the Company's accounts.

TABLE 19
INTEREST RATE SWAP HEDGING PORTFOLIO NOTIONAL BALANCES AND YIELDS BY MATURITY DATE

December 31, 2000 (Dollars in Millions)

| Maturity Date | Notional Amount | Weighted Average Interest Rate Received |
|-----------------|-----------------|---|
| 2001..... | \$1,465 | 6.76% |
| 2002..... | 544 | 6.22 |
| 2003..... | 1,674 | 6.02 |
| 2004..... | 1,475 | 6.60 |
| 2005..... | 1,000 | 6.88 |
| Thereafter..... | 2,600 | 6.66 |
| Total..... | \$8,758 | 6.54% |

At December 31, 2000 the Company had \$1.0 billion in basis swaps maturing in 2002.

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TABLE 20
DEBT RATINGS

| At December 31, 2000 | Moody's | Standard & Poors | Fitch |
|--|---------|------------------|--------|
| U.S. Bancorp | | | |
| Short-term borrowings..... | | | F1 |
| Senior debt and medium-term notes..... | A1 | A | A+ |
| Subordinated debt..... | A2 | A- | A |
| Preferred stock..... | a1 | BBB+ | A |
| Commercial paper..... | P-1 | A-1 | F1 |
| U.S. Bank, NA | | | |
| Short-term time deposits..... | P-1 | A-1 | F1+ |
| Long-term time deposits..... | Aa3 | A+ | AA- |
| Bank notes..... | Aa3/P-1 | A+/A-1 | A+/F1+ |
| Subordinated debt..... | A1 | A | A |

Firststar Bank, NA

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| | | | |
|-------------------------------|---------|--------|--------|
| Short-term time deposits..... | P-1 | A-1 | F1+ |
| Long-term time deposits..... | Aa3 | A+ | AA- |
| Bank notes..... | Aa3/P-1 | A+/A-1 | A+/F1+ |
| Subordinated debt..... | A1 | A | A |

TABLE 21
REGULATORY CAPITAL RATIOS

| At December 31 (Dollars in Millions) | 2000 | 1999 |
|--|----------|----------|
| U.S. BANCORP | | |
| Tangible common equity*..... | \$10,856 | \$10,137 |
| As a percent of tangible assets..... | 6.76% | 6.74% |
| Tier 1 Capital..... | \$11,602 | \$10,936 |
| As a percent of risk-weighted assets..... | 7.21% | 7.35% |
| As a percent of adjusted quarterly average assets (Leverage ratio)..... | 7.39% | 7.50% |
| Total Risk-based capital..... | \$17,038 | \$16,342 |
| As a percent of risk-weighted assets..... | 10.59% | 10.99% |
| SIGNIFICANT BANK SUBSIDIARIES** | | |
| U.S. BANK N.A.: | | |
| Tier 1 Capital..... | 7.29% | 6.89% |
| Total Risk-based Capital..... | 11.21 | 11.08 |
| Leverage..... | 7.89 | 7.67 |
| FIRSTAR BANK, N.A. | | |
| Tier 1 Capital..... | 6.58% | 7.43% |
| Total Risk-based Capital..... | 10.39 | 10.22 |
| Leverage..... | 6.43 | 7.30 |

| | Minimum | Well-Capitalized |
|--------------------------------------|---------|------------------|
| BANK REGULATORY CAPITAL REQUIREMENTS | | |
| Tier 1 Capital..... | 4.00% | 6.00% |
| Total Risk-based Capital..... | 8.00 | 10.00 |
| Leverage..... | 3.00 | 5.00 |

* Defined as shareholders' equity less goodwill

** These balances and ratios were prepared in accordance with regulatory accounting principles as disclosed in the subsidiaries' regulatory reports.

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TABLE 22
FOURTH QUARTER SUMMARY

Three Months Ended

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| | December 31 | |
|---|-------------|-----------|
| (Dollars in Millions, Except Per Share Data) | 2000 | 1999 |
| CONDENSED INCOME STATEMENT | | |
| Net interest income (taxable-equivalent basis)..... | \$1,562.5 | \$1,501.4 |
| Securities gains, net..... | 7.0 | 2.1 |
| Other noninterest income..... | 1,257.9 | 1,135.1 |
| Merger-related charges..... | 84.1 | 90.5 |
| Other noninterest expense..... | 1,347.8 | 1,342.1 |
| Provision for credit losses..... | 229.5 | 173.7 |
| Income before income taxes..... | 1,166.0 | 1,032.3 |
| Taxable-equivalent adjustment..... | 21.0 | 22.9 |
| Income taxes..... | 376.3 | 372.4 |
| Net income..... | \$ 768.7 | \$ 637.0 |
| FINANCIAL RATIOS | | |
| Return on average assets..... | 1.89% | 1.66% |
| Return on average common equity..... | 20.7 | 18.3 |
| Net interest margin (taxable-equivalent basis)..... | 4.33 | 4.49 |
| Efficiency ratio..... | 50.8 | 54.6 |
| Banking efficiency ratio*..... | 44.9 | 50.3 |
| PER COMMON SHARE | | |
| Earnings per share..... | \$.41 | \$.33 |
| Diluted earnings per share..... | .40 | .33 |
| Dividends declared..... | .1625 | .1625 |
| SELECTED FINANCIAL RATIOS EXCLUDING MERGER-RELATED CHARGES | | |
| Return on average assets..... | 2.02% | 1.88% |
| Return on average equity..... | 22.2 | 20.7 |
| Efficiency ratio..... | 47.9 | 51.2 |
| Banking efficiency ratio*..... | 42.0 | 46.5 |

*Without investment banking and brokerage activity

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EXHIBIT 12
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

| Year Ended December 31 (Dollars in Millions) | 2000 | 1999 | 1998 |
|---|------------|-----------|-----------|
| EARNINGS | | | |
| 1. Net income..... | \$ 2,875.6 | \$2,381.8 | \$2,132.9 |
| 2. Applicable income taxes..... | 1,512.2 | 1,392.2 | 1,167.4 |
| 3. Income before taxes (1 + 2)..... | \$ 4,387.8 | \$3,774.0 | \$3,300.3 |
| 4. Fixed charges: | | | |
| a. Interest expense excluding interest on deposits..... | \$ 2,404.1 | \$1,820.3 | \$1,625.0 |
| b. Portion of rents representative of interest and | | | |

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| | | | |
|--|------------|-----------|-----------|
| amortization of debt expense..... | 86.7 | 78.9 | 73.3 |
| c. Fixed charges excluding interest on deposits (4a + 4b)..... | 2,490.8 | 1,899.2 | 1,698.3 |
| d. Interest on deposits..... | 3,618.8 | 2,970.0 | 3,234.7 |
| e. Fixed charges including interest on deposits (4c + 4d)..... | \$ 6,109.6 | \$4,869.2 | \$4,933.0 |
| 5. Amortization of interest capitalized..... | \$ -- | \$ -- | \$ -- |
| 6. Earnings excluding interest on deposits (3 + 4c + 5).... | 6,878.6 | 5,673.2 | 4,998.6 |
| 7. Earnings including interest on deposits (3 + 4e + 5).... | 10,497.4 | 8,643.2 | 8,233.3 |
| 8. Fixed charges excluding interest on deposits (4c)..... | 2,490.8 | 1,899.2 | 1,698.3 |
| 9. Fixed charges including interest on deposits (4e)..... | 6,109.6 | 4,869.2 | 4,933.0 |
| RATIO OF EARNINGS TO FIXED CHARGES | | | |
| 10. Excluding interest on deposits (line 6/line 8)..... | 2.76 | 2.99 | 2.94 |
| 11. Including interest on deposits (line 7/line 9)..... | 1.72 | 1.78 | 1.67 |

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MANAGING COMMITTEE

Jerry A. Grundhofer
President and Chief Executive Officer

John F. Grundhofer
Chairman

Andrew Cecere
Vice Chairman
Trust Services and Private Banking

William L. Chenevich
Vice Chairman
Technology and Operations Services

Richard K. Davis
Vice Chairman
Consumer Banking and Payment Systems

Andrew S. Duff
Vice Chairman
U.S. Bancorp Piper Jaffray

Joseph E. Hasten
Vice Chairman
Corporate Banking

David M. Moffett
Vice Chairman and
Chief Financial Officer

Daniel M. Quinn
Vice Chairman
Commercial Banking

Daniel Yohannes
Vice Chairman

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Community and Public Affairs

John R. Heistad
Executive Vice President
Corporate Risk Management

J. Robert Hoffman
Executive Vice President and
Chief Credit Officer

Lee R. Mitau
Executive Vice President and
General Counsel

Stephen E. Smith
Executive Vice President
Human Resources

CORPORATE DIRECTORS

| | |
|---|---------|
| Jerry A. Grundhofer President and Chief Executive Officer U.S. Bancorp | 1 |
| John F. Grundhofer Chairman U.S. Bancorp | 1 |
| Linda L. Ahlers President Marshall Field's | 3, 4 |
| Arthur D. Collins, Jr. President and Chief Operating Officer Medtronic, Inc. | 1, 2, 5 |
| Peter H. Coors Chairman Coors Brewing Company | 2, 4, 5 |
| John C. Dannemiller Former Chairman, CEO and President Applied Industrial Technologies | 4, 5 |
| Victoria Buyniski Gluckman President and Chief Executive Officer United Medical Resources, Inc. | 3, 4 |
| Joshua Green III Chairman and Chief Executive Officer Joshua Green Corporation | 3, 4 |
| J. P. Hayden, Jr. Chairman The Midland Company | 1, 2, 5 |
| Roger L. Howe Formerly Chairman U.S. Precision Lens, Inc. | 1, 2, 3 |
| Thomas H. Jacobsen | 4 |

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Formerly Chairman
Firststar Corporation

Delbert W. Johnson 1, 3, 4
Vice President
Safeguard Scientifics, Inc.

Joel W. Johnson 4, 5
Chairman, President and Chief Executive Officer
Hormel Foods Corporation

Jerry W. Levin 2, 5
Chairman and Chief Executive Officer
Sunbeam Corporation

Sheldon B. Lubar 1, 5
Chairman
Lubar & Company

Frank Lyon, Jr. 2, 4
Wingmead

Daniel F. McKeithan, Jr. 1, 3, 5
President and Chief Executive Officer
Tamarack Petroleum Company, Inc.

David B. O'Maley 1, 2
Chairman, President and Chief Executive Officer
Ohio National Financial Services

O'dell M. Owens, M.D., M.P.H. 3, 4
Medical Director
United Healthcare

Thomas E. Petry 1, 2, 3
Formerly Chairman and Chief Executive Officer
Eagle-Picher Industries, Inc.

Richard G. Reiten 1, 2, 3
President and Chief Executive Officer
Northwest Natural Gas Company

S. Walter Richey 1, 2
Formerly Chairman and Chief Executive Officer
Meritex, Inc.

Warren R. Staley 1, 3
Chairman and Chief Executive Officer
Cargill, Inc.

Patrick T. Stokes 1, 5
President
Anheuser-Busch

John J. Stollenwerk 2, 3, 4
President
Allen-Edmonds Shoe Corporation

- 1 Executive Committee
- 2 Compensation Committee
- 3 Audit Committee
- 4 Community Outreach and

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Fair Lending Committee
5 Governance Committee

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CORPORATE INFORMATION

Executive Offices

U.S. Bancorp
U.S. Bank Place
601 Second Avenue South
Minneapolis, Minnesota 55402-4302

Common Stock Transfer Agent and Registrar

Firststar Bank, N.A., a subsidiary of U.S. Bancorp, acts as transfer agent and registrar, dividend paying agent and dividend reinvestment plan agent for U.S. Bancorp and maintains all shareholder records for the corporation. Inquiries related to shareholder records, stock transfers, changes of ownership, changes of address and dividend payment should be sent to the transfer agent at the following address:

Firststar Bank, N.A.
1555 North River Center Drive, Suite 301
Milwaukee, WI 53212
Phone: 1-800-637-7549
Fax: 414-276-4226
Email: firststarinvestorservice@firststar.com

Independent Public Accountants

The independent public accountants of U.S. Bancorp are PricewaterhouseCoopers LLP.

Common Stock Listing and Trading

U.S. Bancorp common stock is listed and traded on the New York Stock Exchange under the ticker symbol USB.

Dividend Reinvestment Plan

U.S. Bancorp shareholders can take advantage of a plan that provides automatic reinvestment of dividends and/or optional cash purchase of additional shares of U.S. Bancorp common stock. For more information, please contact:

Firststar Bank, N.A.
Dividend Reinvestment Department
1555 North River Center Drive, Suite 301
Milwaukee, WI 53212
or call 1-800-637-7549

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Financial Information

U.S. Bancorp news and financial results are available through the company's web site and mail.

Web site. For information about U.S. Bancorp, including news and financial results and online annual reports, access our home page on the Internet at www.usbank.com

Mail. At your request, we will mail to you our quarterly earnings news releases, quarterly financial data on Form 10-Q and additional annual reports. To be added to U.S. Bancorp's mailing list for quarterly earnings news releases, or to request other information, please contact:

U.S. Bancorp Investor Relations
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612-973-2263
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Wendy Raway
Vice President, Public Relations
612-973-2429
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Diversity

U.S. Bancorp and its subsidiaries are committed to developing and maintaining a workplace that reflects the diversity of the communities we serve. We support a work environment where individual differences are valued and respected and where each individual who shares the fundamental values of the company has an opportunity to contribute and grow based on individual merit.

Equal Employment Opportunity/Affirmative Action

U.S. Bancorp and its subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this, employment decisions are made based upon job-related knowledge, skills and abilities rather than race, color, religion, national origin, gender, age, marital status, disability, veteran status, sexual orientation, gender identity or any other characteristic protected by law. The corporation complies with municipal, state, and federal Fair Employment Laws, including regulations applying to federal contractors.

Community Annual Report

To request copies of the U.S. Bancorp Community Annual Report, published separately from our U.S. Bancorp Annual Report and Form 10-K, please call U.S. Bancorp Community Development at 612-973-4996. To request copies of the Firststar Community Partnership Report, please call Firststar Community Development at (513) 632-4030.

U.S. Bancorp, including each of its subsidiaries, is an Equal Opportunity Employer and a Drug-Free Workplace.

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www.usbank.com
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