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

1

==

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	41-0255900
(State of incorporation)	(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)

==

2

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.

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

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

Date: April 17, 2001

2000
2000 FINANCIAL STATEMENTS

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

[US BANCORP LOGO(R)]

[MAP]

CONTENTS

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 with total assets in excess of $160 billion.

Through U.S. Bank, Firstar 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 Firstar 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.

6

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

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.

U.S. Bancorp 1
7

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

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
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
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)
Total shareholders' equity	15,168	13,947
Total liabilities and shareholders' equity	$164,921	$154,318

See Notes to Consolidated Financial Statements.

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	
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		

company	112.0	
Total interest expense	6,022.9	
Net interest income	6,049.6	
Provision for credit losses	828.0	
Net interest income after provision for credit losses	5,221.6	
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	
Total noninterest income	4,883.2	
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	
Total noninterest expense	5,717.0	
Income before income taxes	4,387.8	
Applicable income taxes	1,512.2	
Net income	$ 2,875.6	$
Earnings per share	$ 1.51	$
Diluted earnings per share	$ 1.50	$
Average common shares	1,906.0	
Average diluted common shares	1,918.5	

See Notes to Consolidated Financial Statements.

U.S. Bancorp 3
9

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

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

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
BALANCE DECEMBER 31, 1998.......	$ --	$19.3	$4,338.7	$ 8,758.4	$ (755.4)
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		
BALANCE DECEMBER 31, 1999.......	$ --	$19.4	$4,258.6	$10,049.4	$ (224.3)
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....................					

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.

4 U.S. Bancorp
10

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31 (Dollars in Millions)	2000	1999	1
OPERATING ACTIVITIES			
Net income..	$ 2,875.6	$ 2,381.8	$ 2,13
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses............................	828.0	646.0	49
Depreciation and amortization of capitalized assets......	262.6	270.6	29
Amortization of goodwill and other intangibles..........	392.3	329.8	30
Provision for deferred income taxes.....................	357.1	252.9	8
Net (increase) decrease in trading securities...........	(135.6)	65.6	(18
(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)	(8,30
Proceeds from sale of mortgage loans....................	5,475.0	7,229.3	7,00
Other assets and liabilities, net.......................	(1.8)	(242.2)	(35
Net cash provided by operating activities..........	4,442.6	4,966.6	1,47
INVESTING ACTIVITIES			
Securities			
Sales...	10,194.0	6,819.7	2,80
Maturities..	2,127.7	5,290.7	7,59
Purchases...	(12,161.3)	(9,135.8)	(8,96
Loans			
Sales...	6,655.8	4,136.0	91
Purchases...	(658.1)	(254.6)	(1,57
Net increase in loans outstandings........................	(13,541.3)	(9,002.3)	(4,49
Proceeds from sales of premises and equipment..............	212.9	64.2	6
Purchase of premises and equipment.........................	(382.8)	(289.0)	(37
Acquisitions, net of cash acquired.........................	840.9	(220.5)	(5
Divestitures of branches...................................	(78.2)	(469.0)	1
Cash and cash equivalents of acquired subsidiaries..........	63.5	462.4	
Other, net...	(289.1)	(961.3)	(14
Net cash used in investing activities.............	(7,016.0)	(3,559.5)	(4,20

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.

U.S. Bancorp 5

11

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

U.S. Bancorp (the "Company"), formerly known as Firstar Corporation, is the organization created by the acquisition by Firstar Corporation ("Firstar") 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, 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 theses methodologies see "Basis of Presentation" on page 6. Table 1 "Line of Business

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.

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 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.

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

On February 27, 2001, Firstar 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 Firstar 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, Firstar 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 Firstar common stock.

On November 20, 1998, Firstar 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 Firstar common stock while each share of old Firstar Corporation stock was converted into and exchanged for .76 of a share of new Firstar common stock.

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

	Year Ended December 31		
(Dollars in Millions)	2000	1999	1998
NET INTEREST INCOME			
Firstar	$ 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			
Firstar	$ 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			
Firstar	$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

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
Firstar 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
Firstar Corporation.................	331,737,543	Pooling
First Financial Bancorporation.......	6,563,279	Pooling

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

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	Firstar	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

* 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 Firstar, 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

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	Firstar	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)

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)
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)
Balance at December 31, 2000	$ --	$ --	$ --

*The liability relates to certain severance related items.

The components of the merger related accrual were as follows:

	December 31	
(Dollars in Millions)	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
Total	$49.8	$103.2

The merger related accrual by significant acquisition was as follows:

	December 31	
(Dollars in Millions)	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
Total	$49.8	$103.2

In connection with the merger of Firstar 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

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 Firstar 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:

	2000			
(Dollars in Millions)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fai Valu
Held-to-maturity:				
U.S. Treasuries and agencies.........	$ --	$ --	$ --	$ -
Mortgage-backed securities...........	36	--	--	3
Obligations of state and political subdivisions.......................	216	5	--	22
Total held-to-maturity securities....	$ 252	$ 5	$ --	$ 25
Available-for-sale:				
U.S. Treasuries and agencies.........	$ 1,600	$ 27	$ (3)	$ 1,62
Mortgage-backed securities...........	11,800	128	(35)	11,89
Obligations of state and political subdivisions.......................	2,370	41	(2)	2,40
Other................................	1,472	21	(29)	1,46
Total available-for-sale securities.........................	$17,242	$217	$(69)	$17,39

	1999	
(Dollars in Millions)	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.

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

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,

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:

	2000		1999	
(Dollars in Millions)	Recorded Investment	Valuation Allowance	Recorded Investment	Valu Allo
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 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.

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)

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)	

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.

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.

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

	December 31,	
	Period Ended	
Asset Type (Dollars in Millions)	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

U.S. Bancorp 17
23

NOTE 10
MORTGAGE SERVICING RIGHTS

Changes in capitalized mortgage servicing rights are summarized as follows:

(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

NOTE 12
SHORT-TERM BORROWINGS

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

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

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	

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

Subtotal	6,563	5,331
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

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

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 12
USB Capital II	03/1998	$350	Fixed	
USB Capital I	12/1996	300	Fixed	
FBS Capital I	11/1996	300	Fixed	
Star Capital I	06/1997	150	Variable	
Firstar 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.

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 Firstar 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, Firstar's Board of Directors approved a common stock repurchase program of 100 million shares. The stock repurchase programs of Firstar 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 Firstar, the ESPP was terminated effective October 13, 2000.

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 Firstar.

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

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)