US BANCORP \DE\
Form 10-K405
March 01, 2001

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2000
ANNUAL REPORT ON FORM 10-K

[US BANCORP LOGO(R)]

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FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including the following, in addition to those contained elsewhere in this Form 10-K and in the Company's other reports on file with the SEC: (i) the Company's investments in its businesses and in its Internet development could require additional incremental spending, and might not produce expected deposit and loan growth and anticipated contributions to Company earnings; (ii) general economic or industry conditions could be less favorable than expected, resulting in a deterioration in credit quality, a change in the allowance for credit losses, or a reduced demand for credit or fee-based products and services; (iii) changes in the domestic interest rate environment could reduce net interest income and could increase credit losses; (iv) the conditions of the securities markets could change, adversely affecting revenues from capital markets businesses, the value or credit quality of the Company's on-balance sheet and off-balance sheet assets, or the availability and terms of funding necessary to meet the Company's liquidity needs; (v) changes in the extensive laws, regulations and policies governing financial services companies could alter the Company's business environment or affect operations; (vi) the potential need to adapt to industry changes in information technology systems, on which the Company is highly dependent, could present operational issues or require significant capital spending; (vii) competitive pressures could intensify and affect the Company's profitability, including as a result of continued industry consolidation, the increased availability of financial services from non-banks, technological developments such as the Internet, or bank regulatory reform; and (viii) acquisitions may not produce revenue enhancements or cost savings at levels or within time frames originally anticipated, or may result in unforeseen integration difficulties. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

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ANNUAL REPORT ON FORM 10-K

Securities and Exchange Commission
Washington, D.C. 20549

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2000

Commission File Number 1-6880

U.S. BANCORP
Incorporated in the State of Delaware
IRS Employer Identification #41-0255900
Address: 601 Second Avenue South

Minneapolis, Minnesota 55402-4302
Telephone: (612) 973-1111

Securities registered pursuant to Section 12(b) of the Act (and listed on the New York Stock Exchange): Common Stock, Par Value $.01. Prior to the merger of U.S. Bancorp with Firstar Corporation, the par value of U.S. Bancorp common stock was $1.25.

Securities registered pursuant to section 12(g) of the Act: None.

As of January 31, 2001, U.S. Bancorp had 752,745,506 shares of common stock outstanding. The aggregate market value of common stock held by non-affiliates as of January 31, 2001, was approximately $21,450,000,000.

U.S. Bancorp (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The financial information included within this Form 10-K does not reflect the merger of U.S. Bancorp with Firstar Corporation.

*U.S. Bancorp's definitive proxy statement for the 2001 Annual Meeting of Shareholders is incorporated herein by reference, other than the sections entitled "Report of the Compensation and Human Resources Committee on Executive Compensation" and "Comparative Stock Performance."

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

SUMMARY OF 2000 RESULTS U.S. Bancorp (the "Company") reported net income of $1.59 billion in 2000, or $2.13 per diluted share, compared with $1.51 billion, or $2.06 per diluted share, in 1999. Return on average assets and return on average common equity were 1.89 percent and 19.9 percent in 2000, compared with returns of 1.96 percent and 23.0 percent in 1999. The year-over-year increase in earnings per diluted share reflected a 12 percent growth in total revenue on a taxable-equivalent basis, partially offset by higher growth rates in noninterest expense and provision for credit losses. The reduction in the Company's return on average common equity reflects the impact of recent acquisitions, which were accounted for using purchase accounting. Net income reflects merger-related charges of $39.6 million ($61.3 million on a pre-tax basis) in 2000 and $39.2 million ($62.4 million on a pre-tax basis) in 1999. The efficiency ratio (the ratio of expenses to revenues) was 53.0 percent in 2000 compared with 51.6 percent in 1999.

The Company had operating earnings (net income excluding merger-related charges) of $1.63 billion in 2000, up 6 percent from 1999 operating earnings of $1.55 billion. On a diluted share basis, operating earnings were $2.18 in 2000, compared with $2.11 in 1999. Operating earnings on a cash basis (calculated by adding amortization of goodwill and other intangible assets to operating earnings) were $2.50 per diluted share in 2000, compared with $2.33 per diluted share in 1999. Return on average assets and return on average common equity, excluding merger-related charges, were 1.93 percent and 20.4 percent in 2000, compared with returns of 2.01 percent and 23.6 percent in 1999. Excluding merger-related charges, the efficiency ratio was 52.1 percent in 2000, compared with 50.5 percent in 1999. The banking efficiency ratio (the ratio of expenses to revenues without the impact of investment banking and brokerage activity) before merger-related charges, was 43.6 percent in 2000, compared with 43.2 percent in 1999. See page 10 for further discussion on merger-related charges.

The Company analyzes its performance on a net income basis determined in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger-related charges referred to in this analysis as "operating earnings." Operating earnings and related discussions are presented as supplementary information in this analysis to enhance the readers' understanding of, and highlight trends in, the Company's core financial results excluding the nonrecurring effects of discrete business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earnings per share as determined in accordance with accounting principles generally accepted in the United States. Merger-related charges excluded from net income to derive operating earnings may be significant and may not be comparable to other companies.

ACQUISITION AND DIVESTITURE ACTIVITY Operating results for 2000 reflect purchase and divestiture transactions from or to the date of completion. On October 13, 2000, the Company acquired Scripps Financial Corporation of San Diego, which has ten branches in San Diego county and total assets of $650 million. On September 28, 2000, the Company acquired Lyon Financial Services, Inc., a wholly owned subsidiary of the privately held Schwan's Sales Enterprises Inc. in Marshall, Minnesota. Lyon Financial specializes in small-ticket lease transactions and had $1.3 billion in assets. On April 7, 2000, the Company acquired Oliver-Allen Corporation, Inc., a privately held information technology leasing company with total assets of $280 million. On January 14, 2000, the Company acquired Peninsula Bank of San Diego, which had 11 branches in San Diego county and total assets of $491 million. On November 15, 1999, the Company completed the acquisition of Western Bancorp. Western Bancorp had $2.5 billion in total assets with 31 branches in southern California in Los Angeles, Orange and San Diego counties. The purchase price of approximately $932 million was allocated to assets acquired and liabilities assumed based on their fair market values at the date of acquisition. On September 24, 1999, the Company completed the sale of 28 branches in Kansas and Iowa with aggregate deposits of $364 million. On September 23, 1999, the Company sold $1.8 billion of indirect automobile loans. On September 13, 1999, the Company completed its acquisition of Voyager Fleet Systems, Inc., which is now part of the Payment Systems business unit. On July 15, 1999, the Company

TABLE 1
SELECTED FINANCIAL DATA

(Dollars in Millions, Except Per Share Data)	2000	1999	1998
CONDENSED INCOME STATEMENT			
Net interest income (taxable-equivalent basis).............	$3,540.8	$3,302.7	$3,111.9
Provision for credit losses...............................	670.0	531.0	379.0
Net interest income after provision for credit losses....	2,870.8	2,771.7	2,732.9
Available-for-sale securities gains (losses)...............	7.0	(1.3)	12.6
Merger-related gains......................................	--	--	--
Other noninterest income..................................	3,251.4	2,760.0	2,244.0
Merger-related charges....................................	61.3	62.4	216.5
Other noninterest expense.................................	3,537.1	3,064.5	2,627.8
Income before income taxes.............................	2,530.8	2,403.5	2,145.2
Taxable-equivalent adjustment.............................	69.5	42.0	51.3
Income taxes..	869.3	855.0	766.5
Net income...	$1,592.0	$1,506.5	$1,327.4
FINANCIAL RATIOS			
Return on average assets..................................	1.89%	1.96%	1.85%
Return on average common equity...........................	19.9	23.0	21.9
Efficiency ratio..	53.0	51.6	53.1
Net interest margin (taxable-equivalent basis).............	4.73	4.83	4.87
PER COMMON SHARE			
Earnings per share..	$ 2.14	$ 2.07	$ 1.81
Diluted earnings per share................................	2.13	2.06	1.78
Dividends paid*...	.86	.78	.70
SELECTED FINANCIAL RATIOS BEFORE MERGER-RELATED ITEMS			
Return on average assets..................................	1.93%	2.01%	2.04%

Return on average common equity	20.4	23.6	24.2
Efficiency ratio	52.1	50.5	49.1
Banking efficiency ratio**	43.6	43.2	44.2
AVERAGE BALANCE SHEET DATA			
Loans	$ 66,439	$ 60,578	$ 55,979
Earning assets	74,863	68,392	63,868
Assets	84,438	76,947	71,791
Deposits	50,681	48,099	47,327
Long-term debt	18,571	15,077	11,481
Common equity	8,009	6,540	6,049
Total shareholders' equity	8,009	6,540	6,049
Average shares outstanding	745.1	727.5	733.9
Average diluted shares outstanding	747.9	733.0	744.2
YEAR-END BALANCE SHEET DATA			
Loans	$ 69,091	$ 62,885	$ 59,122
Assets	87,336	81,530	76,438
Deposits	53,257	51,530	50,034
Long-term debt	18,566	16,563	13,781
Common equity	8,640	7,638	5,970
Total shareholders' equity	8,640	7,638	5,970

*Dividends per share have not been restated for the Company's 1997 merger with the former U.S. Bancorp ("USBC"). USBC paid common dividends of $139.1 million through July of 1997 ($.62 per share) and $168.7 million in 1996 ($1.18 per share).

**Without investment banking and brokerage activity.

completed its acquisition of the San Diego-based Bank of Commerce, one of the nation's largest U.S. Small Business Administration ("SBA") lenders. On June 30, 1999, the Company completed its acquisition of Mellon Network Services' electronic funds transfer processing unit. On March 16, 1999, the Company completed its acquisition of Reliance Trust Company's corporate trust business, which operates offices in Georgia, Florida and Tennessee. On January 4, 1999, the Company acquired Libra Investments, Inc., an investment banking business that specializes in underwriting and trading high yield and mezzanine securities for middle-market companies. These transactions were all accounted for as purchase acquisitions.

On October 4, 2000, the Company announced that it had signed a definitive agreement to be acquired by Firstar Corporation of Milwaukee, Wisconsin in a tax-free exchange of shares. U.S. Bancorp shareholders received 1.265 shares of the combined company stock for every share of U.S. Bancorp stock. The transaction closed on February 27, 2001, and was accounted for as a pooling-of-interests. Refer to Note C and Note D of the Notes to Consolidated Financial Statements for additional information regarding acquisitions and divestitures.

TABLE 2
LINE OF BUSINESS FINANCIAL PERFORMANCE

	Wholesale Banking				
(Dollars in Millions)	2000	1999	1998	1999-2000 % Change	2000

CONDENSED INCOME STATEMENT					
Net interest income (taxable-equivalent basis)....	$1,675.0	$1,456.1	$1,369.0	15.0%	$1,364.1
Provision for credit losses......	126.9	105.4	93.8	20.4	210.1
Noninterest income...............	484.3	428.3	372.7	13.1	517.8
Noninterest expense..............	861.0	754.9	689.9	14.1	881.0
Goodwill and other intangible assets expense...............	93.9	68.7	59.3	36.7	60.3
Income before taxes..............	1,077.5	955.4	898.7	12.8	730.5
Income taxes and taxable-equivalent adjustment...................	398.7	353.5	341.5	12.8	270.3
Income before merger-related charges......................	$ 678.8	$ 601.9	$ 557.2	12.8	$ 460.2
Net merger-related charges (after-tax)*.................					
Net income......................					
AVERAGE BALANCE SHEET DATA					
Loans...........................	$ 41,482	$ 35,432	$ 31,672	17.1	$ 11,150
Assets..........................	46,123	39,302	35,181	17.4	13,076
Deposits........................	11,841	10,990	10,767	7.7	31,218
Common equity...................	4,452	3,664	3,034	21.5	1,037
Return on average assets.........	1.47%	1.53%	1.58%		3.52%
Return on average common equity.......................	15.2	16.4	18.4		44.4
Efficiency ratio.................	44.1	43.7	43.0		50.0
Efficiency ratio on a cash basis**......................	39.8	40.0	39.6		46.8

*Merger-related charges are not allocated to the business lines. All ratios are calculated without the effect of merger-related charges.
**Calculated by excluding the amortization of goodwill and other intangibles.
***Not meaningful.

LINE OF BUSINESS FINANCIAL REVIEW

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. The Company's operating segments are Wholesale Banking, Consumer Banking, Payment Systems, and Wealth Management and Capital Markets. Units providing central support and other corporate activities are reported as part of Corporate Support and allocated as appropriate.

BASIS OF FINANCIAL PRESENTATION Business line results are derived from the Company's business unit profitability reporting system by specifically attributing managed balance sheet assets, deposits and other liabilities and their related interest income or expense. Funds transfer pricing methodologies are utilized to allocate a cost for funds used or credit for funds provided to all business line assets and liabilities using a matched funding concept. The provision for credit losses recorded by each operating segment is primarily based on the net charge-offs of each line of business. Based on management's judgment, the provision may be adjusted to consider expected losses for certain products that have a longer business cycle and for economic conditions. The difference between the provision for credit losses determined in accordance with accounting principles generally accepted in the United States recognized by the

Company on a consolidated basis and the provision recorded by the business lines is recorded in Corporate Support. Noninterest income and expenses directly related to each business line, including fees, service charges, salaries and benefits, and other direct expenses are accounted for within each segment's financial results in a manner similar to the consolidated financial statements. Also, the business unit is allocated the tax-equivalent benefit of tax-exempt products. Noninterest expenses incurred by centrally managed operations units that directly support business lines' operations are charged to the business lines based on standard unit costs and volume measurements. Income taxes are assessed to each line of business at a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Corporate Support. Merger-related charges are not identified by or allocated to lines of business. Because the Company's decision-making process emphasizes the creation of shareholder value, capital is allocated to each line of business based on its inherent risks, including credit, operational and other business risks. On- and off-balance sheet assets subject to credit risk are assigned risk factors based upon expected loss experience and volatility taking into consideration changes in business practices that may introduce more

	Payment Systems				Wealth Capit	
	2000	1999	1998	1999-2000 % Change	2000	1
CONDENSED INCOME STATEMENT						
Net interest income (taxable-equivalent basis).........	$365.4	$354.8	$285.3	3.0%	$ 196.7	$ 1
Provision for credit losses..........	327.5	300.1	261.7	9.1	5.6	
Noninterest income...................	776.9	617.7	603.6	25.8	1,401.8	1,1
Noninterest expense..................	406.1	333.1	319.6	21.9	1,218.4	1,0
Goodwill and other intangible assets expense....................	56.0	35.2	31.3	59.1	25.3	
Income before taxes..................	352.7	304.1	276.3	16.0	349.2	3
Income taxes and taxable-equivalent adjustment.............	130.5	112.5	105.0	16.0	129.2	1
Income before merger-related charges...........................	$222.2	$191.6	$171.3	16.0	$ 220.0	$ 1
Net merger-related charges (after-tax)*......................						
Net income...........................						
AVERAGE BALANCE SHEET DATA						
Loans................................	$8,719	$7,968	$7,751	9.4	$ 3,008	$ 2
Assets...............................	9,615	8,698	8,417	10.5	7,268	5
Deposits.............................	120	100	87	20.0	3,815	3
Common equity........................	951	742	719	28.2	1,295	1
Return on average assets.............	2.31%	2.20%	2.04%		3.03%	
Return on average common equity.......	23.4	25.8	23.8		17.0	
Efficiency ratio.....................	40.5	37.9	39.5		77.8	
Efficiency ratio on a cash basis**....	35.6	34.3	36.0		76.2	

	Corporate Support			Consolidated C		
	2000	1999	1998	2000	1999	19
CONDENSED INCOME STATEMENT						
Net interest income (taxable-equivalent basis).........	$(60.4)	$ 11.3	$ 52.9	$3,540.8	$3,302.7	$3,
Provision for credit losses...........	(0.1)	(86.5)	(116.8)	670.0	531.0	
Noninterest income...................	77.6	44.5	25.1	3,258.4	2,758.7	2,
Noninterest expense..................	(64.9)	(46.6)	(44.3)	3,301.6	2,898.9	2,
Goodwill and other intangible assets expense....................	--	--	--	235.5	165.6	
Income before taxes..................	82.2	188.9	239.1	2,592.1	2,465.9	2,
Income taxes and taxable-equivalent adjustment.............	31.8	77.7	91.3	960.5	920.2	
Income before merger-related charges...........................	$ 50.4	$111.2	$ 147.8	1,631.6	1,545.7	1,
Net merger-related charges (after-tax)*......................				(39.6)	(39.2)	(
Net income...........................				$1,592.0	$1,506.5	$1,
AVERAGE BALANCE SHEET DATA						
Loans................................	$2,080	$2,460	$ 3,384	$ 66,439	$ 60,578	$ 5
Assets...............................	8,356	9,101	10,846	84,438	76,947	7
Deposits.............................	3,687	3,542	2,254	50,681	48,099	4
Common equity........................	274	(137)	341	8,009	6,540	
Return on average assets.............				1.93%	2.01%	
Return on average common equity.......				20.4	23.6	
Efficiency ratio.....................				52.1	50.5	
Efficiency ratio on a cash basis**....				48.6	47.8	

or less risk into the portfolio. Certain lines of business with fee-based activities, such as Wealth Management and Capital Markets, have no significant balance sheet components. For these business lines, capital is allocated taking into consideration fiduciary and operational risk, capital levels of independent organizations operating similar businesses, and regulatory minimum requirements. Designations, assignments, and allocations may change from time to time as management accounting systems are enhanced or product lines change. During 2000, certain organization and methodology changes were made, and 1999 and 1998 results are presented on a comparable basis.

WHOLESALE BANKING Wholesale Banking includes lending, treasury management, corporate trust and other financial services to middle-market, large corporate and public sector clients. Operating earnings increased $76.9 million (13 percent) to $678.8 million in 2000, compared with $601.9 million in 1999 and $557.2 million in 1998. Return on average assets was 1.47 percent in 2000, compared with 1.53 percent in 1999 and 1.58 percent in 1998, and return on average common equity was 15.2 percent in 2000, compared with 16.4 and 18.4 percent in 1999 and 1998, respectively.

Net interest income increased $218.9 million (15 percent) in 2000 to

$1,675.0 million compared with $1,456.1 million in 1999 and $1,369.0 million in 1998. In 2000, the increase reflected core growth in average loan and deposit balances, the margin benefit of deposits in a rising rate environment and the impact of acquisitions. In 1999, the increase was also due to core growth in average loan and deposit balances, but was partially offset by margin compression in the commercial loan and deposit portfolios. During 2000, average loan balances increased by 17 percent compared with 12 percent in 1999, while average deposit balances increased 8 percent (2 percent in 1999), increasing net interest income and loan fees by $140.1 million in 2000 and $125.7 million in 1999. The incremental funding benefit of deposits contributed $51.8 million in 2000.

The provision for credit losses increased $21.5 million (20 percent) to $126.9 million in 2000 compared with $105.4 million in 1999 and $93.8 million in 1998. The increase primarily reflects growth in the loan portfolio.

Noninterest income increased $56.0 million (13 percent) in 2000 to $484.3 million, compared with $428.3 million in 1999 and $372.7 million in 1998. The increase in 2000 reflects higher noninterest income from leasing acquisitions of $21.6 million, revenue from sales of SBA loans of $13.8 million and other commercial banking fees of $11.8 million. The $55.6 million increase in noninterest income in 1999 as compared with 1998 primarily reflects core fee growth and $36.5 million of revenue from the acquisition of Libra Investments, Inc. in January 1999.

Noninterest expense, excluding goodwill and other intangible assets expense, increased $106.1 million (14 percent) in 2000 to $861.0 million, as compared with $754.9 million in 1999 and $689.9 million in 1998. Goodwill and other intangible assets expense increased $25.2 million (37 percent) in 2000 to $93.9 million, as compared with $68.7 million in 1999 and $59.3 million in 1998. Acquisitions represent approximately $71.7 million of the $131.3 million increase in total non-interest expense. The efficiency ratio for Wholesale Banking, on a cash basis, was 39.8 percent in 2000 and 40.0 percent in 1999, as compared with 39.6 percent in 1998.

CONSUMER BANKING Consumer Banking delivers products and services to the broad consumer market and small businesses through branch offices, telemarketing, online services, direct mail and automated teller machines ("ATMs"). Operating earnings were $460.2 million in 2000, compared with $444.6 million in 1999 and $432.6 million in 1998. Return on average assets increased to 3.52 percent from 3.17 percent in 1999 and 3.42 percent in 1998. Return on average common equity was 44.4 percent in 2000, compared with 40.1 percent in 1999 and 43.1 percent in 1998.

Net interest income increased $49.0 million (4 percent) in 2000 as compared with 1999 primarily reflecting core growth in home equity loans, consumer deposits, bank acquisitions and the increased value of deposits in a rising rate environment partially offset by the expected reduction in the indirect automobile portfolio.

The provision for credit losses increased a modest 1 percent in 2000 to $210.1 million, compared with $207.5 million in 1999 and $136.5 million in 1998. The slight increase in 2000 primarily reflects increasing charge-offs in the home equity loan portfolio due to growth, partially offset by declining consumer loan charge offs related to the divestiture of the indirect automobile portfolio and improved fraud management.

Noninterest income increased $37.1 million (8 percent) in 2000 to $517.8 million, compared with $480.7 million in 1999 and $471.2 million in 1998, primarily reflecting growth in deposit charges and debit card fees of $46.2 million in 2000, partially offset by lower revenues of $13.0 million from the sale of student loans relative to 1999. Excluding acquisitions the growth rate of noninterest income in 2000 as compared with 1999 was approximately 6 percent.

Noninterest expense, excluding goodwill and other intangible asset expense, increased $43.8 million (5 percent) to $881.0 million in 2000, compared with $837.2 million in 1999 and $851.0 million in 1998. Goodwill and other intangible asset expense increased $15.0 million (33 percent) in 2000 to $60.3 million, as compared with $45.3 million in 1999 and $39.9 million in 1998. The increase in total noninterest expenses of $58.8 million in 2000 includes the impact of acquisitions of approximately $37.2 million. Also during 2000, the Company invested in a number of customer service quality initiatives and technology enhancements designed to improve the earnings growth of the Consumer Banking business line. As with any investment, successful achievement of the anticipated deposit and loan growth and related contribution to earning is subject to a number of uncertainties. The decrease in noninterest expense in 1999 as compared with 1998 reflects cost benefits from integration of banking acquisitions. The efficiency ratio, on a cash basis, remained relatively flat at 46.8 percent in 2000, compared with 46.6 percent in 1999 and declined from 49.3 percent in 1998.

PAYMENT SYSTEMS Payment Systems includes consumer and business credit cards, corporate and purchasing card services, card-accessed secured and unsecured lines of credit, ATM processing and merchant processing. Operating earnings increased $30.6 million (16 percent) to $222.2 million in 2000, compared with $191.6 million in 1999 and $171.3 million in 1998. Return on average assets was 2.31 percent in 2000, compared with 2.20 percent in 1999 and 2.04 percent in 1998. Return on average common equity was 23.4 percent in 2000, compared with 25.8 percent in 1999 and 23.8 percent in 1998.

Total revenue increased $169.8 million (17 percent) in 2000 and $83.6 million (9 percent) in 1999, reflecting strong growth in corporate and retail card product fees and data processing-related revenue. Credit card fees increased $97.9 million (17 percent) to $667.1 million in 2000 compared with $569.3 million in 1999 and $553.8 million in 1998. Data processing revenues increased $27.2 million in 2000, primarily attributed to the acquisition of Mellon Network Services' electronic funds transfer processing unit in June 1999. Growth in small business and retail credit card balances increased net interest income approximately $28.1 million in 2000 while growth in credit card loan fees added $14.0 million. In 1999, total revenue increased 9 percent from 1998 despite the loss of approximately one-half of the U.S. Government purchasing card business in late 1998.

The provision for credit losses increased by $27.4 million (9 percent) in 2000 and by $38.4 million (15 percent) in 1999. The increases were primarily due

to increased net charge-offs in credit-scored small business loans and credit cards.

Noninterest expense, excluding goodwill and other intangible asset expense, increased $73.0 million (22 percent) in 2000 and $13.5 million (4 percent) in 1999. The increase in 2000 was primarily due to continued growth in key strategic co-brand partnerships, new products and technology, as well as transaction volume. The lower growth rate of expenses in 1999 was impacted by the loss of the U.S. Government purchasing card business. Goodwill and other intangible asset expense increased $20.8 million (59 percent) in 2000 to $56.0 million from $35.2 million in 1999 and $31.3 million in 1998, primarily reflecting strategic portfolio acquisitions during 2000 and the acquisition of Mellon Network Services' electronic funds transfer processing unit in June 1999.

The efficiency ratio, on a cash basis, increased to 35.6 percent in 2000, compared with 34.3 percent in 1999 and 36.0 percent in 1998.

WEALTH MANAGEMENT AND CAPITAL MARKETS Wealth Management and Capital Markets engages in equity and fixed income trading activities, offers investment banking and underwriting services for corporate and public sector customers and provides securities, mutual funds, annuities and insurance products to consumers and regionally based businesses through a network of banking centers and brokerage offices. It also offers institutional trust, investment management services, and private banking and personal trust services. The business line contributed operating earnings of $220.0 million in 2000, compared with $196.4 million in 1999 and $154.9 million in 1998. The return on average common equity improved slightly to 17.0 percent in 2000, compared with 16.9 percent and 16.3 percent in 1999 and 1998, respectively.

During 2000, total revenue grew $245.6 million (18 percent) to $1.6 billion compared with $1.4 billion in 1999 and $934.8 million in 1998, primarily due to revenue growth in investment banking, trading account profits and commissions, and trust fees and growth in loans and deposits in private banking. Investment banking and brokerage revenues increased $197.7 million (25 percent) in 2000 compared with 1999 and $377.5 million (89 percent) in 1999 compared with 1998. The growth in 1999 reflected the acquisition of Piper Jaffray Companies, Inc. in May 1998. Trust and investment management fees increased $13.0 million (3 percent) in 2000 and $43.4 million (13 percent) in 1999. Slower growth in 2000 reflected the impact on assets under management of the volatility in the financial markets experienced in the latter part of the year. During 2000, average loan balances in private banking increased $567 million (25 percent) compared with $309 million (16 percent) in 1999, while average deposit balances increased $400 million (14 percent) in 2000 and $678 million (31 percent) in 1999.

Offsetting the positive impact of revenue growth, noninterest expense (including goodwill and other intangible asset expense) increased $207.0 million (20 percent) in 2000 and $355.6 million (52 percent) in 1999. The increase in 2000 was primarily due to the increase in investment banking and brokerage activity, office expansion and other growth initiatives. The increase in 1999 is attributed to the acquisition of Piper Jaffray Companies Inc. effective in May 1998.

CORPORATE SUPPORT Corporate Support includes the net effect of support units after internal revenue and expense allocations, treasury management and other corporate activities. Net interest income primarily relates to the Company's investment and residential mortgage portfolios, and the net effect of transfer pricing related to loan and deposit balances. The provision for credit losses represents the residual aggregate of the credit provision allocated to the reportable business units and the Company's recorded provision which is determined in accordance with accounting principles generally accepted in the United States. Refer to "Corporate Risk Profile" on pages 15 to 20 for further discussion on the allowance for credit losses and changes in the provision for credit losses. Noninterest income and noninterest expenses primarily reflect certain business activities managed on a corporate basis and the elimination of intersegment revenue and expense. Noninterest income included $55.0 million of gains on the disposition of office buildings in Portland, Boise and Minneapolis during 2000. Provisions for income taxes reflect the difference between the income tax expense or benefit allocated to the other business units (37 percent of pretax earnings in 2000, compared with 37 percent and 38 percent of pretax earnings in 1999 and 1998, respectively) and the effective tax rate on a consolidated basis. Refer to "Income Tax Expense" on page 10 for discussion of the effective tax rate on a consolidated basis.

TABLE 3
ANALYSIS OF NET INTEREST INCOME

(Dollars in Millions)	2000	1999	
Net interest income, as reported	$3,471.3	$3,260.7	$3,
Taxable-equivalent adjustment	69.5	42.0	
Net interest income (taxable-equivalent basis)	$3,540.8	$3,302.7	$3,
Average yields and weighted average rates (taxable-equivalent basis)			
Earning assets yield	9.05%	8.36%	
Rate paid on interest-bearing liabilities	5.45	4.45	
Gross interest margin	3.60%	3.91%	
Net interest margin	4.73%	4.83%	
Net interest margin without taxable-equivalent increments	4.64%	4.77%	
Average Balances:			
Loans	$ 66,439	$ 60,578	$ 5
Earning assets	74,863	68,392	6
Deposits	50,681	48,099	4

STATEMENT OF INCOME ANALYSIS

NET INTEREST INCOME Net interest income on a taxable-equivalent basis was $3.54 billion in 2000, compared with $3.30 billion in 1999 and $3.11 billion in 1998. The 7 percent increase in 2000 as compared with 1999 was primarily due to growth in earning assets. The net interest margin declined from 4.83 percent in 1999 to 4.73 percent in 2000, as lagging deposit growth relative to the growth in total earning assets increased the Company's incremental cost of funding. Average earning assets increased $6.5 billion (9 percent) in 2000, primarily due to strong core loan growth and acquisitions partially offset by reductions in indirect automobile loans, securities and residential mortgages. Average loans were up $5.9 billion (10 percent) from 1999. Excluding indirect automobile and residential mortgage loans, average loans in 2000 were higher by $7.9 billion (14 percent) than 1999, reflecting growth in commercial loans, home equity and second mortgages and acquisitions (see Consolidated Daily Average Balance Sheet and Related Yields and Rates on pages 62 and 63).

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

	2000 Compared with 1999			
(Dollars in Millions)	Volume	Yield/Rate	Total	Volume
Increase (decrease) in				
Interest income				
Loans	$526.9	$ 425.5	$952.4	$398.3

Taxable securities.........	(27.8)	7.6	(20.2)	(39.7)
Nontaxable securities......	(3.8)	(1.0)	(4.8)	(8.5)
Federal funds sold and resale agreements.......	3.2	5.9	9.1	(6.3)
Other......................	79.1	42.3	121.4	52.6
Total...................	577.6	480.3	1,057.9	396.4
Interest expense				
Savings deposits and time deposits less than $100,000................	15.8	209.4	225.2	(28.8)
Time deposits over $100,000..................	102.8	48.7	151.5	68.2
Short-term borrowings......	(34.2)	53.7	19.5	8.6
Long-term debt.............	215.2	208.4	423.6	200.6
Mandatorily redeemable preferred securities....	--	--	--	6.9
Total...................	299.6	520.2	819.8	255.5
Increase (decrease) in net interest income.........	$278.0	$ (39.9)	$238.1	$140.9

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.

Average available-for-sale securities were $487 million (9 percent) lower in 2000 compared with 1999, reflecting both maturities and sales of securities.

Net interest income on a taxable-equivalent basis increased $190.8 million (6 percent) from 1998 to 1999. Net interest margin remained relatively flat from 4.87 percent in 1998 to 4.83 percent in 1999. Average earning assets increased $4.5 billion (7 percent) in 1999, primarily due to strong core loan growth and consumer loan portfolio purchases in late 1998, partially offset by reductions in securities, the sale of indirect automobile loans and continued runoff of residential mortgages. Average loans were up $4.6 billion (8 percent) from 1998 to 1999, reflecting the impact of acquisitions and core loan growth offset by declining residential mortgages and indirect automobile loan balances.

PROVISION FOR CREDIT LOSSES The provision for credit losses was $670.0 million in 2000, compared with $531.0 million in 1999 and $379.0 million in 1998. The provision for credit losses is recorded to bring the allowance for credit losses to a level deemed appropriate by management based on factors discussed in "Analysis and Determination of Allowance for Credit Losses" on pages 19 and 20.

Refer to "Corporate Risk Profile" for further information on the factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

NONINTEREST INCOME Noninterest income in 2000 was $3.26 billion, compared with $2.76 billion in 1999 and $2.26 billion in 1998. The increase of $499.7 million (18 percent) in 2000 as compared with 1999 was primarily driven by a $147.5 million (32 percent) increase in investment banking and trading activity, credit card fee revenue growth of $120.1 million (20 percent), increased service charges on deposit accounts of $34.7 million (8 percent), gains of $55.0 million on the disposal of the Company's ownership in office buildings in Portland, Boise and Minneapolis, the impact of acquisitions, revenues associated with equity investments and other fees, partially offset by a $20.0 million gain-on-sale of branches in Kansas and Iowa completed in 1999. Excluding the impact of acquisitions and divestitures, noninterest income for 2000 would have been approximately 15 percent higher than 1999.

Noninterest income in 1999 was $2.76 billion, compared with $2.26 billion in 1998, an increase of $502.1 million (22 percent). The increase was driven primarily by the full year impact and continued growth in fee income generated by U.S. Bancorp Piper Jaffray in its investment banking and brokerage activities. Revenue growth related to investment banking and brokerage activities for 1999 approximated $414.0 million. Trust and investment management fees, acquisitions and service charges on deposit accounts also contributed to the year-over-year growth in noninterest income. Credit card fee revenue increased by 5 percent from 1998 despite the loss of approximately one-half of the U.S. Government purchasing card business in late 1998.

NONINTEREST EXPENSE Noninterest expense in 2000 was $3.60 billion compared with $3.13 billion in 1999 and $2.84 billion in 1998. Excluding merger-related charges, noninterest expense on an operating basis was $3.54 billion in 2000, compared with $3.06 billion in 1999 and $2.63 billion in 1998. The increase in noninterest expenses on an operating basis, of $472.6 million (15 percent) is primarily attributable to growth in expenses related to investment banking and brokerage activity of $228.6 million, the impact of acquisitions and divestitures of $175.9 million and the planned spending on service-quality technology and other customer initiatives. The full year 2000 also included approximately $33.0 million of Internet infrastructure-related expense. The efficiency ratio

TABLE 5
NONINTEREST INCOME

(Dollars in Millions)	2000	1999	
Credit card fee revenue....................................	$ 723.2	$ 603.1	$
Trust and investment management fees.......................	473.9	459.7	
Service charges on deposit accounts........................	469.3	434.6	
Investment products fees and commissions...................	359.1	347.7	
Investment banking revenue.................................	356.3	245.4	
Trading account profits and commissions....................	252.5	215.9	
Available-for-sale securities gains (losses)...............	7.0	(1.3)	
Other..	617.1	453.6	
Total noninterest income................................	$3,258.4	$2,758.7	$2,

TABLE 6
NONINTEREST EXPENSE

(Dollars in Millions)	2000	1999	1998

Salaries	$1,677.0	$1,460.9	$1,210.9
Employee benefits	279.0	248.4	222.3
Net occupancy	236.9	204.6	187.4
Furniture and equipment	167.4	160.1	153.4
Professional services	90.7	74.1	71.3
Telephone	88.4	75.4	69.7
Advertising and marketing	73.0	64.3	67.2
Other personnel costs	61.5	63.2	53.0
Goodwill and other intangible assets	235.5	165.6	143.7
Other	627.7	547.9	448.9
Total operating noninterest expense	3,537.1	3,064.5	2,627.8
Merger-related charges	61.3	62.4	216.5
Total noninterest expense	$3,598.4	$3,126.9	$2,844.3
Efficiency ratio*	53.0%	51.6%	53.1%
Efficiency ratio before merger-related charges	52.1	50.5	49.1
Banking efficiency ratio before merger-related charges**	43.6	43.2	44.2
Average number of full-time equivalent employees	28,949	26,891	26,526

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

**Without investment banking and brokerage activity.

before merger-related charges increased slightly to 52.1 percent in 2000 compared with 50.5 percent in 1999 due to investments in Internet technology and other customer-related initiatives.

Without the effect of investment banking and brokerage activities, noninterest expense, on an operating basis, increased by $244.0 million in 2000. The banking efficiency ratio before merger-related charges was 43.6 percent for 2000, essentially unchanged from 43.2 percent in 1999 and slightly improved from 44.2 percent in 1998. The improved banking efficiency ratio in 1999 compared with 1998 reflects the results of integrating acquired banking businesses.

The Company has incurred merger-related charges in each of the last three years in conjunction with its acquisitions. Noninterest expense included merger-related charges of $61.3 million in 2000, compared with $62.4 million in 1999 and $216.5 million in 1998. Merger-related charges in 2000, primarily system conversions and integration costs associated with consolidating redundant operations, related to the Company's recent acquisitions. Merger-related charges in 1999 related to the integration of the Company's various acquisitions, including finalizing the integration of the former U.S. Bancorp ("USBC") after its 1997 merger with the Company, and ongoing activities related to Piper Jaffray and nine other acquired entities. During 1998, the Company incurred $203.8 million of merger-related charges to integrate USBC and $11.7 million related to the acquisition of Piper Jaffray. In 1998, employee benefit curtailment gains of $25.6 million were offset against merger-related charges. Refer to Note D of the Notes to Consolidated Financial Statements for further information on these acquired businesses and merger-related charges.

INCOME TAX EXPENSE The provision for income taxes was $869.3 million in 2000, compared with $855.0 million in 1999 and $766.5 million in 1998. The Company's effective tax rate was 35.3 percent in 2000, compared with 36.2 percent in 1999 and 36.6 percent in 1998. The effective rate declined in 2000 as compared with

1999 and 1998, primarily due to an increase in tax-exempt income, incremental tax credits and a decrease in the effective rate for state income taxes resulting from changes in business mix during the year.

At December 31, 2000, the Company's net deferred tax asset was $13.2 million, compared with $158.4 million at December 31, 1999. In determining that realization of the deferred tax asset was more likely than not, the Company gave consideration to a number of factors, including taxable income during carryback periods, recent earnings history, expectations for earnings in the future and, where applicable, the expiration dates associated with tax carrybacks and carryforwards. For further information on income taxes, refer to Note P of the Notes to Consolidated Financial Statements.

TABLE 7
LOAN PORTFOLIO DISTRIBUTION

	2000		1999		19
At December 31 (Dollars in Millions)	Amount	Percent of Total	Amount	Percent of Total	Amount
COMMERCIAL					
Commercial..........................	$29,920	43.3%	$26,491	42.1%	$23,703
Real estate					
Commercial mortgage..............	10,208	14.8	9,784	15.5	8,193
Construction.....................	4,443	6.4	4,322	6.9	3,069
Lease financing.....................	4,096	5.9	2,372	3.8	2,271
Total commercial..............	48,667	70.4	42,969	68.3	37,236
CONSUMER					
Home equity and second mortgage......	9,438	13.7	8,681	13.8	7,409
Credit card.........................	4,499	6.5	4,313	6.9	4,221
Revolving credit....................	1,868	2.7	1,815	2.9	1,686
Installment.........................	896	1.3	999	1.6	1,168
Automobile..........................	564	.8	884	1.4	3,413
Student *...........................	674	1.0	563	.9	829
Subtotal.........................	17,939	26.0	17,255	27.5	18,726
Residential mortgage................	2,485	3.6	2,661	4.2	3,160
Total consumer...................	20,424	29.6	19,916	31.7	21,886
Total loans..................	$69,091	100.0%	$62,885	100.0%	$59,122

	1996	
At December 31 (Dollars in Millions)	Amount	Percent of Total
COMMERCIAL		
Commercial..........................	$19,545	37.3%
Real estate		
Commercial mortgage..............	8,022	15.3
Construction.....................	2,125	4.1

Lease financing	1,848	3.5
Total commercial	31,540	60.2
CONSUMER		
Home equity and second mortgage	5,271	10.1
Credit card	3,632	6.9
Revolving credit	1,581	3.0
Installment	1,463	2.8
Automobile	3,388	6.5
Student *	580	1.1
Subtotal	15,915	30.4
Residential mortgage	4,900	9.4
Total consumer	20,815	39.8
Total loans	$52,355	100.0%

*All or part of the student loan portfolio may be sold when the repayment period begins.

BALANCE SHEET ANALYSIS

LOANS The Company's loan portfolio increased $6.2 billion to $69.1 billion at December 31, 2000, from $62.9 billion at December 31, 1999. Average loans increased 10 percent to $66.4 billion in 2000 compared with $60.6 billion in 1999. Excluding indirect automobile and residential mortgages, average loans for 2000 were $7.9 billion (14 percent) higher than 1999, reflecting core loan growth of 10 percent and the impact of acquisitions. The Company's loan portfolio inherently has credit risk which may ultimately result in loan charge-offs. The Company manages this risk through stringent, centralized credit policies and review procedures, as well as diversification along geographic and customer lines. See "Corporate Risk Profile" for a more detailed discussion of the management of credit risk including the allowance for credit losses.

COMMERCIAL Commercial loans, including lease financing, totaled $34.0 billion at December 31, 2000, up $5.2 billion (18 percent) from year-end 1999. The increase reflects core growth in commercial loans, the impact of bank acquisitions and approximately $1.4 billion of leases related to the acquisition of Lyon Financial Services, Inc. and Oliver-Allen Corporation during 2000. At December 31, 1999, commercial loans were $28.9 billion, up $2.9 billion (11 percent) from year-end 1998.

The Company offers a broad array of traditional commercial lending products and specialized products such as asset-based lending, lease financing, agricultural credit, correspondent banking and energy lending. The Company monitors and manages the portfolio diversification by industry, customer and geography. The commercial portfolio reflects the Company's focus of serving small business customers, middle-market and larger corporate businesses throughout its 16 state banking region and national customers within certain niche industry groups.

The Company also provides financing to enable customers to grow their businesses through acquisitions of existing businesses, buyouts or other recapitalizations. Such leveraged financings approximated $3.2 billion at December 31, 2000, compared with $2.4 billion at December 31, 1999. During a business cycle with slower economic growth, businesses with leveraged capital structures may experience insufficient cashflows to service their debt. The Company manages its exposure to leveraged financing loans by maintaining strong underwriting standards, portfolio diversification and effectively managing the relationship with the customer either directly or through a reputable financial intermediary. At December 31, 2000, approximately 96 percent of such loans outstanding were made to existing customers or were sponsored by financial intermediaries with an established relationship with the Company. These leveraged financings are diversified among industry groups with no significant industry concentrations as a percentage of these loans. The Company's underwriting standards require businesses to maintain acceptable capital levels and have demonstrated sufficient cash flows to support debt service of the loans.

Table 8 provides a summary of the significant industry groups and geographic locations of commercial loans outstanding at December 31, 2000, and 1999. This diverse mix of industries and geographic locations is similar to 1998. Certain industry segments, including agricultural, paper and forestry and mortgage banking, continue to experience economic stress. At December 31, 2000, the Company's agricultural portfolio is diversified with 36 percent of agricultural loans to livestock producers, 27 percent to crop producers, 24 percent to food processors and 13 percent to wholesalers of agricultural products. Volatility in crop and livestock prices in 2000 continued to adversely affect this category of loans. Food processors and wholesalers have been less negatively affected by commodity pricing. The paper and forestry sector has been stressed due to excess capacity and softening domestic demand. This industry represents 2.7 percent of commercial loans at December 31, 2000. The mortgage banking sector represents approximately 2.7 percent of commercial loans at December 31, 2000, compared with 3.5 percent at December 31, 1999. Loans to mortgage banking customers are primarily warehouse lines which are collateralized with the underlying mortgages. The Company regularly monitors its collateral position to manage its risk exposure.

COMMERCIAL REAL ESTATE The Company's portfolio of commercial real estate mortgages and construction loans grew to $14.7 billion at December 31, 2000, compared with $14.1 billion at December 31, 1999. Commercial mortgages outstanding increased to $10.2 billion at December 31, 2000, compared with $9.8 billion at December 31, 1999. Real estate construction loans at December 31, 2000, totaled $4.5 billion compared with $4.3 billion at year-end 1999. Table 9 provides a summary of real estate exposures by property type and geographic location. The Company maintains the real estate construction designation until the project is producing sufficient cash flow to service traditional mortgage financing, at which time, if retained, the loan is transferred to the commercial mortgage portfolio. Approximately $242.6 million of construction loans were transferred to the commercial mortgage portfolio in 2000.

At year-end 2000, real estate secured $175 million of tax-exempt industrial development loans and $1.1 billion of standby letters of credit. At year-end 1999, these exposures totaled $161 million and $920 million, respectively. The Company's commercial real estate mortgages and construction loans had combined unfunded commitments of $3.27 billion at December 31, 2000, and $3.61 billion at December 31, 1999.

The Company also finances the operations of real estate developers and other entities with operations related to real estate. These loans are not secured directly by real estate and are subject to terms and conditions similar to commercial loans. These loans are included in the commercial loan category and totaled $1.90 billion at December 31, 2000, and $1.85 billion at December 31, 1999.

TABLE 8

COMMERCIAL LOAN EXPOSURE BY INDUSTRY GROUP AND GEOGRAPHY

INDUSTRY TYPE	Percentage of Total at December 31 2000	1999
Consumer cyclical products and services	18.0%	17.5%
Capital goods	11.9	12.6
Financials	10.2	10.0
Consumer staples	9.7	10.1
Agricultural	8.6	8.8
Transportation	4.5	4.8
Paper and forest products, mining and basic materials	4.4	4.8
Mortgage banking	2.7	3.5
Other	30.0	27.9
	100.0%	100.0%
GEOGRAPHY		
Minnesota	22.1%	23.2%
Washington	14.2	16.2
California	9.9	8.6
Oregon	8.2	8.7
Other states within banking region	27.5	28.1
Total banking region	81.9	84.8
Other regions	18.1	15.2
	100.0%	100.0%

TABLE 9
COMMERCIAL REAL ESTATE EXPOSURE BY PROPERTY TYPE AND GEOGRAPHY

PROPERTY TYPE	Percentage of Total at December 31 2000	1999
Business owner occupied	23.7%	25.0%
Multi-family	14.1	13.2
Commercial property -- office	12.2	12.3
Commercial property -- retail	10.2	10.2
Homebuilders	8.2	9.3
Commercial property -- industrial	8.2	6.6
Hotel/motel	8.1	7.7
Other	15.3	15.7
	100.0%	100.0%
GEOGRAPHY		
California	23.7%	22.1%

Washington	21.4	21.2
Oregon	11.9	12.6
Minnesota	7.8	9.1
Other states within banking region	29.0	29.6
Total banking region	93.8	94.6
Other regions	6.2	5.4
	100.0%	100.0%

CONSUMER Total consumer loan outstandings increased $508 million to $20.4 billion at December 31, 2000, from $19.9 billion at December 31, 1999. Excluding indirect automobile loans and residential mortgage loans, consumer loans increased $993 million (6 percent). This increase reflected growth in home equity and second mortgage loans of $757 million (9 percent), credit card loans of $186 million (4 percent), revolving credit loans of $53 million (3 percent), and student loans of $111 million (20 percent) from December 31, 1999, offset by a decrease in installment loans from December 31, 1999. The decline in residential mortgages and indirect automobile loans reflects the Company's objective of exiting these businesses due to their lower returns.

Of the total consumer loan balances outstanding, approximately 84 percent are to customers located in the Company's banking region.

TABLE 10
AVAILABLE-FOR-SALE SECURITIES PORTFOLIO AVERAGE MATURITY

At December 31, 2000	Average Maturity
U.S. Treasury	2 years, 1 month
Mortgage-backed	6 years, 3 months
Other U.S. agencies	3 years, 6 months
State and political	5 years, 0 months
Other*	8 years, 0 months
Total	5 years, 6 months

* Excludes equity securities that have no stated maturity.

The average maturity shown above is contractual maturity for all securities except for mortgage-backed securities. The average maturity for mortgage-backed securities includes expected prepayments reflecting current market conditions.

SECURITIES At December 31, 2000, available-for-sale securities totaled $4.3 billion, compared with $4.9 billion at December 31, 1999, primarily reflecting maturities and prepayments of securities. The relative mix of the type of available-for-sale securities did not change significantly from the prior year. The primary objectives of the Company's investment portfolio are to meet business line collateral needs and reduce overall interest rate risk.

DEPOSITS Total deposits were $53.3 billion at December 31, 2000, up $1.7 billion (3 percent) from year-end 1999. Noninterest-bearing deposits were $15.7 billion at December 31, 2000, compared with $16.1 billion at December 31, 1999. Interest-bearing deposits totaled $37.6 billion at December 31, 2000, compared with $35.5 billion at December 31, 1999. The increase in interest-bearing deposit balances is primarily due to acquisitions.

BORROWINGS The Company utilized both short-term and long-term borrowings to fund core loan growth in excess of deposit growth. Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, were $2.8 billion at December 31, 2000, up from $2.3 billion at year-end 1999. The increase was primarily due to higher federal funds purchased balances partially offset by a decline in securities sold under agreements to repurchase.

Long-term debt was $18.6 billion at December 31, 2000, up from $16.6 billion at December 31, 1999. During 2000, the Company issued $5.2 billion of debt with an average original maturity of 2.2 years under its medium term and bank note programs. The Company also borrowed $400 million of variable-rate advances from the Federal Home Loan Bank. These issuances were partially offset by maturities of $3.3 billion of medium-term and bank notes, $238 million of Federal Home Loan Bank advances and $250 million of putable asset trust securities.

Due to lagging deposit growth, the Company continues to utilize long-term debt to fund core asset growth.

TABLE 11
AVAILABLE-FOR-SALE SECURITIES PORTFOLIO AMORTIZED COST, FAIR VALUE AND YIELD BY MATURITY DATE

Maturing:	Within 1 Year			1-5 Years			
At December 31, 2000 (Dollars in Millions)	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield	Amortized Cost
U.S. Treasury....................	$ 65	$ 65	5.48%	$ 291	$ 294	5.68%	$ 2
Mortgage-backed*.................	357	357	6.84	1,013	1,013	6.78	596
Other U.S. agencies..............	35	36	7.55	77	79	7.56	30
State and political**............	151	152	7.34	405	412	7.39	384
Other............................	2	2	8.92	7	7	3.89	5
Total..........................	$610	$612	6.87%	$1,793	$1,805	6.76%	$1,017

Maturing:	Over 10 Years			Total		
At December 31, 2000 (Dollars in Millions)	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield
U.S. Treasury....................	$ --	$ --	--%	$ 358	$ 361	5.65%
Mortgage-backed*.................	529	529	6.89	2,495	2,493	6.81
Other U.S. agencies..............	7	7	7.62	149	152	7.57
State and political**............	80	82	7.83	1,020	1,039	7.43
Other............................	222	223	11.13***	236	237	7.15***
Total..........................	$838	$841	7.08%***	$4,258	$4,282	6.89%***

*Variable rate mortgage-backed securities represented 6% of the balance of mortgage-backed securities.
**Yields on state and political obligations that are not subject to federal income tax have been adjusted to taxable-equivalent using a 35% tax rate.
***Average yield calculations exclude equity securities that have no stated yield.

CORPORATE RISK PROFILE

OVERALL RISK PROFILE Managing risk is an essential part of successfully operating a financial services company. The most prominent risk exposures are credit quality, interest rate sensitivity, market and liquidity. Credit quality risk is the risk of not collecting interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. Rate movements can affect the repricing of assets and liabilities differently, as well as their market value. Market risk arises from fluctuations in interest rates, foreign exchange rates and equity prices that may result in changes in the values of financial instruments, such as trading account securities that are accounted for on a mark-to-market basis. Liquidity risk is the possible inability to fund obligations to depositors, investors and borrowers.

CREDIT RISK MANAGEMENT The Company's strategy for credit risk management includes stringent, centralized credit policies and uniform underwriting criteria for all loans, including specialized lending categories such as mortgage banking, real estate construction and consumer credit. The strategy also emphasizes diversification on both a geographic and customer level, regular credit examinations, and quarterly management reviews of large loans and loans experiencing deterioration of credit quality. The Company strives to identify potential problem loans early, take any necessary charge-offs promptly and maintain strong reserve levels. Commercial banking operations rely on a strong credit culture that combines prudent credit policies and individual lender accountability. In addition, the commercial lenders generally focus on middle-market companies within their regions. The Company utilizes a credit risk rating system intended to measure the credit quality of individual commercial loans. In the Company's retail banking operations, standard credit scoring systems are used to assess consumer credit risks and to price consumer products accordingly.

In evaluating its credit risk, the Company considers changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, the level of allowance coverage, and macroeconomic factors. Generally, the domestic economy has experienced slower growth in 2000. Corporate earnings growth rates have slowed and credit quality indicators among certain industry sectors have deteriorated slightly. Approximately 55 percent of the Company's loan portfolio consists of credit to businesses and consumers in Minnesota, Oregon, Washington and California. Although the financial markets have experienced more volatility in 2000, most economic indicators in the Company's operating regions are similar to or slightly favorable with national trends. According to federal and state government agencies, unemployment rates in Minnesota, Oregon, Washington and California were 3.1 percent, 4.2 percent, 4.9 percent and 4.6 percent, respectively, for the month of December 2000, compared with the national unemployment rate of 4.0 percent. At September 30, 2000, the national residential foreclosure rate was .84 percent, compared with .35 percent in Minnesota, .55 percent in Oregon, .61 percent in Washington and .62 percent in California.

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

	2000	1999	1998	1997	1
COMMERCIAL					
Commercial	.74%	.50%	.33%	.68%	
Real estate:					
Commercial mortgage	(.01)	.01	(.20)	(.20)	(
Construction	.14	.01	.11	.16	
Lease financing	.46	.26	.20	.28	
Total commercial	.50	.34	.18	.41	
CONSUMER					
Credit card	4.29	4.23	4.36	4.11	3
Other	1.93	1.84	1.45	1.28	
Subtotal	2.50	2.37	2.14	1.93	1
Residential mortgage	.15	.10	.17	.12	
Total consumer	2.19	2.07	1.79	1.53	1
Total	1.01%	.94%	.78%	.84%	

The Company also engages in nonlending activities that may give rise to credit risk, including interest rate swap contracts for balance sheet hedging purposes, foreign exchange transactions and interest rate swap contracts for customers, and the processing of credit card transactions for merchants. These activities are subject to the same credit review, analysis and approval processes as those applied to commercial loans. For additional information on interest rate swaps, see "Interest Rate Risk Management."

ANALYSIS OF NET LOAN CHARGE-OFFS Net loan charge-offs increased $102.2 million to $669.9 million in 2000, compared with $567.7 million in 1999 and $434.2 million in 1998. The ratio of total net charge-offs to average loans was 1.01 percent in 2000, compared with .94 percent in 1999 and .78 percent in 1998.

Commercial loan net charge-offs for 2000 were $233.0 million, compared with $133.5 million in 1999 and $65.2 million in 1998. The increase in commercial loan net charge-offs in 2000 included higher losses on a growing portfolio of small business products, growth in the corporate card portfolio, credit losses related to the acquired leasing businesses and lower levels of recoveries compared with 1999.

Consumer loan net charge-offs in 2000 were $436.9 million, compared with $434.2 million in 1999 and $369.0 million in 1998. The ratio of consumer net charge-offs to average loans in 2000 was 2.19 percent, up from 2.07 percent in 1999 and 1.79 percent in 1998. The $2.7 million increase in consumer loan net charge-offs in 2000 reflects expected losses associated with consumer portfolio purchases during late 1998, offset by lower losses related to the indirect automobile portfolio.

The increase in consumer loan net charge-offs of $168.8 million in 1999, relative to 1998, reflects higher overdraft fraud losses in addition to expected losses associated with consumer portfolio purchases. During 1999, the Company modified its charge-off policy to conform with regulatory guidelines for consumer loans. Without the change in policy, total consumer net charge-offs as a percent of average loans outstanding would have been 2.09 percent.

ANALYSIS OF NONPERFORMING ASSETS Nonperforming assets include nonaccrual loans, restructured loans, other real estate and other nonperforming assets owned by the Company. Interest payments (currently received on approximately 30 percent of the Company's nonperforming loans) are typically applied against the principal balance and not recorded as income.

TABLE 13
NONPERFORMING ASSETS*

	At December 31			
(Dollars in Millions)	2000	1999	1998	1
COMMERCIAL				
Commercial...	$232.8	$142.5	$154.4	$17
Real estate:				
Commercial mortgage.................................	61.3	78.9	35.5	4
Construction...	27.3	25.3	17.2	1
Lease financing..	38.1	18.7	11.3	
Total commercial.....................................	359.5	265.4	218.4	23
CONSUMER				
Residential mortgage.....................................	30.3	36.0	46.6	5
Other..	7.5	8.6	13.9	
Total consumer.......................................	37.8	44.6	60.5	5
Total nonperforming loans......................	397.3	310.0	278.9	29
OTHER REAL ESTATE..	40.1	20.7	14.3	3
OTHER NONPERFORMING ASSETS.....................................	17.5	16.8	11.1	1
Total nonperforming assets.....................	$454.9	$347.5	$304.3	$33
Accruing loans 90 days or more past due**..................	$187.1	$125.8	$106.8	$ 9
Nonperforming loans to total loans.........................	.58%	.49%	.47%	
Nonperforming assets to total loans plus other real estate..	.66	.55	.51	
Net interest lost on nonperforming loans...................	$ 30.9	$ 19.7	$ 14.9	$ 1

*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.

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TABLE 14
DELINQUENT LOAN RATIOS*

	At December 31				
90 days or more past due	2000	1999	1998	1997	1
COMMERCIAL					
Commercial	.88%	.57%	.66%	.81%	
Real estate:					
Commercial mortgage	.62	.84	.44	.57	
Construction	.61	.59	.56	.67	
Lease financing	.97	.80	.55	.44	
Total commercial	.81	.65	.60	.72	
CONSUMER					
Credit card	1.24	.96	.74	.69	
Other	.75	.57	.51	.41	
Subtotal	.87	.67	.56	.48	
Residential mortgage	1.44	1.57	1.86	1.58	1
Total consumer	.94	.79	.75	.70	
Total	.85%	.69%	.65%	.71%	

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

At December 31, 2000, nonperforming assets totaled $454.9 million, compared with $347.5 million at year-end 1999 and $304.3 million at year-end 1998. The ratio of nonperforming assets to loans plus other real estate was .66 percent at December 31, 2000, compared with .55 percent at year-end 1999 and .51 percent at year-end 1998.

In 2000, nonperforming commercial loans increased $94.1 million, reflecting stress in agricultural and paper and forestry portfolios. Nonperforming consumer loans declined approximately $6.8 million, primarily related to lower levels of nonperforming residential mortgage loans at year-end. Other real estate increased $19.4 million, which included an agricultural-related credit that was transferred to other real estate in the fourth quarter of 2000.

Accruing loans 90 days or more past due totaled $187.1 million, compared with $125.8 million at December 31, 1999, and $106.8 million at December 31, 1998. The increase reflected the impact of an acquired small-ticket leasing portfolio, higher consumer delinquencies and the economic business cycle in the commercial portfolio. 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. Consumer loans 30 days or more past due were 2.84 percent of the total consumer portfolio at December 31, 2000, compared with 2.65 percent and 2.39 percent of the total consumer portfolio at December 31, 1999, and 1998, respectively. Consumer loans 90 days or more past due (including non-performing loans) totaled .94 percent of the total consumer loan portfolio at December 31, 2000, compared with .79 percent of the total consumer loan portfolio at December 31, 1999, and .75 percent at December 31, 1998.

TABLE 15
SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

(Dollars in Millions)	2000	1999	1998
Balance at beginning of year	$ 995.4	$1,000.9	$1,008.7
CHARGE-OFFS			
Commercial			
Commercial	245.8	184.6	129.7
Real estate:			
Commercial mortgage	5.6	10.4	7.5
Construction	8.3	1.1	4.6
Lease financing	18.5	8.0	4.5
Total commercial	278.2	204.1	146.3
Consumer			
Credit card	193.2	188.5	196.8
Other	309.8	331.5	241.7
Subtotal	503.0	520.0	438.5
Residential mortgage	4.8	3.6	7.3
Total consumer	507.8	523.6	445.8
Total	786.0	727.7	592.1
RECOVERIES			
Commercial			
Commercial	30.9	58.2	55.1
Real estate:			
Commercial mortgage	6.9	9.6	23.8
Construction	2.1	.6	1.7
Lease financing	5.3	2.2	.5
Total commercial	45.2	70.6	81.1
Consumer			
Credit card	14.0	18.2	21.4
Other	55.9	70.3	54.4
Subtotal	69.9	88.5	75.8
Residential mortgage	1.0	.9	1.0
Total consumer	70.9	89.4	76.8
Total	116.1	160.0	157.9
NET CHARGE-OFFS			
Commercial			
Commercial	214.9	126.4	74.6
Real estate:			
Commercial mortgage	(1.3)	.8	(16.3)
Construction	6.2	.5	2.9
Lease financing	13.2	5.8	4.0
Total commercial	233.0	133.5	65.2
Consumer			
Credit card	179.2	170.3	175.4
Other	253.9	261.2	187.3
Subtotal	433.1	431.5	362.7
Residential mortgage	3.8	2.7	6.3

Total consumer	436.9	434.2	369.0
Total	669.9	567.7	434.2
Provision charged to operating expense	670.0	531.0	379.0
Acquisitions and other changes	71.3	31.2	47.4
Balance at end of year	$1,066.8	$ 995.4	$1,000.9
Allowance as a percentage of:			
Period-end loans	1.54%	1.58%	1.69%
Nonperforming loans	269	321	359
Nonperforming assets	235	286	329
Net charge-offs	159	175	231

ANALYSIS AND DETERMINATION OF ALLOWANCE FOR CREDIT LOSSES The allowance for credit losses provides coverage for probable losses inherent in the Company's loan portfolio. Management evaluates the allowance each quarter to determine that it is adequate to cover inherent losses. The evaluation of each element and the overall allowance is based on continuing assessment of problem loans and related off-balance sheet items, recent loss experience, and other factors, including regulatory guidance and economic conditions. Management has determined that the allowance for credit losses is adequate.

At December 31, 2000, the allowance was $1.07 billion, or 1.54 percent of loans. This compares with an allowance of $995.4 million, or 1.58 percent of loans, at year-end 1999, and $1.00 billion, or 1.69 percent of loans, at December 31, 1998. The ratio of the allowance for credit losses to nonperforming loans was 269 percent at December 31, 2000, compared with 321 percent at year-end 1999 and 359 percent at year-end 1998. The ratio of the allowance for credit losses to net charge-offs was 159 percent at December 31, 2000, compared with 175 percent at year-end 1999 and 231 percent at year-end 1998. The Company considers historical charge-off levels in addition to existing conditions and other factors when establishing the allowance for credit losses.

The recent trend of slower economic growth, financial market volatility and softening of corporate earnings may impact the required level of the allowance for credit losses.

Management determines the amount of allowance required for certain loan categories based on relative risk characteristics of the loan portfolio. Table 16 shows the amount of the allowance for credit losses by loan category. The allowance recorded for commercial loans is based on a quarterly review of individual loans outstanding and binding commitments to lend, including standby letters of credit. The Company's regular risk rating process is an integral component of the methodology utilized in determining the allowance for credit losses. An analysis of the migration of commercial loans and actual loss experience throughout the business cycle is also conducted quarterly to assess reserves established for credits with similar risk characteristics. An allowance is established for pools of commercial loans based on the risk ratings assigned. The amount is supported by the results of the migration analysis that considers historical loss experience by risk rating, as well as current and historical economic conditions and industry risk factors. The Company separately analyzes the carrying value of impaired loans to determine whether the carrying value is less than or equal to the appraised collateral value or the present value of expected cash flows. Based on this analysis, an allowance for credit losses may be specifically established for impaired loans. The allowance established for commercial loan portfolios and impaired commercial loans increased $80.8 million to $431.6 million in 2000. The change reflected growth in the commercial portfolio during 2000, higher levels of non-performing commercial loans, increasing sector risk in the health care industry, continued stress in the paper and forest products sector due to excess capacity and softening domestic demand and the deterioration in credit risk ratings associated with participation in Shared National Credits that experienced stress during the year.

The allowance recorded for consumer portfolios is based on an analysis of product mix, credit scoring and risk composition of the portfolio, fraud loss and bankruptcy experiences, economic conditions and historical and expected delinquency and charge-off statistics for each homogenous category or group of loans. Based on this information and analysis, an allowance is established approximating a rolling twelve-month estimate of net charge-offs. The allowance recorded for consumer loans declined $4.8 million to $442.2 million in 2000. The decline primarily reflects changes in the mix of consumer loans including an increase in home equity loans that experience lower charge-off ratios, the impact of product mix within co-branded credit card portfolios, lower levels of installment and automobile loans and the seasoning of consumer loan portfolios acquired in late 1998.

Regardless of the extent of the Company's analysis of customer performance, portfolio evaluations, trends or risk management processes established, certain inherent but undetected losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions; the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends; volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger non-homogeneous credits; and the sensitivity of assumptions utilized to establish allowances for homogenous groups of loans among other factors. For each of these factors, the estimated inherent loss is recorded as unallocated allowance. The Company estimates a range of inherent losses related to the existence of these exposures and for the risk in concentrations to specific borrowers, financings of highly leveraged transactions, products or industries. The estimates are based upon the Company's

TABLE 16
ELEMENTS OF ALLOWANCE FOR CREDIT LOSSES

	Allocation Amount At December 31				
(Dollars in Millions)	2000	1999	1998	1997	1996
COMMERCIAL					
Commercial........................	$ 362.3	$284.4	$ 190.7	$ 215.1	$222.1
Real estate					
Commercial mortgage............	35.9	43.3	25.8	29.7	42.4
Construction..................	17.3	10.9	10.9	15.9	12.5
Lease financing..................	16.1	12.2	15.2	11.1	10.8
Total commercial..............	431.6	350.8	242.6	271.8	287.8
CONSUMER					
Credit card.......................	155.4	161.1	177.0	137.6	132.1
Other.............................	280.8	280.4	283.0	206.5	164.9

Subtotal	436.2	441.5	460.0	344.1	297.0
Residential mortgage	6.0	5.5	10.0	8.9	9.9
Total consumer	442.2	447.0	470.0	353.0	306.9
Total allocated	873.8	797.8	712.6	624.8	594.7
Unallocated portion	193.0	197.6	288.3	383.9	397.8
Total allowance	$1,066.8	$995.4	$1,000.9	$1,008.7	$992.5

	Allocation as a Percent of Loans Outstanding				
(Dollars in Millions)	2000	1999	1998	1997	1996
COMMERCIAL					
Commercial	1.21%	1.07%	.80%	1.01%	1.14%
Real estate					
Commercial mortgage	.35	.44	.31	.37	.53
Construction	.39	.25	.36	.67	.59
Lease financing	.39	.51	.67	.55	.58
Total commercial	.89	.82	.65	.80	.91
CONSUMER					
Credit card	3.45	3.74	4.19	3.28	3.64
Other	2.09	2.17	1.95	1.65	1.34
Subtotal	2.43	2.56	2.46	2.06	1.87
Residential mortgage	.24	.21	.32	.21	.20
Total consumer	2.17	2.24	2.15	1.69	1.47
Total allocated	1.26	1.27	1.21	1.14	1.14
Unallocated portion	.28	.31	.49	.70	.76
Total allowance	1.54%	1.58%	1.69%	1.84%	1.90%

evaluation of imprecision risk associated with the commercial and consumer allowance levels and the estimated impact of the current economic environment on portfolio segments or concentrations. The unallocated allowance decreased slightly to $193.0 million at year-end 2000 from $197.6 million and $288.3 million at December 31, 1999, and 1998, respectively. Although the Company determines the amount of each element of the allowance separately and this process is an important credit management tool, the entire allowance for credit losses is available for the entire loan portfolio. The actual amount of losses incurred can vary significantly from the estimated amounts. The Company's methodology includes several factors intended to minimize the differences in estimated and actual losses. These factors allow the Company to adjust its estimate of losses based on the most recent information available. Refer to Note A of the Notes to Consolidated Financial Statements for accounting policies related to the allowance for credit losses.

INTEREST RATE RISK MANAGEMENT The Company's policy is to maintain a low interest rate risk position. The Company limits the exposure of net interest income associated with interest rate movements through asset/liability management strategies. The Company's Asset and Liability Management Committee ("ALCO") uses three methods for measuring and managing consolidated interest rate risk: Net Interest Income Simulation Modeling, Market Value Simulation Modeling, and

Repricing Mismatch Analysis.

NET INTEREST INCOME SIMULATION MODELING: The Company uses a net interest income simulation model to estimate near-term (next 24 months) risk due to changes in interest rates. The model, which is updated monthly, incorporates substantially all of the Company's assets and liabilities and off-balance sheet instruments, together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. ALCO uses the model to simulate the effect of immediate and sustained parallel shifts in the yield curve of 1 percent, 2 percent and 3 percent as well as the effect of immediate and sustained flattening or steepening of the yield curve. ALCO also calculates the sensitivity of the simulation results to changes in key assumptions, such as the Prime/LIBOR spread or core deposit repricing. The results from the simulation are reviewed by ALCO monthly and are used to guide ALCO's hedging strategies. ALCO guidelines, approved by the Company's Board of Directors, limit the estimated change in net interest income to 1.5 percent of forecasted net interest income over the succeeding 12 months and 3 percent of forecasted net interest income over the second 12 months given a 1 percent change in interest rates. At December 31, 2000, forecasted net interest income for the next 12 months would decrease $12 million from an immediate 100 basis point upward parallel shift in rates and increase $7 million from a downward shift of the same magnitude. Forecasted net interest income for the second 12 months would increase $1 million from an immediate 100 basis point upward parallel shift in rates and decrease $25 million from a downward shift of the same magnitude.

MARKET VALUE SIMULATION MODELING: The net interest income simulation model is somewhat limited by its dependence upon accurate forecasts of future business activity and the resulting effect on balance sheet assets and liabilities. As a result, its usefulness is greatly diminished for periods beyond one or two years. To better measure all interest rate risk, both short-term and long-term, the Company uses a market value simulation model. This model estimates the effect of 1 percent, 2 percent and 3 percent rate shocks on the present value of substantially all future cash flows of the Company's outstanding assets, liabilities and off-balance sheet instruments. ALCO also calculates the sensitivity of the simulation results to changes in key assumptions, such as core deposit repricing and core deposit life. The amount of market value risk is subject to a limit, approved by the Company's Board of Directors, of .5 percent of assets for an immediate 100 basis point rate shock. Historically, the Company's market value risk position has been substantially lower than its limits.

REPRICING MISMATCH ANALYSIS: A traditional gap analysis provides a static measurement of the relationship between the amounts of interest rate sensitive assets and liabilities repricing in a given time period. While the analysis provides a useful snapshot of interest rate risk, it does not capture all aspects of interest rate risk. As a result, ALCO uses the repricing mismatch analysis primarily for managing intermediate-term interest rate risk and has established limits, approved by the Company's Board of Directors, for the 2 to 3 year gap position of 5 percent of assets.

USE OF DERIVATIVES TO MANAGE INTEREST RATE RISK: While each of the interest rate risk measurements has limitations, taken together they represent a comprehensive view of the magnitude of the Company's

TABLE 17
INTEREST RATE SENSITIVITY GAP ANALYSIS

Repricing Maturities

At December 31, 2000 (dollars in millions)	Less Than 3 Months	3-6 Months	6-12 Months	1-5 Years	More 5 Y
Assets					
Loans.........................	$38,948	$ 3,591	$ 4,105	$16,531	$ 5,
Available-for-sale securities....................	381	174	319	1,790	1,
Other earning assets...........	2,249	38	75	535	
Nonearning assets..............	622	19	324	1,490	2,
Total assets................	$42,200	$ 3,822	$ 4,823	$20,346	$10,
Liabilities and Equity					
Deposits.......................	$23,842	$ 3,095	$ 3,188	$12,917	$10,
Other purchased funds..........	2,800	--	1	1	
Long-term debt.................	13,479	239	571	2,475	1,
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company.....................	--	--	--	--	
Other liabilities..............	39	--	383	192	
Equity.........................	--	--	--	--	
Total liabilities and equity.....................	$40,160	$ 3,334	$ 4,143	$15,585	$12,
Effect of off-balance sheet hedging instruments					
Receiving fixed................	$ 328	$ 348	$ 451	$ 4,116	$ 1,
Receiving floating.............	1,500	--	--	--	
Paying fixed...................	--	--	(500)	--	
Paying floating................	(7,618)	--	--	--	
Total effect of off-balance sheet hedging instruments.............	$(5,790)	$ 348	$ (49)	$ 4,116	$ 1,
Repricing gap.....................	$(3,750)	$ 836	$ 631	$ 8,877	$(1,
Cumulative repricing gap..........	(3,750)	(2,914)	(2,283)	6,594	5,

At December 31, 2000 (dollars in millions)	Repricing Maturities	
	Non-Rate Sensitive	Total
Assets		
Loans.........................	$ 22	$69,091
Available-for-sale securities....................	24	4,282
Other earning assets...........	--	3,592
Nonearning assets..............	5,686	10,371
Total assets................	$ 5,732	$87,336

Liabilities and Equity		
Deposits......................	$ --	$53,257
Other purchased funds..........	--	2,809
Long-term debt................	--	18,566
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company....................	--	950
Other liabilities.............	2,500	3,114
Equity........................	8,640	8,640
Total liabilities and equity....................	$11,140	$87,336
Effect of off-balance sheet hedging instruments		
Receiving fixed...............	$ --	$ 6,618
Receiving floating............	--	1,500
Paying fixed..................	--	(500)
Paying floating...............	--	(7,618)
Total effect of off-balance sheet hedging instruments.............	$ --	$ --
Repricing gap....................	$(5,408)	$ --
Cumulative repricing gap..........	--	--

This table estimates the repricing maturities of the Company's assets, liabilities and hedging instruments based upon the Company's assessment of the repricing characteristics of contractual and non-contractual instruments. Non-contractual deposit liabilities are allocated among the various maturity categories as follows: approximately 30 percent of regular savings, 20 percent of interest-bearing checking, 40 percent of non-indexed money market checking and 50 percent of money market savings balances are reflected in the Less Than 3 Months category, with 67 percent of the remainder placed in the 1-5 Years category and 33 percent in the More Than 5 Years category. Approximately 57 percent of demand deposits and related nonearning asset accounts is allocated in the More Than 5 Years category, 34 percent is allocated in the 1-5 Years category with the remaining allocated in the Less Than 3 Months category.

TABLE 18
INTEREST RATE SWAP HEDGING PORTFOLIO NOTIONAL BALANCES AND YIELDS BY MATURITY DATE

At December 31, 2000 (Dollars in Millions)

Maturity Date	Notional Amount	Weighted Average Interest Rate Received

2001	$ 790	6.69%
2002	544	6.22
2003	1,674	6.02
2004	1,475	6.60
2005	700	6.48
Thereafter	1,935	6.41
Total	$7,118	6.38%

*At December 31, 2000, the Company received fixed-rate interest and paid variable-rate interest on substantially all swaps in its hedging portfolio. In addition, the Company had $1.0 billion in basis swaps maturing in 2002.

interest rate risk over various time intervals. The Company manages its interest rate risk by entering into off-balance sheet transactions, primarily receive-fixed interest rate swaps and, to a lesser degree, basis swaps and interest rate caps and floors.

In 2000, the Company executed $770.0 million of new interest rate swaps to reduce its interest rate risk. This was largely offset by $674.0 million of swap terminations and $55.0 million of interest rate swap maturities. Interest rate swaps involve the exchange of fixed- and variable-rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. As of December 31, 2000, the Company received and made payments on $7.1 billion notional amount of interest rate swaps. These swaps had a weighted average interest rate received of 6.38 percent and a weighted average interest rate paid of 6.73 percent. The remaining maturity of these swaps ranges from 3 months to 14.6 years with an average remaining maturity of 4.3 years. In 2000, swaps decreased net interest income by $17.1 million, and in 1999 and 1998, swaps increased net income by $60.7 million and $37.9 million, respectively.

The Company also purchases interest rate caps and floors and executes basis swaps to minimize the impact of fluctuating interest rates on earnings. To hedge against rising interest rates, the Company may use interest rate caps. Counterparties to these interest rate cap agreements pay the Company based on the notional amount and the difference between current rates and strike rates. There were no caps outstanding at December 31, 2000. To hedge against falling interest rates, the Company uses interest rate floors. Like caps, counterparties to interest rate floor agreements pay the Company based on the notional amount and the difference between current rates and strike rates. The total notional amount of floor agreements purchased as of December 31, 2000, all of which were LIBOR-indexed, was $500 million. Basis swaps help the Company manage the monthly interest income at risk within each year. At December 31, 2000, the notional amount of the Company's basis swaps totaled $1.0 billion. The impact of basis swaps and interest rate caps and floors on net interest income was not significant in 2000, 1999 and 1998. See Note A of the Notes to Consolidated Financial Statements for the Company's accounting policy related to these types of transactions.

MARKET RISK MANAGEMENT Market risk is subject to regular monitoring by management. The Company uses a value-at-risk ("VaR") model to measure and manage market risk in its broker/dealer activities. The VaR model uses an estimate of volatility appropriate to each instrument and assumes a ninety-ninth percentile adverse move in the underlying markets. Market risk limits are established subject to approval by the Company's Board of Directors. The Company's VaR limit was $40 million at December 31, 2000. The estimate of market risk in its broker/dealer activities, including equities, fixed income, high yield securities and foreign exchange, as estimated by the VaR analysis, was $15 million at December 31, 2000.

In addition to the VaR analysis, the Company imposes stop loss limits and position limits. A stress-test model is used to provide management with perspective on market events that a VaR model does not capture. In each case, the historical worst performance of each asset class is observed and applied to current trading positions.

LIQUIDITY RISK MANAGEMENT The objective of liquidity risk management is to ensure the continuous availability of funds to meet the demands of depositors, investors and borrowers. ALCO is responsible for structuring the balance sheet to meet these needs. It regularly reviews current and forecasted funding needs as well as market

conditions for issuing debt to wholesale investors. Based on this information, ALCO supervises wholesale funding activity as well as the maintenance of contingent funding sources. A majority of the Company's funding comes from customer deposits within its operating region.

The Company's ability to raise negotiated funding at competitive prices is influenced by rating agencies' views of the Company's credit quality, liquidity, capital and earnings. As of December 31, 2000, Moody's Investors Services, Standard & Poors, Inc. and Fitch rated the Company's senior debt as "A1," "A" and "A+," respectively. The debt ratings reflect the agencies' recognition of the strong, consistent financial performance of the Company and quality of the balance sheet.

At the parent company, funding primarily consists of long-term debt and equity. At December 31, 2000, parent company long-term debt outstanding was $5.1 billion, compared with $3.8 billion at December 31, 1999. The parent company issued $1.8 billion of medium-term notes during 2000, which was partially offset by $518.2 million of debt maturities and other repayments.

Total parent company debt maturing in 2001 is $870.0 million. These debt obligations are expected to be met through medium-term note issuances, as well as from the approximately $1.4 billion of parent company cash and cash equivalents at December 31, 2000. It is the Company's practice to maintain liquid assets at the parent company sufficient to fund its operating cash needs and prefund debt maturities for the next twelve months.

CAPITAL MANAGEMENT

The Company is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. At December 31, 2000, tangible common equity (common equity less goodwill) was $5.9 billion, or 7.0 percent of assets, compared with 6.5 percent at year-end 1999 and 6.0 percent at year-end 1998. The tier 1 capital ratio was 7.1 percent at December 31, 2000, compared with 6.8 percent at December 31, 1999, and 6.4 percent at December 31, 1998. The total risk-based capital ratio was 10.9 percent at December 31, 2000, compared with 11.1 percent at December 31, 1999, and 10.9 percent at December 31, 1998. The leverage ratio was 7.6 percent at December 31, 2000, compared with 7.4 percent and 6.8 percent at December 31, 1999, and December 31, 1998, respectively.

The measures used to assess capital include the capital ratios established by the bank regulatory agencies, including the specific ratios for the "well capitalized" designation. The Company manages various capital ratios to maintain appropriate capital levels in accordance with Board-approved capital guidelines, ascribing the most significance to the tangible common equity ratio. The Company intends to maintain sufficient capital in each of its bank subsidiaries to be "well capitalized" as defined by the regulatory agencies.

On June 8, 1998, the Company's Board of Directors authorized the repurchase of up to $2.5 billion of the Company's common stock through March 31, 2000. On February 16, 2000, the Company's Board of Directors replaced the authorization with a new authorization to repurchase up to $2.5 billion of the Company's stock through March 31, 2002. The purpose of these share repurchase programs was to ensure that appropriate capital levels are maintained. Shares acquired under the programs may be used for: 1) dividend reinvestment programs; 2) employee stock purchase and option programs; and 3) business acquisitions. The shares were repurchased in the open market or through negotiated transactions. The Company repurchased 20.2 million shares for $432.2 million in 2000 and 16.6 million shares for $560.8 million in 1999. The share repurchase program was rescinded on January 17, 2001, in anticipation of the Company's merger with Firstar Corporation.

TABLE 19
CAPITAL RATIOS

At December 31 (Dollars in Millions)	2000	1999	1998
Tangible common equity*....................................	$5,887	$5,134	$4,465
As a percent of assets.................................	7.0%	6.5%	6.0%
Tier 1 capital...	$6,322	$5,631	$4,917
As a percent of risk-adjusted assets....................	7.1%	6.8%	6.4%
Total risk-based capital...................................	$9,772	$9,281	$8,343
As a percent of risk-adjusted assets....................	10.9%	11.1%	10.9%
Leverage ratio...	7.6	7.4	6.8

*Defined as common equity less goodwill.

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TABLE 20
SUBSIDIARY CAPITAL RATIOS

(Dollars in Millions)	At December 31, 2000 Tier 1 Capital	Total Risk-based Capital	Leverag
REGULATORY CAPITAL REQUIREMENTS			
Minimum...	4.0%	8.0%	3.
Well-Capitalized..	6.0	10.0	5.
SIGNIFICANT BANK SUBSIDIARIES			
U.S. Bank National Association............................	7.3	11.2	7.
U.S. Bank National Association ND.........................	10.3	15.6	10.
U.S. Bank National Association MT.........................	14.9	17.6	12.

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

On April 22, 1998, the Company's shareholders authorized an increase in the Company's capital stock necessary to implement the three-for-one split of the Company's common stock announced February 18, 1998. The number of common and preferred shares that the Company has authority to issue was increased from 500 million shares and 10 million shares, respectively, to 1.5 billion shares and 50 million shares, respectively. The stock split was in the form of a 200 percent dividend payable May 18, 1998, to shareholders of record on May 4, 1998. The impact of the stock split has been reflected in the financial statements for all periods presented and all share and per share data included herein.

DIVIDENDS During 2000, total dividends on common stock were $644.7 million compared with $573.1 million in 1999 and $516.4 million in 1998. The Company has raised its quarterly dividend rate in each of the past five years. On a per share basis, dividends paid to common shareholders totaled $.86 in 2000, $.78 in 1999 and $.70 in 1998. On February 27, 2001, the Board of Directors set the quarterly dividend rate for the common stock of the combined company resulting from the merger of U.S. Bancorp with Firstar Corporation at $.1875 per share. In the merger, holders of shares of U.S. Bancorp common stock received 1.265 shares of the combined company common stock for each share of U.S. Bancorp common stock they held.

The Company's primary funding sources for common stock dividends are dividends received from its bank and nonbank subsidiaries. Payment of dividends to the Company by its depository subsidiaries is subject to ongoing review by banking regulators and to various statutory limitations. For further information, see Note U of the Notes to Consolidated Financial Statements.

ACCOUNTING CHANGES

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES Statement of Financial Accounting Standards No. ("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 statement of financial position and measure those instruments at fair value. In certain defined conditions, a derivative may be specifically designated as a hedge for a particular exposure. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. The Company adopted SFAS 133 as of January 1, 2001. The balance sheet impact for the adoption of SFAS 133 included: a $37.5 million increase to other assets for the fair value of interest rate swaps designated as fair value hedges of fixed-rate debt and certificates of deposit with a corresponding increase to the related hedged liabilities, a $12.1 million increase to other assets and a $4.1 million increase in other liabilities for the fair value of interest rate swaps designated as cash flow hedges of floating rate commercial loans and debt with a corresponding net increase of $8.0 million to other comprehensive income and deferred tax liabilities. The cumulative-effect adjustment recorded on the income statement was not material.

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 the 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.

TABLE 21
FOURTH QUARTER SUMMARY

(Dollars in Millions, Except Per Share Data)	Three Months Ended December 31 2000	1999
CONDENSED INCOME STATEMENT		
Net interest income (taxable-equivalent basis)	$915.7	$841.0
Provision for credit losses	180.0	146.0
Net interest income after provision for credit losses	735.7	695.0
Available-for-sale securities gains	6.0	2.1
Other noninterest income	828.3	761.8
Merger-related charges	17.5	27.7
Other noninterest expense	888.2	843.4
Income before income taxes	664.3	587.8
Taxable-equivalent adjustment	17.6	10.3
Income taxes	228.1	208.5
Net income	$418.6	$369.0
FINANCIAL RATIOS		
Return on average assets	1.92%	1.86%
Return on average common equity	19.8	20.4
Net interest margin (taxable-equivalent basis)	4.73	4.80
Efficiency ratio	51.9	54.3
PER COMMON SHARE		
Earnings per share	$ .56	$ .50
Diluted earnings per share	.56	.50
Dividends paid	.215	.195
SELECTED FINANCIAL RATIOS BEFORE MERGER-RELATED CHARGES		
Return on average assets	1.97%	1.94%
Return on average common equity	20.3	21.4
Efficiency ratio	50.9	52.6
Banking efficiency ratio*	41.4	44.7

*Without investment banking and brokerage activity.

IMPACT OF INFLATION

The assets and liabilities of a financial institution are primarily monetary in nature. Therefore, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. During periods of inflation, monetary assets lose value in terms of purchasing power while monetary liabilities have corresponding purchasing power gains. Since banks generally have an excess of monetary assets over monetary liabilities, inflation will, in theory, cause a loss of purchasing power in the value of shareholders' equity. However, the concept of purchasing power is not an adequate indicator of the effect of inflation on banks because it does not take into account changes in interest rates, which are a more important determinant of bank earnings.

Other sections of the Management's Discussion and Analysis provide the information necessary for an understanding of the Company's ability to react to changing interest rates.

FOURTH QUARTER SUMMARY

In the fourth quarter of 2000, the Company had net income of $418.6 million ($.56 per diluted share), compared with $369.0 million ($.50 per diluted share) in the fourth quarter of 1999, including merger-related charges. The Company also reported operating earnings of $429.9 million ($.57 per diluted share) in the fourth quarter of 2000, compared with operating net income of $386.4 million ($.52 per diluted share) in the fourth quarter of 1999. Fourth quarter net interest income on a taxable-equivalent basis increased $74.7 million to $915.7 million, compared with fourth quarter of 1999, primarily reflecting increased earning assets driven by core commercial, home equity and second mortgage loan growth and bank acquisitions partially offset by a reduction in indirect auto and residential mortgage loans. The net interest margin on a taxable-equivalent basis decreased in the fourth quarter of 2000 to 4.73 percent, compared with 4.80 percent in the fourth quarter of 1999, as lagging deposit growth relative to the growth in total earning assets has increased the Company's incremental cost of funding.

The provision for credit losses increased to $180.0 million in the fourth quarter of 2000, compared with $146.0 million in the fourth quarter of 1999. Noninterest income increased $70.4 million from the same quarter a year ago, to $834.3 million. Credit card fee revenue was higher quarter over quarter by $27.5 million, or 17 percent, reflecting continued growth in corporate and retail card product fees, merchant and ATM processing-related revenue. Investment banking revenue, investment products fees and commissions and trading account profits and commissions in the fourth quarter of 2000 grew in total by $9.6 million, or 4 percent, over the same period of 1999 due primarily to market-related activity at U.S. Bancorp Piper Jaffray. Other income increased by $34.7 million, or 28 percent, over the fourth quarter of 1999, primarily reflecting the impact of acquisitions, U.S. Bancorp Piper Jaffray managed account fees, the timing of loan sales, and a gain from the sale of an office building located in Minneapolis.

Fourth quarter noninterest expense, before merger-related charges, totaled $888.2 million, an increase of $44.8 million, or 5 percent, from the fourth quarter of 1999. Excluding the impact of acquisitions and divestitures, noninterest expense, before merger-related charges, in the fourth quarter of 2000 would have been approximately 2 percent higher than the fourth quarter of 1999. The increase in expense over the fourth quarter of 1999 was primarily the result of acquisitions and investment banking and brokerage activity. In addition to ongoing investments in Internet-related products and services, the fourth quarter of 2000 included approximately $2.3 million of incremental spending on Internet infrastructure-related initiatives.

CONSOLIDATED BALANCE SHEET

At December 31 (Dollars in Millions)	2000	1999
ASSETS		
Cash and due from banks	$ 4,142	$ 4,036
Federal funds sold	108	713
Securities purchased under agreements to resell	349	324
Trading account securities	753	617
Available-for-sale securities	4,282	4,871
Loans	69,091	62,885
Less allowance for credit losses	1,067	995
Net loans	68,024	61,890
Premises and equipment	857	862
Interest receivable	525	433
Customers' liability on acceptances	163	152
Goodwill and other intangible assets	3,296	3,066
Other assets	4,837	4,566
Total assets	$87,336	$81,530
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Noninterest-bearing	$15,653	$16,050
Interest-bearing	31,176	29,671
Time certificates of deposit greater than $100,000	6,428	5,809
Total deposits	53,257	51,530
Federal funds purchased	978	297
Securities sold under agreements to repurchase	965	1,235
Other short-term funds borrowed	866	724
Long-term debt	18,566	16,563
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	950	950
Acceptances outstanding	163	152
Other liabilities	2,951	2,441
Total liabilities	78,696	73,892
Shareholders' equity		
Common stock, par value $1.25 a share -- authorized 1,500,000,000 shares; issued: 2000 -- 758,194,161 shares; 1999 -- 754,368,668 shares	948	943
Capital surplus	1,473	1,399
Retained earnings	6,336	5,389
Accumulated other comprehensive income	15	(62)
Less cost of common stock in treasury: 2000 -- 6,134,300 shares; 1999 -- 1,038,456 shares	(132)	(31)
Total shareholders' equity	8,640	7,638
Total liabilities and shareholders' equity	$87,336	$81,530

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31 (Dollars in Millions, Except Per Share Data)	2000	1999	
INTEREST INCOME			
Loans	$6,162.0	$5,208.6	$4
Securities			
Taxable	230.3	250.6	
Exempt from federal income taxes	54.4	57.3	
Other interest income	260.4	160.2	
Total interest income	6,707.1	5,676.7	5
INTEREST EXPENSE			
Deposits	1,667.9	1,291.2	1
Federal funds purchased and repurchase agreements	177.4	164.2	
Other short-term funds borrowed	56.2	49.9	
Long-term debt	1,257.0	833.4	
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	77.3	77.3	
Total interest expense	3,235.8	2,416.0	2
Net interest income	3,471.3	3,260.7	3
Provision for credit losses	670.0	531.0	
Net interest income after provision for credit losses	2,801.3	2,729.7	2
NONINTEREST INCOME			
Credit card fee revenue	723.2	603.1	
Trust and investment management fees	473.9	459.7	
Service charges on deposit accounts	469.3	434.6	
Investment products fees and commissions	359.1	347.7	
Investment banking revenue	356.3	245.4	
Trading account profits and commissions	252.5	215.9	
Available-for-sale securities gains (losses)	7.0	(1.3)	
Other	617.1	453.6	
Total noninterest income	3,258.4	2,758.7	2
NONINTEREST EXPENSE			
Salaries	1,677.0	1,460.9	1
Employee benefits	279.0	248.4	
Net occupancy	236.9	204.6	
Furniture and equipment	167.4	160.1	
Goodwill and other intangible assets	235.5	165.6	
Merger-related charges	61.3	62.4	
Other	941.3	824.9	
Total noninterest expense	3,598.4	3,126.9	2
Income before income taxes	2,461.3	2,361.5	2
Applicable income taxes	869.3	855.0	
Net income	$1,592.0	$1,506.5	$1

Earnings per share...	$ 2.14	$ 2.07	$
Diluted earnings per share...................................	$ 2.13	$ 2.06	$

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Year Ended December 31 (Dollars in Millions)	Common Shares Outstanding*	Common Stock	Capital Surplus	Retained Earnings	Accumula Ot Comprehens Inc
BALANCE DECEMBER 31, 1997.......	739,933,014	$924.9	$1,261.1	$3,644.8	$ 59.3
Common dividends declared.......				(516.4)	
Purchase of treasury stock......	(24,658,162)				
Issuance of common stock					
Dividend reinvestment........	574,168	.3	8.9		
Stock option and stock purchase plans...........	9,912,698	5.8	(22.8)		
	725,761,718	931.0	1,247.2	3,128.4	59.3
Comprehensive income					
Net income......................				1,327.4	
Other comprehensive income					
Unrealized gains on securities of $23.6 (net of $14.0 tax expense) net of reclassification adjustment for gains included in net income of $11.1 (net of $6.4 tax expense)..................					12.5
Total comprehensive income................					
BALANCE DECEMBER 31, 1998.......	725,761,718	$931.0	$1,247.2	$4,455.8	$ 71.8
Common dividends declared.......				(573.1)	
Purchase of treasury stock......	(16,644,892)				
Issuance of common stock					
Acquisitions.................	37,798,319	11.6	233.6		
Dividend reinvestment........	800,809		(5.6)		
Stock option and stock purchase plans...........	5,614,258	.4	(76.4)		
	753,330,212	943.0	1,398.8	3,882.7	71.8
Comprehensive income					
Net income......................				1,506.5	
Other comprehensive income					
Unrealized losses on securities of $134.2 (net of $82.3 tax benefit) net of reclassification					

adjustment for losses included in net income of $.6 (net of $.3 tax benefit)..................					(133.6
Total comprehensive income................					
BALANCE DECEMBER 31, 1999.......	753,330,212	$943.0	$1,398.8	$5,389.2	$(61.8
Common dividends declared.......				(644.7)	
Purchase of treasury stock......	(20,248,002)				
Issuance of common stock					
Acquisitions.................	14,405,249	4.0	47.6		
Dividend reinvestment........	900,792		(.3)		
Stock option and stock purchase plans............	3,671,610	.7	27.0		
	752,059,861	947.7	1,473.1	4,744.5	(61.8
Comprehensive income					
Net income......................				1,592.0	
Other comprehensive income					
Unrealized gains on securities of $101.9 (net of $62.6 tax expense) net of reclassification adjustment for gains included in net income of $25.1 (net of $15.4 tax expense)..................					76.8
Foreign currency translation adjustments...............					(.3
Total comprehensive income................					
BALANCE DECEMBER 31, 2000.......	752,059,861	$947.7	$1,473.1	$6,336.5	$ 14.7

*Defined as total common shares less common stock held in treasury.
**Ending treasury shares were 6,134,300 at December 31, 2000; 1,038,456 at December 31, 1999; and 19,036,139 at December 31, 1998.

See Notes to Consolidated Financial Statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31 (Dollars in Millions)	2000	1999	19
OPERATING ACTIVITIES			
Net income..	$ 1,592.0	$ 1,506.5	$ 1,327
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses............................	670.0	531.0	379
Depreciation and amortization of premises and equipment..	151.8	142.5	130

Provision for deferred income taxes	44.6	55.7	25
Amortization of goodwill and other intangible assets	235.5	165.6	143
Changes in operating assets and liabilities, excluding the effects of purchase acquisitions:			
Increase in trading account securities	(135.6)	(64.8)	(141
(Increase) decrease in loans held for sale	(116.2)	294.8	13
Decrease (increase) in accrued receivables	2.9	(208.2)	(160
Decrease (increase) in prepaid expenses	102.9	75.6	(59
Increase in accrued liabilities	314.6	114.9	20
Other -- net	(279.4)	72.7	(306
Net cash provided by operating activities	2,583.1	2,686.3	1,372
INVESTING ACTIVITIES			
Net cash (used) provided by:			
Loans outstanding	(4,957.1)	(3,950.3)	(3,021
Securities purchased under agreements to resell	(25.3)	136.6	224
Available-for-sale securities			
Sales	624.2	1,000.7	226
Maturities	690.8	1,403.6	1,755
Purchases	(324.9)	(1,773.0)	(603
Proceeds from sales of other real estate	25.8	33.2	46
Proceeds from sales of premises and equipment	193.9	40.0	44
Purchases of premises and equipment	(221.0)	(134.0)	(155
Sales of loans	616.9	1,720.9	4
Purchases of loans	(658.1)	(254.6)	(1,575
Divestitures of branches	--	(352.0)	
Acquisitions, net of cash received	(296.0)	(220.5)	(780
Cash and cash equivalents of acquired subsidiaries	63.5	462.4	
Other -- net	(234.9)	(834.5)	(70
Net cash used by investing activities	(4,502.2)	(2,721.5)	(3,905
FINANCING ACTIVITIES			
Net cash provided (used) by:			
Deposits	656.4	(736.6)	668
Federal funds purchased and securities sold under agreements to repurchase	(157.5)	(1,150.2)	321
Short-term borrowings	137.2	33.9	(909
Proceeds from long-term debt	5,563.9	5,815.1	6,427
Principal payments on long-term debt	(3,815.5)	(3,052.8)	(3,011
Issuance of Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	--	--	350
Proceeds from dividend reinvestment, stock option and stock purchase plans	112.7	153.2	220
Repurchase of common stock	(432.2)	(560.8)	(964
Cash dividends	(644.7)	(573.1)	(516
Net cash provided (used) by financing activities	1,420.3	(71.3)	2,587
Change in cash and cash equivalents	(498.8)	(106.5)	54
Cash and cash equivalents at beginning of year	4,748.8	4,855.3	4,801
Cash and cash equivalents at end of year	$ 4,250.0	$ 4,748.8	$ 4,855

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A
SIGNIFICANT ACCOUNTING POLICIES

U.S. Bancorp (the "Company") is a financial services holding company offering a full range of financial services through banking offices in 16 states including Minnesota, Oregon, Washington, Colorado, California, Idaho, Nebraska, North Dakota, Nevada, South Dakota, Montana, Iowa, Illinois, Utah, Wisconsin and Wyoming. The Company also engages in credit card and merchant processing, 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 accounting principles generally accepted in the United States 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 four reportable operating segments:

Wholesale Banking includes lending, treasury management, corporate trust, and other financial services to middle-market, large corporate and public sector clients.

Consumer Banking delivers products and services to the broad consumer market and small businesses through branch offices, telemarketing, online services, direct mail and automated teller machines ("ATMs").

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

Wealth Management and Capital Markets engages in equity and fixed income trading activities, offers investment banking and underwriting services for corporate and public sector customers and provides securities, mutual funds, annuities and insurance products to consumers and regionally-based businesses through a network of banking centers and brokerage offices. It also offers institutional trust, investment management services, and private banking and personal trust services.

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 for Financial Presentation" on page 4. Table 2 "Line of Business Financial Performance" on pages 4 through 7 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 recorded 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.

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 loans' observable market price, the collateral for certain collateral-dependent loans, or the discounted cash flows using the loans' 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 consumer portfolios 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 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 basis.

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.

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 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 the purposes of reporting cash flows, cash equivalents include cash and due from banks and federal funds sold.

STOCK-BASED COMPENSATION The Company grants stock options for a fixed number of shares to employees 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.

NOTE B
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 statement of financial position and measure those instruments at fair value. In certain defined conditions, a derivative may be specifically designated as a hedge for a particular exposure. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. The Company adopted SFAS 133 as of January 1, 2001. The balance sheet impact for the adoption of SFAS 133 included: a $37.5 million increase to other assets for the fair value of interest rate swaps designated as fair value hedges of fixed rate debt and certificates of deposit with a corresponding increase to the related hedged liabilities, a $12.1 million increase to other assets and a $4.1 million increase in other liabilities for the fair value of interest rate swaps designated as cash flow hedges of floating rate commercial loans and debt with a corresponding net increase of $8.0 million to other comprehensive income and deferred tax liabilities. The cumulative-effect adjustment recorded on the income statement was not material.

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 the 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 C
BUSINESS COMBINATIONS AND DIVESTITURES

FIRSTAR CORPORATION On October 4, 2000, the Company announced that it had signed a definitive agreement to be acquired by Firstar Corporation of Milwaukee, Wisconsin in a tax-free exchange of shares. U.S. Bancorp shareholders will receive 1.265 shares of the combined company stock for every share of U.S. Bancorp stock. The transaction closed on February 27, 2001 and was accounted for as a pooling-of-interests.

Separate results of operations for the periods prior to the merger as originally reported and on a combined proforma basis were as follows:

(Dollars in Millions)	2000	1999
NET INTEREST INCOME*		
Firstar Corporation	$ 2,744.1	$ 2,697.4
U.S. Bancorp	3,540.8	3,302.7
Proforma combined	$ 6,284.9	$ 6,000.1
TOTAL REVENUE*		
Firstar Corporation	$ 4,250.3	$ 4,100.0
U.S. Bancorp	6,799.2	6,061.4
Proforma combined	$11,049.5	$10,161.4
NET INCOME		
Firstar Corporation	$ 1,283.6	$ 875.3
U.S. Bancorp	1,592.0	1,506.5
Proforma combined	$ 2,875.6	$ 2,381.8
EARNINGS PER COMMON SHARE		
Firstar Corporation	$ 1.33	$ .89
U.S. Bancorp	$ 2.14	$ 2.07
Proforma combined	$ 1.51	$ 1.25
DILUTED EARNINGS PER COMMON SHARE		
Firstar Corporation	$ 1.32	$ .87
U.S. Bancorp	$ 2.13	$ 2.06
Proforma combined	$ 1.50	$ 1.23

*Net interest income and total revenue were stated on a taxable-equivalent basis.

ACQUISITIONS During the past three years, the Company has completed several strategic acquisitions to enhance its presence in certain growth markets and businesses. The acquisitions of Scripps Financial Corporation, Peninsula Bank of San Diego and Western Bancorp added 52 branches in southern California including Los Angeles, Orange and San Diego counties. The acquisitions of Bank of Commerce, Oliver-Allen Corporation and Lyon Financial Services, Inc., expanded the Company's SBA lending and leasing capabilities. Additionally, the Payment Systems business line completed strategic acquisitions of Voyager Fleet Systems Inc. and the Mellon Network Services' Electronic Fund Transfer Processing unit in 1999 intended to enhance its payment processing capabilities.

The following table summarizes acquisitions by the Company completed during the past three years:

(Dollars in Millions)	Date	Assets	Deposits	Goodwill & Intangibles Recorded
Scripps Financial Corporation.......	10/13/00	$ 650	$ 618	$ 113
Lyon Financial Services, Inc........	9/28/00	1,289	--	124
Oliver-Allen Corporation...........	4/7/00	280	--	34
Peninsula Bank.....................	1/14/00	491	452	71
Western Bancorp....................	11/15/99	2,508	2,105	773
Voyager Fleet Systems, Inc.........	9/13/99	43	--	25
Bank of Commerce...................	7/15/99	638	529	269
Mellon Network Services' Electronic Funds Transfer Processing Unit...	6/30/99	--	--	78
Libra Investments, Inc.............	1/4/99	33	--	4
Northwest Bancshares, Inc..........	12/15/98	377	344	90
Piper Jaffray Companies, Inc........	5/1/98	1,272	--	555

DIVESTITURES On September 24, 1999, the Company completed the sale of 28 branches in Kansas and Iowa representing $364 million of deposits. On September 23, 1999, the Company sold $1.8 billion of indirect automobile loans and is in the process of exiting this business.

NOTE D
MERGER-RELATED CHARGES

The Company recorded merger-related charges of $61.3 million, $62.4 million and $216.5 million in 2000, 1999 and 1998, respectively. Merger-related charges in 2000 and 1999 related to the Company's various acquisitions (see Note C) and included primarily system conversion costs and integration costs associated with consolidating redundant operations. Merger-related charges in 1998 were primarily due to conversion costs related to the U.S. Bancorp ("USBC") and Piper Jaffray Companies Inc. ("Piper") acquisitions. The components of the charges are shown below:

(Dollars in Millions)	USBC	Piper Jaffray	Wester Bancor
2000			
Severance...	$ --	$ --	$ --
Premises and equipment writedowns.........................	--	--	--
Systems conversions.......................................	--	15.2	10.5
Benefit curtailment gains.................................	--	--	--
Other merger-related charges..............................	--	1.9	--
Total 2000..	$ --	$17.1	$10.5
1999			
Severance...	$ 8.0	$ --	$ --
Premises and equipment writedowns.........................	1.6	--	--
Systems conversions.......................................	4.4	12.5	3.3

Benefit curtailment gains	--	--	--
Other merger-related charges*	18.6	--	--
Total 1999	$ 32.6	$12.5	$ 3.3
1998			
Severance	$ --	$ --	$ --
Premises and equipment writedowns	--	--	--
Systems conversions	229.4	7.5	--
Benefit curtailment gains	(25.6)	--	--
Other merger-related charges	--	4.2	--
Total 1998	$203.8	$11.7	$ --

*Other merger-related charges for USBC in 1999 included $11.3 million of consulting costs and $7.3 million of system contract and other asset writeoffs associated with conversion of ATM deposit processing systems.

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, 75 for Piper, 175 for Western Bancorp, and 270 for other acquisitions. Premises and equipment writedowns represent lease termination costs and impairment of assets for redundant office space, equipment and branches that will be vacated and disposed of as part of the integration plan. Systems conversions and other merger-related expenses 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 similar expenses relating to the conversions and integration of acquired branches and operations. In 1999, the Company recognized an $8.0 million charge to establish severance associated with the consolidation of redundant functions and other displaced employees not considered in the initial USBC integration plan but eligible for severance under the change-in-control provisions triggered by the merger. Other merger-related charges for USBC in 1999 included $11.3 million of consulting costs and $7.3 million of system contract and other asset writeoffs associated with Company's conversion of ATM processing systems. These actions completed the integration activities related to USBC. The merger-related severance accrual will be paid in accordance with the terms of the severance

programs through 2001. The following table presents a summary of activity with respect to the Company's significant acquisitions:

(Dollars in Millions)	USBC	Piper Jaffray	Western Bancorp	O
Balance at December 31, 1997	$189.0	$ --	$ --	$
Provision charged to operating expense	203.8	11.7	--	

Additions related to purchase acquisitions..............	--	30.5	--	
Cash outlays..	(273.6)	(19.4)	--	(
Noncash writedowns and other............................	(37.9)	(1.4)	--	
Balance at December 31, 1998................................	$ 81.3	$ 21.4	$ --	$
Provision charged to operating expense..................	32.6	12.5	3.3	
Additions related to purchase acquisitions..............	--	2.4	47.7	
Cash outlays..	(36.0)	(17.9)	(16.3)	(
Transfer to tax liability*..............................	(33.8)	--	--	
Noncash writedowns and other............................	(28.2)	(.9)	(13.9)	(
Balance at December 31, 1999................................	$ 15.9	$ 17.5	$ 20.8	$
Provision charged to operating expense..................	--	17.1	10.5	
Additions related to purchase acquisitions..............	--	--	7.6	
Cash outlays..	(11.2)	(18.8)	(26.4)	(
Noncash writedowns and other............................	(4.7)	(.8)	(7.4)	(
Balance at December 31, 2000	$ --	$ 15.0	$ 5.1	$

*The liability relates to certain severance related items.

The following table provides a rollforward of the merger-related accrual for USBC throughout the integration timeframe:

	Severance By Programs				
(Dollars in millions)	1997	1999	Total Severance	Investment Banker Fees	Lease and rela
Balance at December 31, 1997..........	$166.4	$ --	$ 166.4	$ 1.8	$
Provision charged to operating expense............................	--	--	--	(1.8)	
Cash Outlays.........................	(85.1)	--	(85.1)	--	
Noncash items........................	--	--	--	--	
Balance at December 31, 1998..........	81.3	--	81.3	--	
Provision charged to operating expense............................	--	8.0	8.0	--	
Cash Outlays.........................	(34.4)	(5.2)	(39.6)	--	
Transfer to tax liability............	(33.8)	--	(33.8)	--	
Balance at December 31, 1999..........	13.1	2.8	15.9	--	
Provision charged to operating expense............................	--	--	--	--	
Cash Outlays.........................	(8.4)	(2.8)	(11.2)	--	
Noncash items........................	(4.7)	--	(4.7)	--	
Balance at December 31, 2000..........	$ --	$ --	$ --	$ --	$

The components of the merger-related accrual were as follows:

Year Ended
December 31

(Dollars in Millions)	2000	1999
Severance	$13.8	$34.6
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	6.7	4.8
Total	$43.1	$71.9

*Other employee-related costs in 1999 included $9.3 million for non-compete arrangements.

The merger-related accrual by significant acquisition was as follows:

	Year Ended December 31	
(Dollars in Millions)	2000	1999
Piper Jaffray	$15.0	$17.5
Western Bancorp	5.1	20.8
Scripps Bank	4.6	--
Bank of Commerce	4.1	7.5
Zappco, Inc.	3.3	4.1
Peninsula Bank	3.0	--
Lyon Financial Services, Inc.	2.7	--
Northwest Bancshares, Inc.	2.3	3.5
USBC	--	15.9
Other acquisitions	3.0	2.6
Total	$43.1	$71.9

The Company expects to incur an additional $30.6 million, pretax, of merger-related expenses in 2001. This does not include estimated expense for the merger with Firstar Corporation.

NOTE E
AVAILABLE-FOR-SALE SECURITIES

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

	2000			
(Dollars in Millions)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fa Val

U.S. Treasury............................	$ 358	$ 3	$--	$ 3
Mortgage-backed..........................	2,495	14	(16)	2,4
Other U.S. agencies......................	149	3	--	1
State and political......................	1,020	20	(1)	1,0
Other....................................	236	15	(14)	2
Total..................................	$4,258	$55	$(31)	$4,2

	1999	
(Dollars in Millions)	Gross Unrealized Holding Losses	Fair Value
U.S. Treasury............................	$(7)	$ 381
Mortgage-backed..........................	(74)	2,906
Other U.S. agencies......................	(2)	196
State and political......................	(8)	1,135
Other....................................	(38)	253
Total..................................	($129)	$4,871

Securities carried at $3.7 billion at December 31, 2000, and $4.1 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, with an amortized cost of $1.0 billion and $1.2 billion at December 31, 2000, and 1999, respectively, were collateralized by securities and securities purchased under agreements to resell.

Gross realized gains and losses on securities were as follows:

(Dollars in Millions)	2000	1999	1998
Gross realized gains......................................	$14.6	$14.7	$14.5
Gross realized losses.....................................	(7.6)	(16.0)	(1.9)
Net realized gains (losses)............................	$ 7.0	$(1.3)	$12.6
Income taxes on realized gains (losses)....................	$ 2.5	$ (.5)	$ 4.7

For amortized cost, fair value and yield by maturity date of available-for-sale securities outstanding as of December 31, 2000, see Table 11 on page 14 from which such information is incorporated by reference into these Notes to Consolidated Financial Statements.

NOTE F

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 $118 million at December 31, 2000, with an average balance of $158 million during the year ended December 31, 2000.

NOTE G
LOANS AND ALLOWANCE FOR CREDIT LOSSES

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

(Dollars in Millions)	2000	1999
COMMERCIAL		
Commercial	$29,920	$26,491
Real estate		
Commercial mortgage	10,208	9,784
Construction	4,443	4,322
Lease financing	4,096	2,372
Total commercial	48,667	42,969
CONSUMER		
Home equity and second mortgage	9,438	8,681
Credit card	4,499	4,313
Revolving credit	1,868	1,815
Installment	896	999
Automobile	564	884
Student *	674	563
Subtotal	17,939	17,255
Residential mortgage	2,485	2,661
Total consumer	20,424	19,916
Total loans	$69,091	$62,885

*All or part of the student loan portfolio may be sold when the repayment period begins. Loans held for sale were $724 at December 31, 2000, and $608 at December 31, 1999.

Loans of $6.5 billion at December 31, 2000, and $6.3 billion at December 31, 1999, were pledged at the Federal Home Loan Bank and the Federal Reserve. Nonaccrual and renegotiated loans totaled $397 million, $310 million, and $279 million at December 31, 2000, 1999 and 1998, respectively. At December 31, 2000, and 1999, the Company had $359 million and $265 million, respectively, of loans considered impaired under SFAS 114 included in its nonaccrual loans. The carrying value of the impaired loans was less than or equal to the appraised collateral value or the present value of expected future cash flows and, accordingly, no allowance for credit losses was specifically allocated to impaired loans. For the years ended December 31, 2000, 1999 and 1998, the average recorded investment in impaired loans was approximately $327 million, $255 million and $214 million, respectively. The effect of nonaccrual and renegotiated loans on interest income was as follows:

(Dollars in Millions)	2000	1999	1998
	Year ended December 31		
Interest income that would have been accrued at original contractual rates..	$44.0	$32.7	$22.5
Amount recognized as interest income.......................	13.1	13.0	7.6
Foregone revenue...	$30.9	$19.7	$14.9

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.

Activity in the allowance for credit losses was as follows:

(Dollars in Millions)	2000	1999	
Balance at beginning of year...............................	$ 995.4	$1,000.9	$1,
Add:			
Provision charged to operating expense..................	670.0	531.0	
Deduct:			
Loans charged off.......................................	786.0	727.7	
Less recoveries of loans charged off....................	116.1	160.0	
Net loans charged off..................................	669.9	567.7	
Acquisitions and other changes............................	71.3	31.2	
Balance at end of year....................................	$1,066.8	$ 995.4	$1,

NOTE H
TRANSFERS AND SERVICING OF FINANCIAL ASSETS

When the Company sells selected financial assets, it may retain interest-only strips, servicing rights, assets 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 estimated 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.

During 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, the remainder is recorded as a 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 SENSITIVITY ANALYSIS

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 value of the retained interest 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	$ 266.3
Proceeds from corporate card securitization(1)	7,433.4
Reinvestment in corporate card securitization receivables(2)	(7,328.2)
Servicing fees received	16.9
Other cash flows received on retained interests(2)	34.2
Purchases of delinquent or foreclosed assets	--

1. The corporate card securitization is a revolving transaction where proceeds are reinvested until its legal termination. The indirect automobile and SBA loan sales are amortizing transactions where the cash flow is used to pay off 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 are given below:

	December 31	
	Period Ended	
Asset Type (Dollars in Millions)	Total Principal Balance	Delinquent Balance
Indirect automobile loans	$1,242.4	$21.0
Guaranteed SBA loans	827.8	10.6
Corporate card receivables	815.4	27.3
Total loans managed	$2,885.6	$58.9
Less:		
Loans sold or securitized	1,850.8	
Loans held in portfolio	$1,034.8	

*Principal amount 60 days or more past due.

NOTE I
PREMISES AND EQUIPMENT

Premises and equipment at December 31 consisted of the following:

(Dollars in Millions)	2000	1999
Land	$ 131	$ 133
Buildings and improvements	710	886
Furniture, fixtures and equipment	957	824
Capitalized building and equipment leases	171	108
	1,969	1,951
Less accumulated depreciation and amortization	1,112	1,089
Total	$ 857	$ 862

NOTE J
DEPOSITS

The following is a summary of the Company's total deposits as of December 31:

(Dollars in Millions)	2000	1999
Noninterest-bearing deposits	$15,653	$16,050
Savings accounts	1,801	2,096
NOW accounts	7,022	6,160
Money market deposit accounts	13,032	12,487
Time deposits $100,000 and over	5,784	5,595
Foreign deposits $100,000 and over	644	214
All other time deposits	9,321	8,928
Total interest-bearing deposits	37,604	35,480
Total deposits	$53,257	$51,530

NOTE K
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		
8.125% due May 15, 2002	$ 150	$ 150
7.00% due March 15, 2003	150	150
6.625% due May 15, 2003	100	100
8.00% due July 2, 2004	125	125

7.625% due May 1, 2005	150	150
6.75% due October 15, 2005	300	300
6.875% due September 15, 2007	250	250
7.50% due June 1, 2026	200	200
Medium-term notes	3,577	2,310
Capitalized lease obligations, mortgage indebtedness and other	126	70
	5,128	3,805
SUBSIDIARIES		
Fixed-rate subordinated notes		
6.00% due October 15, 2003	100	100
7.55% due June 15, 2004	100	100
8.35% due November 1, 2004	100	100
7.30% due August 15, 2005	100	100
6.875% due April 1, 2006	125	125
6.50% due February 1, 2008	300	300
6.30% due July 15, 2008	300	300
5.70% due December 15, 2008	400	400
Federal Home Loan Bank advances	2,156	1,998
Bank notes	9,051	8,459
Euro medium-term notes due April 13, 2004	400	400
Floating-rate notes due February 27, 2000	--	250
Capitalized lease obligations, mortgage indebtedness and other	306	126
Total	$18,566	$16,563

Medium-term notes outstanding at December 31, 2000, mature from January 2001 through December 2004. The notes bear fixed or floating interest rates ranging from 6.00 percent to 7.50 percent. The weighted average interest rate at December 31, 2000, was 6.84 percent. Federal Home Loan Bank (FHLB) advances outstanding at December 31, 2000, mature from March 2001 through October 2026. The advances bear fixed or floating interest rates ranging from 5.54 percent to 8.25 percent. The Company has an arrangement with the FHLB whereby based on the collateral available (residential and commercial mortgages), the Company could have borrowed an additional $6.7 billion at December 31, 2000. The weighted average interest rate at December 31, 2000, was 6.64 percent. Bank notes outstanding at December 31, 2000, mature from January 2001 through November 2005. The notes bear fixed or floating interest rates ranging from 5.25 percent to 7.02 percent. The weighted average interest rate 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.

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

(Dollars in Millions)	Consolidated	Parent Company
2001	$ 6,977	$ 877
2002	3,883	1,061
2003	2,663	1,408
2004	1,694	782

2005	1,425	457
Thereafter	1,924	543
Total	$18,566	$ 5,128

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

The Company issued $950 million of preferred securities (the "Preferred Securities") through three separate issuances by three wholly-owned subsidiary grantor trusts, FBS Capital I, U.S. Bancorp Capital I and USB Capital II (the "Trusts"). The 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 Preferred Securities, but only to the extent of funds held by the Trusts. The 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 Company used the proceeds from the sales of the Debentures for general corporate purposes.

USB Capital II completed the sale of $350 million Preferred Securities in March 1998. The sole asset of USB Capital II is $361 million principal amount 7.20 percent Debentures that mature in April 2028, and are redeemable prior to maturity at the option of the Company on or after April 1, 2003.

U.S. Bancorp Capital I completed the sale of $300 million Preferred Securities in December 1996. The sole asset of U.S. Bancorp Capital I is $309 million principal amount 8.27 percent Debentures which mature in December 2026, and are redeemable prior to maturity at the option of the Company on or after December 15, 2006.

FBS Capital I completed the sale of $300 million Preferred Securities in November 1996. The sole asset of FBS Capital I is $309 million principal amount 8.09 percent Debentures which mature in November 2026, and are redeemable prior to maturity at the option of the Company on or after November 15, 2006.

NOTE M
SHAREHOLDERS' EQUITY

COMMON STOCK At December 31, 2000, the Company had 95.6 million shares of common stock reserved for future issuances (see Note O).

The Company issued 14.4 million and 37.8 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 (see Note C).

On April 22, 1998, the Company's shareholders authorized an increase in the Company's capital stock necessary to implement the three-for-one split of the Company's common stock announced on February 18, 1998. The number of common and preferred shares which the Company has authority to issue was increased from 500 million shares and 10 million shares, respectively, to 1.5 billion shares and 50 million shares, respectively. The stock split was in the form of a 200 percent dividend payable May 18, 1998 to shareholders of record on May 4, 1998. The impact of the stock split has been reflected in the financial statements for all periods presented and all share and per share data included herein.

On February 16, 2000, the Company's Board of Directors authorized the repurchase of up to $2.5 billion of the Company's common stock over a two-year period ending March 31, 2002. The new share

repurchase program replaced a program which was scheduled to expire on March 31, 2000. The shares were repurchased in the open market or through negotiated transactions. The Company repurchased 20.2 million shares for $432.2 million in 2000; 16.6 million shares for $560.8 million in 1999 and 24.7 million shares for $964.0 million in 1998. On January 17, 2001, the stock repurchase program was rescinded in connection with the proposed merger with Firstar Corporation.

The Company'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 Corporation.

NOTE N
EARNINGS PER SHARE

The components of earnings per share were:

(Dollars in Millions, Except Per Share Data)	2000	1999	
EARNINGS PER SHARE			
Net income to common stockholders..........................	$1,592.0	$1,506.5	
Average shares outstanding.................................	745,093,996	727,530,843	733
Earnings per share...	$ 2.14	$ 2.07	
DILUTED EARNINGS PER SHARE			
Net income to common stockholders..........................	$1,592.0	$1,506.5	
Average shares outstanding.................................	745,093,996	727,530,843	733
Net effect of the assumed purchase of stock under the stock option and stock purchase plans -- based on the treasury stock method using average market price.................	2,761,628	5,459,968	10
Dilutive common shares outstanding.........................	747,855,624	732,990,811	744
Diluted earnings per share.................................	$ 2.13	$ 2.06	

NOTE O
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. During 1998, the Company merged all the acquired companies' plans into its own plan with the exception of the FirsTier plan, which was merged in 1999. Prior to their merger into the Company's plan, the former USBC and West One Bancorp pension plans determined retirement benefits of participants based on their years of service and final average compensation. Under the new plan, participant's retirement benefits are based on a participant's average annual compensation over his or her career with the Company. These changes resulted in a reduction of the benefit obligation during 1998. 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 certain health care and death benefits to retired employees. Nearly all employees may become eligible for health care benefits at or after age 55 if they have completed at least five years of service and their age plus years of service is equal to or exceeds 65 while working for the Company. The Company subsidizes the cost of coverage for employees who retire before age 65 with at least 10 years of service. The amount of the subsidy is based on the employee's age and service at the time of retirement and remains fixed until the retiree reaches

age 65. After age 65 the retiree assumes responsibility for the full cost of the coverage. The plan also contains other cost-sharing features such as deductibles and coinsurance. The Company continues to subsidize the coverage for employees over age 65 who retired before a plan change eliminated the subsidy. The estimated cost of these retiree benefit payments is accrued during the employees' active service.

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.

	Pension Plans		
(Dollars in Millions)	2000	1999	1998
Components of net periodic benefit cost			
Service cost	$ 47.8	$ 46.3	$ 44.3
Interest cost	66.5	61.0	61.8
Expected return on plan assets	(102.9)	(98.3)	(90.7)
Amortization of transition (asset) obligation	(2.9)	(3.9)	(4.0)
Amortization of prior service cost	(7.7)	(8.2)	(2.8)
Recognized actuarial loss	.7	1.9	1.9

Net periodic benefit cost	1.5	(1.2)	10.5
Curtailment and settlement (gains)	(11.1)	(2.0)	(22.6)
Net periodic benefit cost after curtailment and settlement (gains)	$ (9.6)	$ (3.2)	$(12.1)

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

(Dollars in Millions)	Pension Plans 2000	1999	Oth
CHANGE IN BENEFIT OBLIGATION			
Benefit obligation at beginning of measurement period	$ 903.8	$ 930.0	$
Service cost	47.8	46.3	
Interest cost	66.5	61.0	
Plan participants' contributions	--	--	
Plan amendments	--	(6.4)	
Actuarial (gain) loss	16.8	(49.2)	
Acquisitions and special termination benefits	--	--	
Benefit payments	(45.2)	(43.0)	
Settlements	(51.6)	(34.9)	
Benefit obligation at end of measurement period	$ 938.1	$ 903.8	$
CHANGE IN FAIR VALUE OF PLAN ASSETS			
Fair value at beginning of measurement period	$1,152.5	$1,065.0	$
Actual return on plan assets	206.8	159.1	
Employer contributions	10.4	6.3	
Plan participants' contributions	--	--	
Settlements	(51.6)	(34.9)	
Benefit payments	(45.2)	(43.0)	
Fair value at end of measurement period	$1,272.9	$1,152.5	$
FUNDED STATUS			
Funded status at end of measurement period	$ 334.8	$ 248.7	$(
Unrecognized transition (asset) obligation	--	(3.1)	
Unrecognized prior service cost	(76.1)	(83.7)	
Unrecognized net (gain)	(143.7)	(68.6)	
Fourth quarter contribution	1.2	.7	
Net amount recognized	$ 116.2	$ 94.0	$(
COMPONENTS OF STATEMENT OF FINANCIAL POSITION:			
Prepaid benefit cost	$ 203.9	$ 171.2	$
Accrued benefit liability	(87.7)	(77.2)	(
Net amount recognized	$ 116.2	$ 94.0	$(

The following table sets forth the weighted average plan assumptions:

	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(1)			
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)

(1) Both rates are assumed to decrease gradually to 5.5% by 2008 and remain at that level thereafter.

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

(Dollars in Millions)	2000	1999
Projected benefit obligation.................	$115.7	$95.5
Accumulated benefit obligation...............	94.3	72.8
Fair value of plan assets....................	--	--

EMPLOYEE INVESTMENT PLAN The Company provides a 401(k) Savings Plan formerly known as the Capital Accumulation Plan which allows 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 USB common stock. Employee contributions are invested, at the employees' direction, among a variety of investment alternatives. Total expense was $39.4 million, $34.7 million and $16.6 million in 2000, 1999 and 1998, respectively.

STOCK INCENTIVE AND PURCHASE 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 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.

The Employee Stock Purchase Plan ("ESPP") permits all eligible employees with at least one year of service and directors to purchase common stock. Plan participants can purchase stock for 85 percent to 100 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 is determined by a committee of the Board of Directors. In 2000 and 1999, the purchase price was 85 percent of fair market value. The plan results in no compensation expense to the Company. Due to the merger with Firstar Corporation, the ESPP was terminated effective October 13, 2000.

In April 1999, the shareholders approved the 1999 Stock Incentive Plan ("1999 Plan") whereby all former stock incentive plans of U.S. Bancorp and Piper Jaffray ("Prior Plans") were incorporated into the 1999 plan. All outstanding options, restricted stock and other awards subject to the terms of the Prior Plans will remain outstanding and subject to the terms and conditions of those plans, but are counted as part of the total number of common shares awarded under the 1999 Plan. An additional 45 million shares were approved for issuance by the shareholders under the

1999 Plan. The 1999 Plan allows for the granting of nonqualified stock options, incentive stock options, stock appreciation rights ("SARs"), restricted stock or stock units ("RSUs"), performance awards, and other stock-based awards at or above 100 percent of the market price at the date of grant. The 1999 Plan also provides automatic grants of stock options to nonemployee directors. The rights of restricted stock and RSU holders to transfer shares are generally limited during the restriction period. At December 31, 2000, there were 14.0 million shares (subject to adjustment for forfeitures) available for grant under the 1999 Plan.

Options granted are generally exercisable up to 10 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 the 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 $39.4 million, $36.6 million and $27.8 million in 2000, 1999 and 1998, respectively.

Stock incentive plans of acquired companies are 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.

	Options Outstanding	Weighte Average Pric Per Shar

DECEMBER 31, 1997	40,866,960	$23.62
Granted:		
Stock options	8,844,793	40.37
Restricted stock	--	
Piper Jaffray options converted	1,155,054	16.28
Exercised	(15,083,962)	21.88
Canceled/vested	(1,315,908)	29.62
DECEMBER 31, 1998	34,466,937	28.18
Granted:		
Stock options	46,614,828	35.86
Restricted stock	--	
1999 Acquisitions converted	957,105	20.97
Exercised	(7,168,493)	21.42
Canceled/vested	(3,334,629)	35.76
DECEMBER 31, 1999	71,535,748	33.41
Granted:		
Stock options	7,800,805	21.46
Restricted stock	--	
2000 Acquisitions converted	353,629	8.67
Exercised	(1,339,645)	15.05
Canceled/vested	(5,464,350)	21.82
DECEMBER 31, 2000	72,886,187	$32.29

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

	Options Outstanding		
Range of Exercise Prices	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price
$1.82 -- $9.99	930,829	3.0	$ 7.73
$10.00 -- $19.99	4,458,787	6.7	16.15
$20.00 -- $29.99	13,558,828	7.6	23.75
$30.00 -- $39.99	49,942,857	8.0	35.64
$40.00 -- $47.06	3,994,886	7.5	43.00
	72,886,187	7.8	$32.29

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

Company had accounted for its employee stock option and stock purchase plans (options) under the fair value method of SFAS 123. The fair value of the 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 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.

	Year Ended December 31		
(Dollars in Millions, Except Per Share Data)	2000	1999	1998
Pro forma net income................	$1,521.7	$1,418.8	$1,254.0
Pro forma earnings per share:			
Earnings per share................	$ 2.04	$ 1.95	$ 1.71
Diluted earnings per share........	2.03	1.94	1.69
Weighted average assumptions in option valuation			
Risk-free interest rates............	6.1%	5.4%	5.4%
Dividend yields.....................	3.0	3.5	2.3
Stock volatility factor.............	.37	.27	.25
Expected life of options (in years)...	4.7	6.1	2.3

NOTE P
INCOME TAXES

The components of income tax expense were:

(Dollars in Millions)	2000	1999	1998
FEDERAL			
Current tax..	$701.1	$681.5	$612.9
Deferred tax provision....................................	37.4	46.7	28.2
Federal income tax....................................	738.5	728.2	641.1
STATE			
Current tax..	123.6	117.8	127.7
Deferred tax provision (credit)...........................	7.2	9.0	(2.3)
State income tax......................................	130.8	126.8	125.4
Total income tax provision............................	$869.3	$855.0	$766.5

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	1998
Tax at statutory rate (35%)	$861.5	$826.5	$732.9
State income tax, at statutory rates, net of federal tax benefit	85.0	82.4	81.5
Tax effect of:			
Tax-exempt interest:			
Loans	(8.3)	(8.7)	(10.9)
Securities	(23.3)	(22.7)	(23.2)
Amortization of nondeductible goodwill	61.1	43.9	32.5
Tax credits and other items	(106.7)	(66.4)	(46.3)
Applicable income taxes	$869.3	$855.0	$766.5

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

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
DEFERRED TAX ASSETS		
Loan loss reserves	$ 377.7	$ 382.8
Deferred fees	75.0	60.3
Postretirement liability	73.9	69.9
Real estate and other asset basis differences	31.9	29.0
Federal operating loss carryforward	1.0	.9
Other deferred tax assets	164.7	168.2
Gross deferred tax assets	724.2	711.1
DEFERRED TAX LIABILITIES		
Leasing activities	(525.7)	(504.8)
Accelerated depreciation	(57.0)	(32.5)
Other investment basis differences	(26.2)	(16.8)
Unrealized (gain) loss on available-for-sale securities	(9.2)	38.0
Accrued severance, pension and retirement benefits	(5.9)	44.4
Other deferred tax liabilities	(87.0)	(81.0)
Gross deferred tax liabilities	(711.0)	(552.7)
NET DEFERRED TAX ASSETS	$ 13.2	$ 158.4

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 assets 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.

NOTE Q
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
Commitments to extend credit		
Commercial	$28,193	$28,222
Corporate and purchasing cards	21,236	18,503
Consumer credit cards	14,622	14,991
Other consumer	6,049	6,388
Letters of credit		
Standby	3,631	3,222
Commercial	379	317
Swap contracts		
Interest rate hedges	7,118	7,743
Basis swap hedges	1,000	--
Intermediated	2,412	556
Options contracts		
Hedge interest rate floors purchased	500	500
Intermediated interest rate and foreign exchange caps and floors purchased	405	453
Intermediated interest rate and foreign exchange caps and floors written	405	453
Futures and forward contracts	25	34
Recourse on assets sold	76	117
Foreign currency commitments		
Commitments to purchase	1,412	1,137
Commitments to sell	1,407	1,141
Commitments from securities lending	1,037	717

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 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 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 totaling \$7.1 billion and \$7.7 billion, respectively, hedged loans, 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................	$7,743	$ 7,239	$ 5,315
Additions.........................	770	4,382	3,140
Maturities........................	(55)	(2,142)	(1,213)
Amortization......................	(666)	(143)	--
Terminations......................	(674)	(1,593)	(3)
Notional amount outstanding at end of year..........................	$7,118	$ 7,743	$ 7,239
At December 31:			
Weighted average interest rate paid............................	6.73%	6.45%	5.53%
Weighted average interest rate received.........................	6.38	6.22	6.17

For the hedging portfolio's notional balances and yields by maturity date as of year-end 2000, see Table 18 on page 22. For a description of the Company's objectives for using derivative financial instruments, refer to Use of Derivatives to Manage Interest Rate Risk on pages 21 and 22. Such information is incorporated by reference into these Notes to Consolidated Financial Statements.

At December 31, 2000, and 1999, LIBOR-based interest rate floors totaling \$500 million with an average remaining maturity of .7 years and \$500 million with an average remaining maturity of 1.7 years, respectively, hedged floating rate commercial loans. The strike rate on these LIBOR-based floors was 4.625 percent at December 31, 2000 and 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 in 2000, 1999 and 1998.

For swaps and options used as hedges, the Company recognizes interest income or expense as it is accrued over the terms 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 in 2000, 1999 and 1998. Net unamortized deferred losses were $22.7 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 and trading swap agreements, including the offsetting positions, was $2.4 billion and $556 million at December 31, 2000, and 1999, respectively. The total notional amount of customer option agreements,

including the offsetting positions, was $810 million and $906 million 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 in 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 $87 million and $19 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 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 $1.4 billion at December 31, 2000, and $2.0 billion at December 31, 1999. The maximum contractual amount of recourse on these loans was $76 million at

December 31, 2000, and $117 million at December 31, 1999.

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 16 states where it has banking offices. Approximately 85 percent of the Company's commercial loans were made to borrowers, representing a diverse range of industries, in this operating region. Collateral may include marketable securities, accounts receivable, inventory and equipment. For detail of the Company's commercial portfolio by industry type and geography as of December 31, 2000, and 1999, see Table 8 on page 12.

For detail of the Company's real estate portfolio by property type and geography as of December 31, 2000, and 1999, see Table 9 on page 13. This information is incorporated by reference into these Notes to Consolidated Financial Statements. Such loans are collateralized by the related property.

Approximately 84 percent of the total consumer portfolio consists of loans to customers in the Company's operating region. Residential mortgages, home equity and auto loans are secured, but other consumer loans are generally not secured. For detail of the Company's consumer loan portfolio referenced here, see Table 7 on page 11 under the category "Consumer" as of December 31, 2000, and 1999, which is incorporated by reference into these Notes to Consolidated Financial Statements.

NOTE R
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.

CASH AND CASH EQUIVALENTS The carrying value of cash, 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, such as 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 were reduced for estimated historical prepayment experience. Projected cash flows on nonaccrual loans were further reduced by the amount of the estimated losses on the portfolio and discounted over an assumed average remaining life of less than one year.

COMMERCIAL The fixed-rate loans in the commercial portfolio (excluding nonaccrual loans) had a weighted average interest rate of 8.1 percent in 2000 and 7.7 percent in 1999. The duration was 1.8 years in 2000 and 1.9 years in 1999. The floating-rate loans had a weighted average interest rate of 9.2 percent in 2000 and 8.5 percent in 1999. The high-grade corporate bond yield curve was used to arrive at the discount rates applied to these loans.

COMMERCIAL REAL ESTATE AND CONSTRUCTION The fixed-rate portion of this portfolio (excluding nonaccrual loans) had a weighted average interest rate of 8.3 percent, with a duration of 3.4 years in 2000; and a weighted average interest rate of 8.2 percent, with a duration of 3.4 years in 1999. The floating-rate loans (excluding nonaccrual loans) had a weighted average interest rate of 9.1 percent in 2000 and 8.6 percent in 1999. The high-grade corporate bond yield curve was used to arrive at the discount rates applied to these loans.

LEASE FINANCING The fixed-rate portion of this portfolio (excluding nonaccrual loans) had a weighted average interest rate of 9.1 percent, with a duration of 2.7 years in 2000; and a weighted average interest rate of 7.3 percent, with a duration of 3.1 years in 1999. The high-grade corporate bond yield curve was used to arrive at the discount rates applied to these loans.

RESIDENTIAL FIRST MORTGAGES These loans were segregated into pools of similar coupons and maturities. The pools were matched to similar mortgage-backed securities, and market quotes were obtained. The fixed-rate portion of this portfolio had a weighted average interest rate of 7.6 percent in 2000 and 7.4 percent in 1999. The duration was 2.2 years in 2000 and 3.1 years in 1999. The floating rate loans (excluding nonaccrual loans) had a weighted average interest rate of 7.6 percent in 2000 and 7.1 percent in 1999.

HOME EQUITY LINES AND LOANS, SECOND MORTGAGES AND CONSUMER LINES The home equity lines had a weighted average interest rate of 10.0 percent in 2000 and 9.3 percent in 1999. Fixed-rate home equity loans and second mortgages had a weighted average interest rate of 9.9 percent in 2000 and 10.0 percent in 1999. The duration was 1.1 years in 2000 and 1.4 years in 1999. Retail credit cards had a weighted average interest rate of 12.6 percent in 2000 and 1999, with a duration of 1.2 years in 2000 and 1.5 years in 1999. Other revolving lines had a weighted average interest rate of 13.7 percent in 2000 and 11.9 percent in 1999. Estimated cash flows net of funding and operational costs were discounted using an estimated cost of capital

CONSUMER INSTALLMENT Prepayment assumptions ranging from 15 to 23 percent were applied to scheduled cash flows, based on the Company's experience. On the fixed-rate portion, the weighted average rate was 9.4 percent in 2000 and 1999. The duration was 1.5 years in 2000 and 1.4 years in 1999. The floating-rate portion of the consumer installment portfolio had a weighted average interest rate of 8.8 percent in 2000 and 7.5 percent in 1999.

CORE DEPOSIT INTANGIBLE Core deposits provide a stable, low-cost source of funds that can be invested to earn a return that exceeds their cost. The fair value of the Company's core deposit intangible was calculated using a discounted cash flow model that estimates the present value of net cash flows including the difference between the ongoing funding cost of the core deposits and alternative funds at current market rates.

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 totaled $15,251 million in 2000 and $13,237 million in 1999.

Their estimated fair value was determined using a discounted cash flow analysis based on current market rates of similar maturity debt securities. 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.

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

	2000		199
(Dollars in Millions)	Carrying Amount	Fair Value	Carrying Amount
FINANCIAL ASSETS			
Cash and due from banks..................................	$ 4,142	$ 4,142	$ 4,036
Federal funds sold and resale agreements.................	457	457	1,037
Trading account securities...............................	753	753	617

Available-for-sale securities	4,282	4,282	4,871
Loans			
Commercial			
Commercial	29,920	31,072	26,491
Commercial real estate and construction	14,651	15,290	14,106
Lease financing	4,096	4,190	2,372
Consumer			
Residential mortgage	2,485	2,566	2,661
Home equity and second mortgage	9,438	9,886	8,681
Credit card and revolving credit	6,367	7,448	6,128
Other consumer installment	2,134	2,240	2,446
Allowance for credit losses	(1,067)	--	(995)
Net loans	68,024	72,692	61,890
Total financial assets	77,658	82,326	72,451
NONFINANCIAL ASSETS			
Core deposit intangible	172	5,053	176
Total	77,830	$87,379	72,627
Other assets	9,506		8,903
Total assets	$87,336		$81,530
FINANCIAL LIABILITIES			
Deposits			
Noninterest-bearing	$15,653	$15,653	$16,050
Interest-bearing checking and other savings	31,176	31,176	29,671
Time deposits . $100,000	6,428	6,495	5,809
Total deposits	53,257	53,324	51,530
Federal funds purchased	978	978	297
Securities sold under agreements to repurchase	965	965	1,235
Other short-term funds borrowed	866	866	724
Long-term debt	18,566	18,658	16,563
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	950	905	950
Total financial liabilities	75,582	$75,696	71,299
NONFINANCIAL LIABILITIES	3,114		2,593
SHAREHOLDERS' EQUITY	8,640		7,638
Total liabilities and shareholders' equity	$87,336		$81,530
Off-balance sheet financial instruments			
Unrecognized gain on interest rate swaps, basis swaps and options	N/A	$ 79	N/A
Unrecognized loss on interest rate swaps, basis swaps and options	N/A	56	N/A
Loan commitments	N/A	--	N/A
Letters of credit	N/A	--	N/A

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NOTE S

COMMITMENTS AND CONTINGENT LIABILITIES

Rental expense for operating leases amounted to $130.4 million in 2000, $111.2 million in 1999, and $121.0 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	$ 149.5
2002	10.3	137.1
2003	8.7	117.3
2004	7.9	90.9
2005	6.6	77.5
Thereafter	56.5	470.6
Total minimum lease payments	$101.4	$1,042.9
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.

NOTE T
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	$ 746.9	$ 701.7	$ 552.8
Interest paid	3,018.4	2,342.9	2,324.1
Net noncash transfers to foreclosed property	42.5	31.6	25.0
Change in unrealized gain (loss) on available-for-sale securities, net of taxes of $47.2 in 2000, $82.0 in 1999 and $7.6 in 1998	76.8	(133.6)	12.5
Cash acquisitions of businesses:			
Fair value of noncash assets acquired	$ 945.1	$ 250.3	$ 2,249.7
Liabilities assumed	(649.1)	(29.8)	(1,469.5
Net	$ 296.0	$ 220.5	$ 780.2
Stock acquisitions of businesses:			
Fair value of noncash assets acquired	$1,561.2	$3,521.2	$ --
Net cash acquired	63.5	462.4	--

Liabilities assumed	(1,327.1)	(2,708.1)	--
Net value of common stock issued	$ 297.6	$1,275.5	$ --

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, for the Company and its significant bank subsidiaries, see Tables 19 and 20 from which such information is incorporated by reference into these Notes to Consolidated Financial Statements.

NOTE U
U.S. BANCORP (PARENT COMPANY)

CONDENSED BALANCE SHEET

December 31 (Dollars in Millions)	2000	1999
ASSETS		
Deposits with subsidiary banks, principally interest-bearing	$ 1,408	$ 469
Available-for-sale securities	288	309
Investments in:		
Bank affiliates	9,120	8,128
Nonbank affiliates	880	669
Advances to:		
Bank affiliates	1,071	1,016
Nonbank affiliates	1,361	1,357
Other assets	1,368	1,236
Total assets	$15,496	$13,184
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term funds borrowed	$ --	$ 31
Advances from subsidiaries	97	111
Long-term debt	5,128	3,805
Junior subordinated debentures issued to subsidiary trusts	979	979
Other liabilities	652	620
Shareholders' equity	8,640	7,638
Total liabilities and shareholders' equity	$15,496	$13,184

CONDENSED STATEMENT OF INCOME

Year Ended December 31 (Dollars in Millions)	2000	1999	1
INCOME			

Dividends from subsidiaries (including $915.0, $995.0 and $1,290.0 from bank subsidiaries)	$ 923.5	$1,026.3	$1,
Interest from subsidiaries	234.8	177.2	
Service and management fees from subsidiaries	213.8	191.5	
Other income	152.1	110.8	
Total income	1,524.2	1,505.8	1,
EXPENSES			
Interest on short-term funds borrowed	5.0	15.5	
Interest on long-term debt	341.0	217.9	
Interest on junior subordinated debentures issued to subsidiary trusts	76.6	76.6	
Operating expenses paid to subsidiaries	15.5	9.6	
Merger-related charges	20.8	13.9	
Other expenses	153.8	166.5	
Total expenses	612.7	500.0	
Income before income taxes and equity in undistributed income of subsidiaries	911.5	1,005.8	1,
Income tax credit	(8.3)	(17.1)	
Income of parent company	919.8	1,022.9	1,
Equity (deficiency) in undistributed income of subsidiaries:			
Bank affiliates	640.1	438.1	(
Nonbank affiliates	32.1	45.5	
	672.2	483.6	
Net income	$1,592.0	$1,506.5	$1,

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CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31 (Dollars in Millions)	2000	1999	
OPERATING ACTIVITIES			
Net income	$1,592.0	$1,506.5	$1,
Adjustments to reconcile net income to net cash provided by operating activities:			
(Equity) deficiency in undistributed income of subsidiaries	(672.2)	(483.6)	
Losses (gains) on available-for-sale securities	4.1	(8.6)	
Depreciation and amortization of premises and equipment	11.2	12.5	
Provision for deferred income taxes	36.3	17.0	
Amortization of goodwill and other intangible assets	11.7	11.5	
Decrease (increase) in accrued receivables	19.9	(19.4)	
Increase (decrease) in accrued liabilities	41.7	86.7	(
Other -- net	(204.7)	(30.8)	
Net cash provided by operating activities	840.0	1,091.8	1,
INVESTING ACTIVITIES			
Available-for-sale securities			
Sales and maturities	88.6	127.5	

Purchases	(49.4)	(323.5)	
Investments in subsidiaries	(4.6)	(26.0)	(1,
Equity distributions from subsidiaries	--	145.0	
Net decrease (increase) in short-term advances to affiliates	97.2	(79.4)	(
Long-term advances made to affiliates	(200.0)	(595.0)	(
Principal collected on long-term advances made to affiliates	40.0	285.0	
Other -- net	(127.0)	(157.0)	
Net cash used by investing activities	(155.2)	(623.4)	(1,
FINANCING ACTIVITIES			
Net (decrease) increase in short-term advances from subsidiaries	(15.6)	62.6	
Net (decrease) increase in short-term funds borrowed	(31.0)	(16.8)	
Proceeds from long-term debt	1,792.5	1,068.5	1,
Principal payments on long-term debt	(526.9)	(737.7)	(
Issuance of junior subordinated debentures to subsidiary trusts	--	--	
Proceeds from dividend reinvestment, stock option and stock purchase plans	112.7	153.2	
Repurchase of common stock	(432.2)	(560.8)	(
Cash dividends	(644.7)	(573.1)	(
Net cash provided (used) by financing activities	254.8	(604.1)	
Change in cash and cash equivalents	939.6	(135.7)	
Cash and cash equivalents at beginning of year	468.5	604.2	
Cash and cash equivalents at end of year	$1,408.1	$ 468.5	$

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.

REPORT OF MANAGEMENT

The financial statements of U.S. Bancorp were prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with accounting principles generally accepted in the United States appropriate in the circumstances and include amounts that are based on management's best estimates and judgment. All financial information throughout the Annual Report on Form 10-K is consistent with that in the financial statements.

The Company maintains accounting and internal control systems that are believed to provide reasonable assurance that assets are safeguarded and transactions are properly authorized and recorded. To test compliance, the Company carries out an extensive audit program. This program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of internal control systems. However, there are limits inherent in all systems of internal accounting control and management recognizes that errors or irregularities may occur. Based on the recognition that the costs of such systems should not exceed the benefits to be derived, management believes the Company's system provides an appropriate cost/benefit balance.

The Company's independent auditors, Ernst & Young LLP, have been engaged to render an opinion on the financial statements and to assist in carrying out the audit program described above. Their opinion on the financial statements is based on procedures performed in accordance with auditing standards generally accepted in the United States, including tests of the accounting records to the extent necessary to allow them to report on the fairness of the financial statements. Ernst & Young LLP has full access to the Audit Committee and the Board of Directors.

The management of the Company is committed to and has always maintained and enforced a philosophy of high ethical standards in the conduct of its business. Written policies covering conflicts of interest and other subjects are formulated in a Code of Ethics which is uniformly applicable to all officers and employees of the Company.

/s/ John F. Grundhofer	/s/ Jerry A. Grundhofer
JOHN F. GRUNDHOFER Chairman	JERRY A. GRUNDHOFER President and Chief Executive Officer
/s/ David M. Moffett	/s/ Terrance R. Dolan
DAVID M. MOFFETT Vice Chairman and Chief Financial Officer	TERRANCE R. DOLAN Senior Vice President and Controller

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders

U.S. Bancorp

We have audited the accompanying consolidated balance sheets of U.S. Bancorp and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2000. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of U.S. Bancorp and subsidiaries at December 31, 2000 and 1999, and the consolidated 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.

/s/ ERNST & YOUNG, LLP

Minneapolis, Minnesota

January 18, 2001,
except for Note C, as to which
the date is February 27, 2001

CONSOLIDATED BALANCE SHEET --

FIVE-YEAR SUMMARY

December 31 (Dollars in Millions)	2000	1999	1998	
ASSETS				
Cash and due from banks	$ 4,142	$ 4,036	$ 4,772	$
Federal funds sold and resale agreements	457	1,037	544	
Trading account securities	753	617	537	
Held-to-maturity securities	--	--	--	
Available-for-sale securities				
U.S. Treasury	361	381	500	
Mortgage-backed	2,493	2,906	3,438	
State and political	1,039	1,135	1,255	
U.S. agencies and other	389	449	384	
Total available-for-sale securities	4,282	4,871	5,577	
Loans	69,091	62,885	59,122	5
Less allowance for credit losses	1,067	995	1,001	
Net loans	68,024	61,890	58,121	5
Other assets	9,678	9,079	6,887	
Total assets	$87,336	$81,530	$76,438	$7
LIABILITIES AND SHAREHOLDERS' EQUITY				
Deposits				
Noninterest-bearing	$15,653	$16,050	$16,377	$1
Interest-bearing	37,604	35,480	33,657	3
Total deposits	53,257	51,530	50,034	4
Short-term borrowings	2,809	2,256	3,365	
Long-term debt	18,566	16,563	13,781	1
Company-obligated mandatorily redeemable preferred				

securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company...	950	950	950	
Other liabilities..	3,114	2,593	2,338	
Total liabilities................................	78,696	73,892	70,468	6
Shareholders' equity.....................................	8,640	7,638	5,970	
Total liabilities and shareholders' equity..........	$87,336	$81,530	$76,438	$7

CONSOLIDATED STATEMENT OF INCOME -- FIVE-YEAR SUMMARY

Year Ended December 31 (Dollars in Millions)	2000	1999	1998	
INTEREST INCOME				
Loans...	$6,162.0	$5,208.6	$4,921.8	$4,7
Securities				
Taxable...	230.3	250.6	303.6	3
Exempt from federal income taxes.................	54.4	57.3	62.8	
Other interest income..............................	260.4	160.2	119.2	
Total interest income.........................	6,707.1	5,676.7	5,407.4	5,2
INTEREST EXPENSE				
Deposits..	1,667.9	1,291.2	1,391.0	1,4
Federal funds purchased and repurchase agreements....	177.4	164.2	153.6	1
Other short-term funds borrowed.....................	56.2	49.9	59.1	1
Long-term debt......................................	1,257.0	833.4	672.7	4
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company..	77.3	77.3	70.4	
Total interest expense........................	3,235.8	2,416.0	2,346.8	2,2
Net interest income.................................	3,471.3	3,260.7	3,060.6	3,0
Provision for credit losses.........................	670.0	531.0	379.0	4
Net interest income after provision for credit losses..	2,801.3	2,729.7	2,681.6	2,5
NONINTEREST INCOME				
Credit card fee revenue.............................	723.2	603.1	574.8	4
Trust and investment management fees................	473.9	459.7	413.0	3
Service charges on deposit accounts.................	469.3	434.6	406.0	3
Investment products fees and commissions............	359.1	347.7	229.7	
Investment banking revenue..........................	356.3	245.4	100.4	
Trading account profits and commissions.............	252.5	215.9	118.1	
Available-for-sale securities gains (losses).........	7.0	(1.3)	12.6	
Gain on sale of mortgage banking operations..........	--	--	--	
Termination fee.....................................	--	--	--	
Other...	617.1	453.6	402.0	3
Total noninterest income......................	3,258.4	2,758.7	2,256.6	1,6
NONINTEREST EXPENSE				
Salaries..	1,677.0	1,460.9	1,210.9	9

Employee benefits	279.0	248.4	222.3	2
Net occupancy	236.9	204.6	187.4	1
Furniture and equipment	167.4	160.1	153.4	1
Goodwill and other intangible assets	235.5	165.6	143.7	1
Merger-related charges	61.3	62.4	216.5	5
Other	941.3	824.9	710.1	6
Total noninterest expense	3,598.4	3,126.9	2,844.3	2,8
Income before income taxes	2,461.3	2,361.5	2,093.9	1,3
Applicable income taxes	869.3	855.0	766.5	5
Net income	$1,592.0	$1,506.5	$1,327.4	$ 8
Net income applicable to common equity	$1,592.0	$1,506.5	$1,327.4	$ 8

* Not meaningful

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	$1,634.7	$1,582.9	$1,517.5	$1,426.9	$1,364.6
Securities					
Taxable	54.8	56.7	58.5	60.3	62.0
Exempt from federal income taxes	13.1	13.5	13.8	14.0	14.1
Other interest income	65.9	67.2	64.9	62.4	47.3
Total interest income	1,768.5	1,720.3	1,654.7	1,563.6	1,488.0
INTEREST EXPENSE					
Deposits	450.8	442.0	402.2	372.9	352.1
Federal funds purchased and repurchase agreements	50.9	37.0	45.7	43.8	32.8
Other short-term funds borrowed	14.7	12.9	15.0	13.6	12.0
Long-term debt	334.7	343.5	310.2	268.6	241.1
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	19.3	19.4	19.3	19.3	19.3
Total interest expense	870.4	854.8	792.4	718.2	657.3
Net interest income	898.1	865.5	862.3	845.4	830.7
Provision for credit losses	180.0	173.0	163.0	154.0	146.0

Net interest income after provision for credit losses...	718.1	692.5	699.3	691.4	684.7
NONINTEREST INCOME					
Credit card fee revenue........	193.8	192.8	177.1	159.5	166.3
Trust and investment management fees.........................	119.9	119.9	117.0	117.1	116.5
Service charges on deposit accounts......................	122.0	120.8	117.5	109.0	111.5
Investment products fees and commissions..................	79.8	81.3	81.8	116.2	88.0
Investment banking revenue.....	92.2	97.3	72.8	94.0	88.8
Trading account profits and commissions..................	60.7	50.0	58.2	83.6	65.5
Available-for-sale securities gains (losses)...............	6.0	1.0	.3	(.3)	2.1
Other.........................	159.9	163.9	177.0	116.3	125.2
Total noninterest income..................	834.3	827.0	801.7	795.4	763.9
NONINTEREST EXPENSE					
Salaries......................	413.3	417.5	414.1	432.1	397.7
Employee benefits.............	70.6	63.0	69.3	76.1	65.0
Net occupancy.................	65.1	59.5	55.2	57.1	52.8
Furniture and equipment........	42.1	43.7	40.5	41.1	42.1
Goodwill and other intangible assets.......................	61.6	58.9	58.4	56.6	49.6
Merger-related charges.........	17.5	15.7	15.0	13.1	27.7
Other.........................	235.5	241.8	239.1	224.9	236.2
Total noninterest expense.................	905.7	900.1	891.6	901.0	871.1
Income before income taxes.....	646.7	619.4	609.4	585.8	577.5
Applicable income taxes........	228.1	218.1	216.3	206.8	208.5
Net income....................	$ 418.6	$ 401.3	$ 393.1	$ 379.0	$ 369.0
Earnings per share............	$ .56	$ .54	$ .53	$ .51	$ .50
Diluted earnings per share.....	$ .56	$ .54	$ .52	$ .51	$ .50
SELECTED AVERAGE BALANCES					
Loans.........................	$ 68,782	$ 67,233	$ 65,998	$ 63,709	$ 61,523
Earning assets................	77,015	75,713	74,545	72,144	69,540
Total assets..................	86,755	85,108	84,085	81,771	78,859
Deposits......................	51,696	50,912	50,399	49,703	49,071
Long-term debt................	18,967	19,592	18,627	17,082	16,161
Common equity.................	8,417	8,032	7,884	7,697	7,159

CONSOLIDATED DAILY AVERAGE BALANCE

Year Ended December 31	2000			1999	
(Dollars in Millions)	Balance	Interest	Yields and Rates	Balance	Interest

ASSETS					
Available-for-sale securities					
U.S. Treasury.................	$ 378	$ 21.4	5.66%	$ 425	$ 24.1
Mortgage-backed...............	2,755	186.8	6.78	3,138	206.9
State and political...........	1,088	81.4	7.48	1,140	86.2
U.S. agencies and other.......	445	21.1	4.74	450	18.5
Total available-for-sale securities..............	4,666	310.7	6.66	5,153	335.7
Unrealized (loss) gain on available-for-sale securities.............	(99)			18	
Net available-for-sale securities.............	4,567			5,171	
Held-to-maturity securities......	--	--	--	--	--
Trading account securities.......	779	57.6	7.39	630	41.3
Federal funds sold and resale agreements....................	604	32.1	5.31	535	23.0
Loans					
Commercial					
Commercial.................	29,074	2,518.1	8.66	25,030	1,920.1
Real estate					
Commercial mortgage.....	10,123	894.9	8.84	8,645	730.9
Construction............	4,440	427.1	9.62	3,661	324.9
Lease financing............	2,890	227.8	7.88	2,251	160.8
Total commercial........	46,527	4,067.9	8.74	39,587	3,136.7
Consumer					
Home equity and second mortgage................	9,051	876.1	9.68	8,039	758.4
Credit card................	4,173	580.0	13.90	4,029	528.7
Other......................	4,114	446.9	10.86	6,134	581.4
Subtotal................	17,338	1,903.0	10.98	18,202	1,868.5
Residential mortgage.......	2,574	201.5	7.83	2,789	214.8
Total consumer..........	19,912	2,104.5	10.57	20,991	2,083.3
Total loans.............	66,439	6,172.4	9.29	60,578	5,220.0
Allowance for credit losses...	1,062			998	
Net loans...............	65,377			59,580	
Other earning assets.............	2,375	203.8	8.58	1,496	98.7
Total earning assets*...	74,863	6,776.6	9.05	68,392	5,718.7
Other assets.....................	10,736			9,535	
Total assets............	$84,438			$76,947	
LIABILITIES AND SHAREHOLDERS' EQUITY					
Noninterest-bearing deposits.....	$14,196			$13,760	
Interest-bearing deposits					
Interest checking............	6,427	150.0	2.33	6,044	110.3
Money market accounts.........	12,679	547.6	4.32	12,141	428.5
Other savings accounts........	1,941	33.5	1.73	2,223	40.1
Savings certificates..........	9,378	552.0	5.89	9,575	479.0
Certificates over $100,000....	6,060	384.8	6.35	4,356	233.3
Total interest-bearing					

deposits...............	36,485	1,667.9	4.57	34,339	1,291.2
Short-term borrowings............	3,321	233.6	7.03	3,887	214.1
Long-term debt...................	18,571	1,257.0	6.77	15,077	833.4
Company-obligated mandatorily redeemable preferred securities....................	950	77.3	8.14	950	77.3
Total interest-bearing liabilities............	59,327	3,235.8	5.45	54,253	2,416.0
Other liabilities................	2,906			2,394	
Preferred equity.................	--			--	
Common equity....................	8,067			6,528	
Accumulated other comprehensive income........................	(58)			12	
Total liabilities and shareholders' equity...	$84,438			$76,947	
Net interest income..............		$3,540.8			$3,302.7
Gross interest margin............			3.60%		
Gross interest margin without taxable-equivalent increments....................			3.51%		
PERCENT OF EARNING ASSETS					
Interest income..................			9.05%		
Interest expense.................			4.32		
Net interest margin..............			4.73		
Net interest margin without taxable-equivalent increments...................			4.64%		

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.
**Not meaningful.

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SHEET AND RELATED YIELDS AND RATES

1998			1997			1996		
Balance	Interest	Yields and Rates	Balance	Interest	Yields and Rates	Balance	Interest	a

$ 565	$ 32.8	5.81%	$ 734	$ 42.7	5.82%	$ 1,255	$ 74.3
3,667	247.1	6.74	4,239	290.5	6.85	4,158	279.7
1,260	98.2	7.79	889	69.8	7.85	555	47.0
403	21.9	5.43	595	36.1	6.07	978	65.7
5,895	400.0	6.79	6,457	439.1	6.80	6,946	466.7
97			3			(21)	
5,992			6,460			6,925	
--	--	--	449	35.5	7.91	834	64.0
290	18.7	6.45	168	9.7	5.77	233	13.2
667	35.0	5.25	577	31.6	5.48	872	46.5
22,608	1,794.6	7.94	20,578	1,690.0	8.21	19,211	1,583.0
8,129	712.8	8.77	8,037	728.5	9.06	7,630	687.5
2,652	240.1	9.05	2,255	216.9	9.62	1,707	165.4
2,000	151.1	7.56	1,888	139.8	7.40	1,699	125.0
35,389	2,898.6	8.19	32,758	2,775.2	8.47	30,247	2,560.9
6,130	585.0	9.54	5,555	532.6	9.59	4,708	441.4
4,021	508.3	12.64	3,702	462.9	12.50	3,452	444.0
6,803	656.0	9.64	6,894	673.2	9.77	7,037	680.6
16,954	1,749.3	10.32	16,151	1,668.7	10.33	15,197	1,566.0
3,636	289.6	7.96	4,604	363.3	7.89	5,411	435.7
20,590	2,038.9	9.90	20,755	2,032.0	9.79	20,608	2,001.7
55,979	4,937.5	8.82	53,513	4,807.2	8.98	50,855	4,562.6
997			998			973	
54,982			52,515			49,882	
1,037	67.5	6.51	511	28.4	5.56	461	25.5
63,868	5,458.7	8.55	61,675	5,351.5	8.68	60,201	5,178.5
8,823			8,091			8,195	
$71,791			$68,771			$67,402	
$13,497			$12,680			$11,970	
5,754	104.2	1.81	5,561	92.2	1.66	5,678	90.1
11,201	437.9	3.91	10,440	401.9	3.85	10,068	379.4
2,465	51.2	2.08	2,799	61.2	2.19	3,157	70.7
11,309	616.8	5.45	12,278	668.9	5.45	12,985	703.2
3,101	180.9	5.83	3,578	212.6	5.94	3,394	197.9
33,830	1,391.0	4.11	34,656	1,436.8	4.15	35,282	1,441.3
3,733	212.7	5.70	5,314	300.6	5.66	7,187	395.9
11,481	672.7	5.86	7,527	459.0	6.10	4,908	303.8

864	70.4	8.15	600	49.1	8.18	36	2.8
49,908	2,346.8	4.70	48,097	2,245.5	4.67	47,413	2,143.8
2,337			2,196			2,100	
--			131			240	
5,989			5,665			5,693	
60			2			(14)	
$71,791			$68,771			$67,402	
	$3,111.9			$3,106.0			$3,034.7
		3.85%			4.01%		
		3.77%			3.91%		
		8.55%			8.68%		
		3.68			3.64		
		4.87			5.04		
		4.79%			4.94%		

SUPPLEMENTAL FINANCIAL DATA

EARNINGS PER SHARE SUMMARY	2000	1999	19
Earnings per share....................................	$2.14	$2.07	$1.
Diluted earnings per share...........................	2.13	2.06	1.
RATIOS			
Return on average assets............................	1.89%	1.96%	1.
Return on average common equity......................	19.9	23.0	21
Average total equity to average assets...............	9.5	8.5	8
Dividends per share to net income per share..........	40.2	37.7	38
OTHER STATISTICS			
Common shares outstanding -- year-end *..............	752,059,861	753,330,212	725,761,7
Average common shares outstanding and common stock equivalents			
Earnings per share............................	745,093,996	727,530,843	733,897,8
Diluted earnings per share....................	747,855,624	732,990,811	744,178,1

Number of shareholders -- year-end**	47,094	38,104	38,0
Average number of employees (full-time equivalents)	28,949	26,891	26,5
Common dividends paid (millions)	$644.7	$573.1	$516

*Defined as total common shares less common stock held in treasury.
**Based on number of common stock shareholders of record.

STOCK PRICE RANGE AND DIVIDENDS

	2000			
	Sales Price		Dividends	Sal
	High	Low	Paid	High
First quarter	$24.00	$16.88	$ .215	$37.94
Second quarter	27.38	19.13	.215	37.81
Third quarter	23.25	18.00	.215	34.81
Fourth quarter	30.44	19.38	.215	38.06
Closing price -- December 31	29.19			

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

COMMERCIAL LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

	December 31, 2000		
(Dollars in Millions)	In 1 Year or Less	After 1 Year Through 5 Years	A
Commercial	$26,200	$ 3,387	
Real estate			
Commercial mortgage	4,788	3,818	
Construction	4,114	245	
Lease financing	956	2,403	
Total	$36,058	$ 9,853	

	Due in One Year	Due After One Year
Loans at fixed interest rates	$ 4,384	$ 9,453
Loans at variable interest rates	31,674	3,156
Total	$36,058	$12,609

TIME CERTIFICATES OF DEPOSIT AND OTHER TIME DEPOSITS IN DENOMINATIONS OF $100,000 OR MORE AT DECEMBER 31

	Matur		
(Dollars in Millions)	Under Three Months	Three to Six Months	Six Twel Mont
2000	$3,615	$ 929	$1,0
1999	3,474	1,193	5
1998	1,541	365	4

SHORT-TERM FUNDS BORROWED

(Dollars in Millions)	Outstanding at Year End	Average Daily Amount Outstanding	Maximum Outstanding Month End Balance	I
2000				
Federal funds purchased and securities sold under agreements to repurchase	$ 1,943	$ 2,386	$ 3,748	
Other	866	935	1,109	
Total	$ 2,809	$ 3,321	4,857	
1999				
Federal funds purchased and securities sold under agreements to repurchase	$ 1,532	$ 2,877	$ 3,701	
Other	724	1,010	1,254	
Total	$ 2,256	$ 3,887	4,752	
1998				
Federal funds purchased and securities sold under agreements to repurchase	$ 2,682	$ 2,582	$ 2,775	
Other	683	1,151	1,500	
Total	$ 3,365	$ 3,733	3,909	

BUSINESS

GENERAL U.S. Bancorp (the "Company") is a multi-state bank holding company headquartered in Minneapolis, Minnesota. The Company was incorporated in Delaware in 1929. In February 2001, the Company completed a merger with Firstar Corporation of Milwaukee, Wisconsin. Following the merger, the Company owns 100 percent of the capital stock of each of seven banks and eleven trust companies having approximately 2,200 banking offices in 24 Midwestern and Western states. The Company offers full-service brokerage services at approximately 100 offices through a wholly owned subsidiary. The Company also has various nonbank subsidiaries engaged in financial services.

The banks are engaged in general commercial banking business, principally in domestic markets. They range in size from less than $1.0 million to $53.5 billion in deposits and provide a wide variety of services to individuals, businesses, industry, institutional organizations, governmental entities and other financial institutions. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as treasury management and receivable lockbox collection are provided for corporate customers. The Company's bank and trust subsidiaries provide a full range of fiduciary activities for individuals, estates, foundations, business corporations and charitable organizations.

The Company provides banking services through its subsidiary banks to both domestic and foreign customers and correspondent banks. These services include consumer banking, commercial lending, financing of import/export trade, foreign exchange and investment services.

The Company, through its subsidiaries, also provides services in trust, commercial and agricultural finance, data processing, leasing and brokerage services.

On a full-time equivalent basis during 2000, employment of the Company prior to the merger with Firstar Corporation averaged a total of 28,949 employees.

COMPETITION The commercial banking business is highly competitive. Subsidiary banks compete with other commercial banks and with other financial institutions, including savings and loan associations, mutual savings banks, finance companies, mortgage banking companies, credit unions and investment companies. In recent years, competition has increased from institutions not subject to the same regulatory restrictions as domestic banks and bank holding companies.

GOVERNMENT POLICIES The operations of the Company's various operating units are affected by state and federal legislative changes and by policies of various regulatory authorities, including those of the several states in which they operate, the United States and foreign governments. These policies include, for example, statutory maximum legal lending rates, domestic monetary policies of the Board of Governors of the Federal Reserve System, United States fiscal policy, international currency regulations and monetary policies, and capital adequacy and liquidity constraints imposed by bank regulatory agencies.

SUPERVISION AND REGULATION The Company is a registered bank holding company under the Bank Holding Company Act of 1956 (the "Act") and is subject to the supervision of, and regulation by, the Board of Governors of the Federal Reserve System (the "Board").

Under the Act, a bank holding company may engage in banking, managing or controlling banks, furnishing or performing services for banks it controls, and conducting activities that the Board has determined to be closely related to banking. The Company must obtain the prior approval of the Board before acquiring more than five percent of the outstanding shares of another bank or bank holding company, and must provide notice to, and in some situations obtain the prior approval of, the Board in connection with the acquisition of more than five percent of the outstanding shares of a company engaged in a "bank-related" business.

Under the Act, as amended by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Act"), the Company may acquire banks throughout the United States, subject only to state or federal deposit caps and state minimum-age requirements. The Interstate Act authorized interstate branching by acquisition and consolidation in those states that had not opted out of interstate branching.

The Gramm-Leach-Bliley Act of 1999 eliminates many of the restrictions placed on the activities of certain qualified bank holding companies. Effective March 11, 2000, a bank holding company can qualify as a "financial holding company" and expand into a wide variety of financial services, including securities activities, insurance and merchant banking without the prior approval of the Board. The Company qualified as a financial holding company on March 13, 2000.

National banks are subject to the supervision of, and are examined by, the Comptroller of the Currency. All subsidiary banks of the Company are members of the Federal Deposit Insurance Corporation ("FDIC") and are subject to examination by the FDIC. In practice, the primary federal regulator makes regular examinations of each subsidiary bank subject to its regulatory review or participates in joint examinations with other federal regulators. Areas subject to regulation by federal authorities include the allowance for credit losses, investments, loans, mergers, issuance of securities, payment of dividends, establishment of branches and other aspects of operations.

PROPERTIES

The Company and its significant subsidiaries occupy their headquarter offices through both ownership and under long-term leases. The Company leases seven freestanding operations centers in St. Paul, Milwaukee, Nashville and Denver, and owns operations centers in Cincinnati, Kansas City, St. Louis, Fargo and Portland. At December 31, 2000, the subsidiaries of the Company prior to the merger with Firstar Corporation owned and operated a total of 599 facilities and leased an additional 780 facilities, all of which are well maintained. Additional information with respect to premises and equipment is presented in Notes I and S to Consolidated Financial Statements.

EXHIBITS

Schedules to the consolidated financial statements required by Article 9 of Regulation S-X are omitted since the required information is included in the footnotes or is not applicable.

During the three months ended December 31, 2000, the Company filed the following Current Reports on Form 8-K:

Form 8-K filed October 4, 2000 announcing entry into an Agreement and Plan of Merger with Firstar Corporation; and

Form 8-K filed October 12, 2000 attaching copy of Agreement and Plan of Merger with Firstar Corporation.

The following Exhibit Index lists the Exhibits to the Annual Report on Form 10-K.

(1)2.1	Agreement and Plan of Merger, dated as of October 3, 2000, as amended, between U.S. Bancorp and Firstar Corporation. Filed as Exhibits 2.1, 2.2 and 2.3 to Registration Statement on Form S-4, File No. 333-48532.
(1)2.2	Stock Option Agreement, dated October 3, 2000, between Firstar Corporation and U.S. Bancorp. Filed as Exhibit 2.4 to Registration Statement on Form S-4, File No. 333-48532.
(1)2.3	Stock Option Agreement, dated October 3, 2000, between U.S. Bancorp and Firstar Corporation. Filed as Exhibit 2.5 to Registration Statement on Form S-4, File No. 333-48532.
3.1	Restated Certificate of Incorporation, as amended.
3.2	Restated Bylaws.
4.1	[Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. U.S. Bancorp agrees to furnish a copy thereof to the Securities and Exchange Commission upon request.]
(1)4.2	Warrant Agreement, dated as of October 2, 1995, between U.S. Bancorp and First Chicago Trust Company of New York, as Warrant Agent and Form of Warrant. Filed as Exhibits 4.18 and 4.19 to Registration Statement on Form S-3, File No. 33-61667.
(1)4.3	Certificate of Designation and Terms of Term Participating Preferred Stock of U.S. Bancorp. Filed as Exhibit 4.1 to Registration Statement on Form S-4, File No. 333-75603.
(1)4.4	Forms of Warrant Agreements, dated as of November 5, 1996, between Monarch Bancorp (predecessor of Western Bancorp) and certain Warrantholders, and accompanying Forms of Warrants, assumed by U.S. Bancorp upon its acquisition of Western Bancorp on November 15, 1999. Filed as Exhibit 4.5 to report on Form 10-K for the year ended December 31, 1999.
(1)(2)10.1	U.S. Bancorp 1999 Stock Incentive Plan, as amended. Filed as Exhibit 10.2 to report on Form 10-K for the year ended December 31, 1999.
(1)(2)10.2	Description of U.S. Bancorp Stock Option Loan Policy. Filed as Exhibit 10M to report on Form 10-K for the year ended December 31, 1996.
(1)(2)10.3	U.S. Bancorp 1995 Executive Incentive Plan, as amended. Filed as Exhibit 10A to report on Form 10-Q for the quarter ended March 31, 1997.
(1)(2)10.4	U.S. Bancorp Annual Incentive Plan, as amended. Filed as Exhibit 10E to report on Form 10-K for the year ended December 31, 1996.
(1)(2)10.5	U.S. Bancorp Executive Deferral Plan, as amended. Filed as Exhibit 10.7 to report on Form 10-K for the year ended December 31, 1999.
(1)(2)10.6	U.S. Bancorp Nonqualified Supplemental Executive

Retirement Plan, as amended. Filed as Exhibit 10.8 to report on Form 10-K for the year ended December 31, 1999.

(1)(2)10.7 U.S. Bancorp Special Executive Deferral Plan, as amended. Filed as Exhibit 10.9 to report on Form 10-K for the year ended December 31, 1999.

(1)(2)10.8 Amended and Restated Supplemental Benefits Plan of the former U.S. Bancorp. Filed as Exhibit 10.10 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.9 1991 Executive Deferred Compensation Plan, as amended, of the former U.S. Bancorp. Filed as Exhibit 10.11 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.10 Deferred Compensation Trust Agreement of the former U.S. Bancorp. Filed as Exhibit 10.12 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.11 1991 Performance and Equity Incentive Plan of the former U.S. Bancorp. Filed as Exhibit 10.13 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.12 Description of Retirement Benefits of Joshua Green III. Filed as Exhibit 10.14 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.13 Form of Director Indemnification Agreement entered into with former Directors of the former U.S. Bancorp. Filed as Exhibit 10.15 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.14 Description of health insurance premium reimbursement plan for former Directors of West One Bancorp. Filed as Exhibit 10.16 to report on Form 10-K for the year ended December 31, 1997.

(1)(2)10.15 U.S. Bancorp Independent Director Retirement and Death Benefit Plan, as amended. Filed as Exhibit 10.17 to report on Form 10-K for the year ended December 31, 1999.

(1)(2)10.16 U.S. Bancorp Deferred Compensation Plan for Directors, as amended. Filed as Exhibit 10.18 to report on Form 10-K for the year ended December 31, 1999.

(1)(2)10.17 Form of Change-in-Control Agreement between U.S. Bancorp and certain officers of the Company. Filed as Exhibit 10.19 to report on Form 10-K for the year ended December 31, 1999.

(1)(2)10.18 Amended and Restated Employment Agreement with John F. Grundhofer. Filed as Exhibit 10.1 to report on Form 10-Q for the quarter ended June 30, 2000.

(1)(2)10.19 Employment Agreement with Andrew S. Duff. Filed as Exhibit 10.24 to report on Form 10-K for the year ended December 31, 1999.

(2)10.20 Separation Agreement and General Release with Philip G. Heasley.

12 Statement re: Computation of Ratio of Earnings to Fixed Charges.

21 Subsidiaries of the Registrant.

23 Consent of Ernst & Young LLP.

(1) Exhibit has heretofore been filed with the Securities and Exchange Commission and is incorporated herein as an exhibit by reference.

(2) Items that are management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 14(c) of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on February 27, 2001, on its behalf by the undersigned thereunto duly authorized.

U.S. Bancorp

By: John F. Grundhofer

Chairman

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 27, 2001, by the following persons on behalf of the registrant and in the capacities indicated.

JERRY A. GRUNDHOFER
President, Chief Executive Officer and Director
(principal executive officer)

DAVID M. MOFFETT
Vice Chairman and Chief Financial Officer
(principal financial officer)

TERRANCE R. DOLAN
Senior Vice President and Controller
(principal accounting officer)

JOHN F. GRUNDHOFER
Chairman and Director

LINDA L. AHLERS
Director

ARTHUR D. COLLINS, JR.
Director

PETER H. COORS
Director

JOHN C. DANNEMILLER
Director

VICTORIA BUYNISKI GLUCKMAN
Director

JOSHUA GREEN III
Director

J.P. HAYDEN, JR.
Director

ROGER L. HOWE
Director

THOMAS H. JACOBSEN
Director

DELBERT W. JOHNSON
Director

JOEL W. JOHNSON
Director

JERRY W. LEVIN
Director

SHELDON B. LUBAR
Director

FRANK LYON, JR.
Director

DANIEL F. MCKEITHAN, JR.
Director

DAVID B. O'MALEY
Director

O'DELL M. OWENS, M.D., M.P.H.
Director

THOMAS E. PETRY
Director

RICHARD G. REITEN
Director

S. WALTER RICHEY
Director

WARREN R. STALEY
Director

JOHN J. STOLLENWERK
Director

PATRICK T. STOKES
Director