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

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

FORM 8-K

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

Date of Report (Date of earliest event reported): April 17, 2001

1-6880

(Commission File Number)

U.S. BANCORP

(Exact name of Registrant as specified in its charter)

DELAWARE	41-0255900
(State of Incorporation)	(IRS Identification Number)

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

(612) 973 1111

(Registrant's telephone number)

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ITEM 5 OTHER EVENTS

DOCUMENT INCORPORATED HEREIN:

Press Release by U.S. Bancorp dated April 17, 2001

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on it's behalf by the undersigned hereunto duly authorized.

U.S. BANCORP

By: /s/ Terrance R. Dolan

Name: Terrance R. Dolan
Title: Senior Vice President

Date: April 17, 2001

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[US BANCORP LOGO]

[NEWS RELEASE]

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U.S. BANCORP REPORTS EARNINGS FOR 1ST QUARTER 2001

EARNINGS SUMMARY

($ in millions, except per-share data)	1Q 2001	4Q 2000	1Q 2000	PERCENT CHANGE 1Q01/4Q00
Before merger and restructuring-related charges*:				
Operating earnings	$797.3	$824.2	$729.8	(3.
Earnings per common share (diluted)	0.42	0.43	0.38	(2.
Cash earnings per common share (diluted)**	0.48	0.49	0.43	(2.
Net income	410.1	768.7	686.8	(46.
Earnings per common share (diluted)	0.21	0.40	0.36	(47.
Cash earnings per common share (diluted)**	0.27	0.46	0.40	(41.
Dividends paid per common share	0.1875	0.1625	0.1625	15
Book value per common share (period-end)	8.00	7.97	7.31	0
Return on average common equity***(%)	20.9	22.2	20.8	
Return on average assets*** (%)	1.98	2.02	1.90	
Net interest margin (%)	4.41	4.33	4.44	
Efficiency ratio*** (%)	50.5	47.8	50.4	

* merger and restructuring-related charges (net of taxes) totaled $387.2 million in 1Q01, $55.5 million in 4Q00 and $43.0 million in 1Q00

** calculated by adding amortization of goodwill and other intangible assets to operating earnings and net income
*** before merger and restructuring-related charges

MINNEAPOLIS, April 17, 2001 -- U.S. Bancorp (NYSE: USB) today reported operating earnings of $797.3 million for the first quarter of 2001, compared with $729.8 million for the first quarter of 2000. Operating earnings of $.42 per diluted share in the first quarter of 2001 were $.04, or 10.5 percent, higher than the same period of 2000. Operating earnings on a cash basis increased to $.48 per diluted share in the first quarter of 2001 from $.43 in the first quarter of 2000. Return on average common equity and return on average assets, excluding merger and restructuring-related charges, were 20.9 percent and 1.98 percent, respectively, in the first quarter of 2001, compared with returns of 20.8 percent and 1.90 percent in the first quarter of 2000.

U.S. Bancorp (the "Company") is the organization created by the merger of Firstar Corporation ("FSR") of Milwaukee, Wisconsin and the former U.S. Bancorp ("USB") of Minneapolis, Minnesota. The merger was completed on February 27, 2001, as a pooling-of-interests, and prior periods have been restated. The Company's operating earnings of $.42 per diluted share represent a 20.0 percent increase over Firstar's first quarter of 2000 operating earnings, as originally reported, of $.35 per diluted share. The Company's operating earnings of $.42 per diluted share were $.01 higher than Firstar's fourth quarter of 2000 earnings of $.41, as originally reported.

Including after-tax merger and restructuring-related charges of $387.2 million in the first quarter of 2001 and $43.0 million in the first quarter of 2000, the Company recorded net income for the first quarter of 2001 of $410.1 million, or $.21 per diluted share, compared with $686.8 million, or $.36 per diluted share, for the same period of 2000.

U.S. Bancorp President and Chief Executive Officer Jerry A. Grundhofer said, "I am pleased with the first quarter results of the new U.S. Bancorp. I am proud of what our employees have accomplished in a very short period of time - employees who now have the opportunity to share in the success and growth of our new Company through the broad-based stock option grant that we announced in March. We have kept the proper focus on our customers, as evidenced by solid first quarter earnings despite a more difficult economic environment, and we have made significant progress on the integration of our two companies, the former Firstar and the former U.S. Bancorp. All significant decisions related to technology and operations have been finalized and scheduled for implementation in 2001 or the first half of 2002. Opportunities to improve performance through the introduction of new business models, products and services into both franchises have been identified and are beginning to be rolled-out. In March, former Firstar's retail banking model was introduced into the west markets, and the strong corporate payment services product set of the former U.S. Bancorp was introduced into the east markets. I am very excited about the future of this company. By bringing these two great companies together under one powerful brand, along with our nationally recognized Five Star Service Guarantee, we have created an organization that will bring better solutions and greater convenience to our customers, provide growth opportunities for our employees, value to our shareholders and a strong commitment to the communities we serve. We have the employees, the markets, the products, the financial strength and the brand to build the best bank in America."

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SIGNIFICANT ITEMS - SECURITIES GAINS AND UNUSUAL LOSSES	TABLE 2
($ in millions)	
	1Q 2001
UNUSUAL OR NONRECURRING GAINS	
Investment securities sales	$20
Sale of principal-only residuals	
Other securities gains	
Total unusual or nonrecurring gains	$21
UNUSUAL OR NONRECURRING LOSSES	
Credit portfolio charges	$16
Partnerships and equity investment losses	3
Mortgage servicing rights impairment	1
Other	1
Total unusual or nonrecurring losses	$21

Operating earnings for the first quarter of 2001 included a number of significant unusual or nonrecurring income and expense items. Total revenue on a taxable-equivalent basis for the first quarter of 2001 grew by $282.0 million, or 10.5 percent, over the first quarter of 2000, primarily due to $216.0 million of securities gains. Excluding securities gains, capital markets revenues (primarily U.S. Bancorp Piper Jaffray and U.S. Bancorp Libra) and trust and asset management-related revenues, total revenue on a taxable-equivalent basis for the first quarter of 2001 grew by approximately $180 million, or 8.5%, over the same period of 2000. Total noninterest expense, before merger and restructuring-related charges, increased over the first quarter of 2000 by $36.7 million, or 2.7 percent, primarily due to $59.4 million of unusual or nonrecurring expense items. Without these expense items, noninterest expense would have decreased in the first quarter of 2001 by $22.7 million, or 1.7 percent, from the first quarter of 2000, primarily reflecting cost savings from recent acquisitions. Provision for credit losses for the first quarter of 2001, excluding merger-related charges, increased by $182.6 million over the first quarter of 2000, primarily due to a $160.0 million charge to the provision for credit losses incurred in connection with an accelerated loan workout strategy. The additional provision for credit losses was taken after an extensive review of the Company's commercial portfolio in light of recent declining economic conditions and company-specific trends. In connection with this strategy, the Company has written down the carrying values of these loans to estimated secondary market prices or liquidation values and intends to aggressively pursue the disposition or restructuring

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of these loans in a relatively short period of time. The net impact of the unusual or nonrecurring items was immaterial to the Company's operating earnings in the first quarter of 2001.

Net charge-offs, excluding merger-related items totaling $90.0 million to conform risk management policies and effect certain portfolio restructurings, in the first quarter of 2001 were $387.1 million, compared with fourth quarter of 2000 net charge-offs of $229.5 million and first quarter of 2000 net charge-offs of $183.1 million. Included in the first quarter of 2001 charge-offs were $160.0 million of net charge-offs related to the Company's accelerated loan workout strategy. In addition, $21.3 million of net charge-offs in the first quarter of 2001 were associated with a portfolio of high loan-to-value home equity loans and the indirect automobile portfolio of the former U.S. Bancorp. These portfolios were sold at the end of the first quarter as part of the portfolio restructuring. Excluding the $271.3 million in net charge-offs associated with the merger, the credit portfolio review and accelerated workout strategy and the sold portfolios, baseline net charge-offs in the first quarter of 2001 were $205.8 million (see table 9). Net charge-offs, including merger-related and other risk management actions taken during the first quarter of 2001, were $477.1 million. Nonperforming assets increased from $867.0 million at December 31, 2000, to $1,090.8 million at March 31, 2001. Of the $223.8 million increase in nonperforming assets, $210.0 million was associated with merger-related actions and management's accelerated loan workout strategy. The ratio of allowance for credit losses to nonperforming loans was 176 percent at March 31, 2001, compared with 233 percent at December 31, 2000. (see tables 10 & 12)

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LINE OF BUSINESS FINANCIAL PERFORMANCE*

($ in millions)

BUSINESS LINE	PRE-TAX OPERATING INCOME** 1Q 2001	4Q 2000	1Q 2000	PERCENT CHANGE 1Q01/4Q00	1Q01/1Q00
Wholesale Banking	$514.1	$497.9	$455.5	3.3	12.9
Consumer Banking	603.6	609.7	551.8	(1.0)	9.4
Private Client, Trust and Asset Management	151.1	163.4	154.3	(7.5)	(2.1
Payment Services	282.5	290.3	243.7	(2.7)	15.9
Capital Markets	35.7	49.3	71.4	(27.6)	(50.0
Treasury and Corporate Support	(6.3)	(131.0)	(141.3)	nm	nm
Consolidated Company	$1,580.7	$1,479.6	$1,335.4	6.8	18.4

* preliminary data
** pre-tax income before merger and restructuring-related charges and provision for loan losses

Line of Business

Within the Company, financial performance is measured by major lines of business which include: Wholesale Banking, Consumer Banking, Private Client, Trust and Asset Management, Payment Services, Capital Markets, and Treasury and Other Corporate Support. The business line results are derived from the Company's profitability reporting systems. Designations, assignments and allocations may change from time to time as product lines change or segments are realigned to better respond to our diverse customer base. All results for 2001 and 2000 have been restated to present consistent methodologies for all business lines.

Wholesale Banking offers lending, depository, treasury management and other financial services to middle market, large corporate and public sector clients. Wholesale Banking contributed $514.1 million of the Company's pre-tax operating income in the first quarter of 2001, a 12.9 percent increase over the same period of 2000 and a 3.3 percent increase over the fourth quarter of 2000. Total revenue grew by 14.2 percent from the first quarter of 2000 to the first quarter of 2001, the result of core loan and deposit growth, as well as the impact of acquisitions in the equipment finance division, and an increase in noninterest income (17.5 percent), particularly cash management-related fees. Offsetting the favorable variance in revenue was an increase in noninterest expense (20.6 percent), primarily due to the leasing acquisitions and planned growth in targeted markets.

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

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machines ("ATM"). It encompasses community banking, metropolitan banking, small business banking, consumer banking and investment sales. Consumer Banking contributed $603.6 million of the Company's pre-tax operating income in the first quarter of 2001, a 9.4 percent increase over the same period of 2000 and a 1.0 percent decline from the fourth quarter of 2000. Total revenue growth of 6.6 percent in the first quarter of 2001 over the same quarter of 2000 can be primarily attributed to an increase in retail deposit and cash management fees, the result of core account growth, product pricing enhancements and the acquisition of 41 branches in Tennessee. Mortgage banking revenue also contributed to the favorable variance. Partially offsetting the increase in revenue was an increase in noninterest expense (3.2 percent), primarily related to the Tennessee branch acquisition.

Private Client, Trust and Asset Management provides mutual fund processing services, trust, private banking and financial advisory services through four businesses, including: the Private Client Group, Corporate Trust, Institutional Trust and Custody, and Mutual Fund Services, LLC. The business segment also offers investment management services to several client segments including mutual funds, institutional customers, and private asset management. Private Client, Trust and Asset Management contributed $151.1 million of the Company's pre-tax operating income in the first quarter of 2001, a 2.1 percent decline from the same period of 2000 and an 7.5 percent decline from the fourth quarter of 2000. Strong growth in net interest income (17.8 percent) in the first quarter of 2001 from the first quarter of 2000, the result of core loan and deposit growth, was offset by a decrease in noninterest income (3.2 percent) and an increase in noninterest expense (3.9 percent).

Payment Services includes consumer and business credit cards, corporate and purchasing card services, consumer lines of credit, ATM processing and merchant processing. Payment Services contributed $282.5 million of the Company's pre-tax operating income in the first quarter of 2001, a 15.9 percent increase over the same period of 2000 and a 2.7 percent decrease from the fourth quarter of 2000. Strong revenue growth of 11.7 percent, primarily due to growth in credit card and payment processing fees, was partially offset by an increase in noninterest expense (1.5 percent).

Capital Markets engages in equity and fixed income trading activities, offers investment banking and underwriting services for corporate and public sector customers and provides financial advisory services and securities, mutual funds, annuities and insurance products to consumers and regionally-based businesses through a network of brokerage offices. Capital Markets contributed $35.7 million of the Company's pre-tax operating income in the first quarter of 2001, a 50.0 percent decline from the first quarter of 2000 and a 27.6 percent decline from the fourth quarter of 2000. The unfavorable

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variances in pre-tax operating income from the first and fourth quarters of 2000 were due to significant decreases in fees related to trading, investment products fees and commissions and investment banking revenues.

Treasury and Corporate Support includes the Company's investment and residential mortgage portfolios, funding, capital management and asset securitization activities, interest rate risk management, the net effect of transfer pricing related to loan and deposit balances, and the change in residual allocations associated with the provision for credit losses. It also includes business activities managed on a corporate basis, including income and expense of enterprise-wide operations and administrative support functions. Treasury and Corporate Support recorded a pre-tax operating loss of $6.3 million in the first quarter of 2001, compared to a loss of $141.3 million in the first quarter of 2000 and a loss of $131.0 million in the fourth quarter of 2000. Included in this business segment in the first quarter of 2001 were approximately $208 million of securities gains partially offset by $36.8 million of unusual expense items.

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INCOME STATEMENT HIGHLIGHTS

(Taxable-equivalent basis, $ in millions, except per-share data)	1Q	4Q	1Q	PERCENT CHANGE

	2001	2000	2000	1Q01/4Q00
Net interest income	$1,574.1	$1,562.5	$1,511.6	0.7
Noninterest income	1,400.9	1,264.9	1,181.4	10.8
Total revenue	2,975.0	2,827.4	2,693.0	5.2
Noninterest expense*	1,394.3	1,347.8	1,357.6	3.5
Operating income before merger and restructuring-related charges	1,580.7	1,479.6	1,335.4	6.8
Provision for credit losses*	365.8	229.5	183.2	59.4
Income before taxes, merger and restructuring-related charges	1,214.9	1,250.1	1,152.2	(2.8)
Taxable-equivalent adjustment	18.5	21.0	22.0	(11.9)
Income taxes*	399.1	404.9	400.4	(1.4)
Income before merger and restructuring-related charges	797.3	824.2	729.8	(3.3)
Merger and restructuring-related charges (after-tax)	(387.2)	(55.5)	(43.0)	nm
Net income	$ 410.1	$ 768.7	$ 686.8	(46.7)
Per diluted common share:				
Earnings, before merger and restructuring-related charges	$ 0.42	$ 0.43	$ 0.38	(2.3)
Earnings on a cash basis, before merger and restructuring-related charges**	$ 0.48	$ 0.49	$ 0.43	(2.0)
Net income	$ 0.21	$ 0.40	$ 0.36	(47.5)
Earnings on a cash basis**	$ 0.27	$ 0.46	$ 0.40	(41.3)

* before effect of merger and restructuring-related charges

** calculated by adding amortization of goodwill and other intangible assets to operating earnings and net income

Net Interest Income

First quarter net interest income on a taxable-equivalent basis was $1,574.1 million, compared with $1,511.6 million recorded in the first quarter of 2000. Average earning assets for the period increased over the first quarter of 2000 by $7.3 billion, or 5.3 percent, primarily driven by core commercial and retail loan growth of $9.3 billion and the impact of acquisitions, offset by a $3.7 billion decline in lower margin residential mortgages. The net interest margin was essentially flat in the first quarter of 2001 at 4.41 percent, compared with 4.44 percent in the first quarter of 2000. The

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8 basis point improvement in the net interest margin in the first quarter of 2001 from the fourth quarter of 2000 reflects the benefit of the declining rate environment and product re-pricing dynamics.

AVERAGE LOANS

($ in millions)	1Q 2001	4Q 2000	1Q 2000	PERCENT CHANGE 1Q01/4Q00
Commercial	$ 46,805	$ 46,886	$ 43,055	(0.2)
Lease financing	5,768	5,603	3,826	2.9
Total commercial	52,573	52,489	46,881	0.2
Commercial mortgages	19,305	19,368	18,753	(0.3)
Construction and development	7,151	7,126	6,633	0.4
Total commercial real estate	26,456	26,494	25,386	(0.1)
Residential mortgages	7,618	8,840	11,342	(13.8)
Credit card	5,655	5,216	4,744	8.4
Retail leasing	4,291	3,957	2,328	8.4
Other retail	25,176	25,185	23,872	--
Total retail	35,122	34,358	30,944	2.2
Total loans	$121,769	$122,181	$114,553	(0.3)
Total loans, excl. residential mortgages	$114,151	$113,341	$103,211	0.7

Note: Average loan balances in the Company's loan conduit, Stellar Funding Group, Inc., tota million, $2,988 million and $2,480 in 1Q01, 4Q00 and 1Q00, respectively

Excluding residential mortgage loans, average loans for the first quarter were higher by $10.9 billion, or 10.6 percent, than the first quarter of 2000, reflecting both core loan growth and acquisitions. In addition, $2.2 billion of short term, high quality, low yielding commercial loans were funded in the loan conduit, Stellar Funding Group, Inc. in the first quarter of 2001. Total average loans for the first quarter, excluding residential mortgage loans, but including loans funded in the loan conduit, grew by $11.7 billion, or 11.1 percent, over the first quarter of 2000.

Excluding residential mortgage loans, average loans for the first quarter of 2001 remained essentially flat to the fourth quarter 2000. Total average loans, excluding residential mortgage loans,

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but including loans funded in the loan conduit, grew by $1.1 billion, or .9 percent, in the first quarter of 2001 over the fourth quarter of 2000. Total loans, excluding residential mortgage loans, at March 31, 2001, were $2.4 billion lower than at December 31, 2000, reflecting the $1.3 billion sale of a portfolio of high loan-to-value home equity loans and the indirect automobile portfolio held by the former U.S. Bancorp, in addition to the transfer of $2.2 billion of commercial loans into the loan conduit.

Investment securities at March 31, 2001, were $1.2 billion less than at March 31, 2000, and $1.1 billion less than at December 31, 2000, primarily reflecting net sales of securities. During the first quarter of 2001, the Company sold $8.7 billion of investment securities and purchased $6.5 billion of investment securities.

Average noninterest-bearing deposits in the first quarter of 2001 were slightly lower than the first quarter of 2000. Average interest-bearing deposits, however, grew by $3.1 billion, or 4.0 percent, over the first quarter of 2000, reflecting bank acquisitions, growth in core money market deposits and increases in time deposits greater than $100,000.

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NONINTEREST INCOME

($ in millions)	1Q 2001	4Q 2000	1Q 2000	PERCENT CHANGE 1Q01/4Q00
Credit card and payment processing revenue	$ 249.7	$ 264.7	$ 218.9	(5.7)
Trust and investment management fees	225.0	233.8	230.9	(3.8)
Deposit service charges	146.5	145.4	123.4	0.8
Investment products fees and commissions	125.7	108.9	140.8	15.4
Cash management fees	76.8	71.8	71.8	7.0
Commercial product revenue	76.1	85.2	61.6	(10.7)
Trading account profits and commissions	71.9	62.4	85.3	15.2
Investment banking revenue	60.2	92.8	94.0	(35.1)
Mortgage banking revenue	48.2	54.4	42.7	(11.4)
Securities gains (losses), net	216.0	7.0	(0.3)	nm
Other	104.8	138.5	112.3	(24.3)
Total noninterest income	$1,400.9	$1,264.9	$1,181.4	10.8

Noninterest Income

First quarter noninterest income was $1,400.9 million, an increase of

$219.5 million, or 18.6 percent, from the same quarter of 2000, and a $136.0 million, or 10.8 percent, increase from the fourth quarter of 2000. Excluding the impact of securities gains, noninterest income in the first quarter of 2001 would have been essentially flat to the first quarter of 2000, and $73.0 million, or 5.8 percent, lower than the fourth quarter of 2000. Credit card and payment processing revenue was higher in the first quarter of 2001 over the same period of 2000 by $30.8 million, or 14.1 percent, reflecting continued growth in corporate, merchant and retail card product fees. Deposit service charges, cash management fees, commercial product revenue, and mortgage banking revenue also improved in the first quarter of 2001 over the first quarter of 2000 by $23.1 million (18.7 percent), $5.0 million (7.0 percent), $14.5 million (23.5 percent), and $5.5 million (12.9 percent), respectively. The increases in deposit service charges, cash management fees and commercial product revenue were primarily driven by growth in core business and product fee enhancements during 2000. The increase in mortgage banking revenue in the first quarter of 2001 over the first quarter of 2000 was due to an increase in origination fees, partially offset by a decrease in gains on the sale of servicing

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rights. Offsetting the growth in these items year over year was a reduction in capital markets (primarily U.S. Bancorp Piper Jaffray and U.S. Bancorp Libra) and trust and asset management-related revenues, which declined by approximately $100 million from the first quarter of 2000, reflecting adverse equity capital market conditions and declining asset values. Excluding the impact of securities gains and these market-driven revenues, first quarter of 2001 noninterest income would have increased by approximately $114 million, or 18.2 percent.

Excluding securities gains, noninterest income declined in the first quarter of 2001 from the fourth quarter of 2000. Credit card and payment processing revenue decreased by $15.0 million, reflecting seasonal spending patterns. Mortgage banking revenue declined by $6.2 million, the result of lower gains on the sale of servicing rights, partially offset by growth in mortgage loan originations and servicing income. Given the current interest rate environment, the Company expects continued growth in revenue from mortgage loan originations in the second quarter. Approximately $45 million of the reduction in noninterest income in the first quarter of 2001 from the fourth quarter of 2000 was due to the decline in capital markets and trust and asset management-related revenue.

NONINTEREST EXPENSE

($ in millions)	1Q 2001	4Q 2000	1Q 2000	PERCENT CHANGE 1Q01/4Q00
Salaries	$ 590.5	$ 593.7	$ 629.6	(0.5)
Employee benefits	108.1	98.2	111.9	10.1
Net occupancy	110.1	104.2	97.2	5.7
Furniture and equipment	76.9	76.2	76.7	0.9
Postage	46.9	44.2	44.6	6.1
Goodwill	70.5	64.2	58.4	9.8
Other intangible assets	43.9	37.8	37.4	16.1

Other	347.4	329.3	301.8	5.5
Subtotal	1,394.3	1,347.8	1,357.6	3.5
Merger and restructuring-related charges	404.2	84.1	65.0	
Total noninterest expense	$1,798.5	$1,431.9	$1,422.6	

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Noninterest Expense

First quarter noninterest expense, before merger and restructuring-related charges, totaled $1,394.3 million, an increase of $36.7 million, or 2.7 percent, from the first quarter of 2000. The increase in noninterest expense was primarily the result of unusual or nonrecurring expense items totaling $59.4 million, offset by net cost savings from acquisitions and a decline of approximately $56 million in expenses associated with the slow-down in capital market-related activities. Excluding the $59.4 million of unusual or nonrecurring expense items, before merger and restructuring-related charges, noninterest expense would have decreased in the first quarter of 2001 by $22.7 million, or 1.7 percent, from the first quarter of 2000.

First quarter of 2001 noninterest expense, before merger and restructuring-related charges, was higher than the fourth quarter of 2000 by $46.5 million, or 3.5 percent, primarily due to the $59.4 million of unusual or nonrecurring expense items. Excluding unusual or nonrecurring expense items, before merger and restructuring-related charges, noninterest expense in the first quarter of 2001 would have declined by $12.9 million from the fourth quarter of 2000, primarily due to the reduction in capital-market related activities, partially offset by seasonally higher employee benefits and increases in net occupancy of $5.9 million (5.7 percent), goodwill expense of $6.3 million (9.8 percent) and other intangible expense of $6.1 million (16.1 percent). The increase in net occupancy, goodwill and other intangible expense was primarily due to the purchase of 41 branches in Tennessee on December 8, 2000, by the former Firstar.

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SIGNIFICANT ITEMS - MERGER AND RESTRUCTURING TA

($ in millions)

SUMMARY OF CHARGES	PLAN	ESTIMATED TIMING 2001	2002	A 1Q
Firstar/U.S. Bancorp				
Severance and employee-related costs	$ 187.4	$ 194.9	($ 7.5)	$
Building and equipment	103.5	61.6	41.9	
Investment banking and transaction costs	58.5	58.5	-	
Charitable foundation	76.0	76.0	-	
Restructurings	178.1	178.1	-	
Branch sale	(64.0)	(64.0)	-	
Other, net	103.8	65.3	38.5	
Subtotal	643.3	570.4	72.9	
Conversion and integration	326.7	195.6	131.1	
Total Firstar/U.S. Bancorp*	970.0	766.0	204.0	
U.S. Bancorp Piper Jaffray restructuring	26.0	26.0	-	
Other acquisitions, net	75.0	55.0	20.0	
Total merger and restructuring	$ 1,071.0	$ 847.0	$ 224.0	$

* originally estimated to be $800 million

Earnings in the first quarter of 2001 included merger and restructuring-related charges of $570.8 million. Total merger and restructuring-related charges included $356.5 million of merger-related noninterest expense and $166.6 million in provision for credit losses associated with the Firstar/U.S. Bancorp merger, $22.6 million of restructuring expense for U.S. Bancorp Piper Jaffray and $25.1 million of noninterest expense for other recent acquisitions, including Mercantile, the Tennessee branch purchase and Scripps Financial.

The $356.5 million of merger-related noninterest expense associated with the Firstar/U.S. Bancorp merger included $123.6 million of severance and employee-related costs, $23.6 million of building and equipment costs, $60.6 million of investment banking and transaction costs, $76.0 million of contributions to charitable foundations, $15.0 million of non-credit related restructurings, $38.5 million for asset impairments and other costs and $19.2 million of conversion and integration expense. In addition, the Company recorded $166.6 million of merger-related provision for credit losses, which included $90.0 million of charge-offs taken on credits with pre-charge off commitments totaling $350 million. These charge-offs were taken to align risk management practices for larger commercial credits, align charge-off policies and to expedite the Company's transition out of a

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segment of the health care industry. The write-down of several large commercial loans, loans originally held separately by both Firstar and the former U.S. Bancorp, was primarily taken to allow the Company to exit or reduce these credits to conform with the credit exposure policy of the combined entity. An additional $76.6 million of provision for credit losses was included in the merger-related provision for credit losses to account for the sale of a portfolio of high loan-to-value home equity loans and the indirect automobile loan portfolio of the former U.S. Bancorp. The balance of these portfolios totaled approximately $1.3 billion.

SIGNIFICANT ITEMS - CREDIT INITIATIVES TABLE 9

($ in millions)	NET CHARGE-OFFS AND LOAN SALES	PROVISION OPERATING BASIS*	PROVISION "GAAP" BASIS
SUMMARY OF NET CHARGE-OFFS			
Merger-related items	$ 90.0		$ 90.0
Charge-offs related to consumer loans sold	21.3		
Accelerated commercial workout strategy	160.0	$160.0	160.0
Baseline charge-offs	205.8	205.8	205.8
	477.1	365.8	455.8
Losses from consumer loans sold	113.6		76.6
Total	$590.7	$365.8	$532.4

* excluding merger-related charges

In response to significant changes in the securities markets during the past six months, including increased volatility, changes in equity valuations, a slow down in the market for new and secondary issuances of equity, and the increasingly competitive environment for the industry, U.S. Bancorp Piper Jaffray is restructuring its operations. The restructuring is expected to improve the operating efficiency of the individual businesses by removing excess capacity from the product distribution system and by implementing new, more effective operating models. Of the $26.0 million of total restructuring expense to be incurred in 2001, $22.6 million was expensed in the first quarter of 2001.

Total merger-related expenses associated with the merger of the former Firstar and the former U.S. Bancorp are expected to be $970 million, exceeding the original estimate of $800 million by $170 million. The majority of the increase is due to risk management policy conformance and the restructuring of the credit portfolio, which were not anticipated at the time the merger was announced. This credit portfolio restructuring, however, is expected to enhance the overall credit risk profile of the Company. In addition, cost savings associated with the merger of Firstar and the former U.S.

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Bancorp are also expected to be higher than the original estimate of $266 million. The Company now anticipates that cost savings from the merger will be approximately $325 million, with an accelerated phase-in of the cost savings in 2001. Along with the additional cost savings, the Company has identified revenue enhancements that were not originally included in the transaction economics.

ALLOWANCE FOR CREDIT LOSSES

($ in millions)	1Q2001 "NORMALIZED*"	1Q2001 ACTUAL	4Q 2000	3Q 2000
Balance, beginning of period	$1,786.9	$1,786.9	$1,776.6	$1,75
Net charge-offs				
Commercial	53.9	270.3	69.0	6
Lease financing	6.4	19.6	7.2	
Total commercial	60.3	289.9	76.2	7
Commercial mortgages	3.1	28.5	6.8	
Construction and development	0.8	0.8	3.9	
Total commercial real estate	3.9	29.3	10.7	
Residential mortgages	3.2	3.2	3.0	
Credit card	57.8	57.8	54.4	5
Retail leasing	6.2	6.2	4.6	
Other retail	95.7	90.7	80.6	7
Total retail	159.7	154.7	139.6	13
Total net charge-offs	227.1	477.1	229.5	21
Provision for credit losses	282.4	532.4	229.5	21
Losses from consumer loan sales	(113.6)	(113.6)	--	
Acquisitions and other changes	0.5	0.5	10.3	1
Balance, end of period	$1,729.1	$1,729.1	$1,786.9	$1,77
Net charge-offs to average loans (%)	0.76	1.59	0.75	0
Allowance for credit losses to period-end loans (%)	1.45	1.45	1.46	1

* categories adjusted for merger-related ($90.0 million) and portfolio restructuring-related (
net-charge-offs

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Credit Quality

The allowance for credit losses was $1,729.1 million at March 31, 2001, lower than the allowance for credit losses of $1,786.9 million at December 31, 2000, principally due to reductions related to the sale of a portfolio of high loan-to-value home equity loans and indirect automobile loans. The ratio of allowance for credit losses to nonperforming loans was 176 percent at March 31, 2001, down from the ratio of 233 percent at December 31, 2000. The ratio of allowance for credit losses to period-end loans was 1.45 percent at March 31, 2001, compared with the ratio of 1.46 percent at December 31, 2000.

Total net charge-offs, before merger-related items, in the first quarter of 2001 were $387.1 million, compared with the fourth quarter of 2000 net charge-offs of $229.5 million and the first quarter of 2000 net charge-offs of $183.1 million. Total net charge-offs, before merger-related items, included $160.0 million of charge-offs taken on credits with pre-charge off commitments totaling $480 million related to the Company's accelerated loan workout strategy. Total retail loan net charge-offs of $154.7 million were higher than the same period of 2000 by $28.7 million, or 22.8 percent, and $15.1 million, or 10.8 percent, more than the fourth quarter of 2000. Included in the first quarter of 2001 retail loan charge-offs were $21.3 million of charge-offs associated with portfolios sold at the end of the quarter. Retail loan net charge-offs as a percent of average loans outstanding were 1.79 percent in the first quarter of 2001, compared with 1.62 percent and 1.64 percent in the fourth quarter of 2000 and first quarter of 2000, respectively. Excluding the net charge-offs related to the sold portfolios, retail loan net charge-offs as a percent of average loans outstanding would have been 1.60 percent.

Commercial and commercial real estate loan net charge-offs were $319.2 million for the first quarter of 2001, or 1.64 percent of average loans outstanding, compared with $86.9 million, or .44 percent, in the fourth quarter of 2000 and $52.3 million, or .29 percent, of average loans outstanding, in the first quarter of 2000. Commercial and commercial real estate loan net charge-offs in the first quarter of 2001 included $255.0 million in merger-related charge-offs and charge-offs associated with the Company's accelerated loan workout strategy. Excluding net charge-offs associated with the

merger and accelerated workout strategy, commercial and commercial real estate loan net charge-offs were .33 percent of average loans outstanding. The Company expects total net charge-offs in the second quarter of 2001 to increase modestly from the "normalized" net charge-offs reported in the first quarter of 2001 (see table 10).

CREDIT RATIOS TA

	MAR 31 2001	DEC 31 2000	SEP 30 2000	JUN 30 2000	M
Net charge-offs ratios*					

Commercial	2.34	0.59	0.59	0.60
Lease financing	1.38	0.51	0.43	0.54
Total commercial	2.24	0.58	0.57	0.60
Commercial real estate	0.45	0.16	0.10	(0.07)
Residential mortgages	0.17	0.14	0.10	0.10
Credit card	4.15	4.15	4.16	4.36
Retail leasing	0.59	0.46	0.43	0.37
Other retail	1.46	1.27	1.22	1.18
Total retail	1.79	1.62	1.58	1.59
Total net charge-offs	1.59	0.75	0.71	0.68
Delinquent loan ratios**				
Commercial past due 90+ days	1.22	0.95	0.84	0.78
Consumer past due 90+ days	1.01	0.92	0.79	0.74

* annualized and calculated on average loan balances
** ratios include nonperforming loans and are expressed as a percent of ending loan balances

(MORE)

ASSET QUALITY TABLE 12

($ in millions)

	MAR 31 2001	DEC 31 2000	SEP 30 2000	JUN 30 2000	MAR 31 2000
Nonperforming loans					
Commercial	$631.9	$470.4	$383.8	$325.3	$266.1
Lease financing	103.8	70.5	57.5	53.5	33.0
Total commercial	735.7	540.9	441.3	378.8	299.1
Commercial mortgages	98.5	105.5	107.6	103.4	114.9
Construction and development	57.8	38.2	34.8	24.1	32.9
Total commercial real estate	156.3	143.7	142.4	127.5	147.8
Residential mortgages	64.8	56.9	60.7	63.5	74.2
Retail	25.1	23.8	22.0	26.3	27.2
Total nonperforming loans	981.9	765.3	666.4	596.1	548.3
Other real estate	55.0	61.1	42.6	42.0	43.7
Other nonperforming assets	53.9	40.6	30.4	30.1	30.4

Total nonperforming assets*	$1,090.8	$867.0	$739.4	$668.2	$622.4
Accruing loans 90 days past due	$390.7	$385.2	$329.1	$319.7	$274.6
Allowance to nonperforming loans (%)	176	233	267	295	315
Allowance to nonperforming assets (%)	159	206	240	263	277
Nonperforming assets to loans plus ORE (%)	0.91	0.71	0.61	0.56	0.54

* does not include accruing loans 90 days past due

Nonperforming assets at March 31, 2001, totaled $1,090.8 million, compared with $867.0 million at December 31, 2000, and $622.4 million at March 31, 2000. $210.0 million of the increase in nonperforming assets from December 31, 2000, to March 31, 2001, was due to the merger-related and risk management actions taken during the quarter, as credits were reduced to secondary market value and placed on nonperforming status. The ratio of nonperforming assets to loans and other real estate was .91 percent at March 31, 2001, compared with .71 percent at December 31, 2000, and .54 percent at March 31, 2000. Although the Company has credit and non-credit relationships with companies in the energy industry, the Company does not have direct credit exposure to troubled

(MORE)

California utilities. The Company expects nonperforming loans to decline modestly from the March 31, 2001 totals through the remainder of 2001.

CAPITAL POSITION TABL

($ in millions)	MAR 31 2001	DEC 31 2000	SEP 30 2000	JUN 30 2000	MAR 20
Total shareholders' equity	$15,243	$15,168	$14,334	$14,137	$1
Tier 1 capital	11,831	11,602	11,179	11,125	1
Total risk-based capital	17,135	17,038	16,740	16,718	1
Common equity to assets	9.5%	9.2%	8.9%	8.8%	
Tangible common equity to assets*	7.2	6.8	6.6	6.5	
Tier 1 capital ratio	7.4	7.2	7.1	7.2	
Total risk-based capital ratio	10.7	10.6	10.6	10.8	
Leverage ratio	7.5	7.4	7.2	7.2	

* calculated by deducting goodwill from shareholders' equity and assets

Total shareholder's equity was $15.2 billion at March 31, 2001, an increase of $1.2 billion from the $14.0 billion reported at March 31, 2000. The increase was the result of strong corporate earnings, including merger-related charges, offset by dividend payments and share buybacks in the second and third quarters of 2000.

Tangible common equity to assets was 7.2 percent at March 31, 2001, compared with 6.8 percent at December 31, 2000, and 6.7 percent at March 31, 2000. The Tier 1 capital ratio was 7.4 percent at March 31, 2001, compared with 7.2 percent at December 31, 2000, and at March 31, 2000. The total risk-based capital ratio was 10.7 percent at March 31, 2001, compared with 10.6 percent at December 31, 2000, and 10.8 percent at March 31, 2000, and the leverage ratio was 7.5 percent at March 31, 2001, compared with 7.4 percent at December 31, 2000, and at March 31, 2000. All regulatory ratios continue to be in excess of stated "well capitalized" requirements.

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COMMON SHARES T

(Millions)	1Q 2001	4Q 2000	3Q 2000	2Q 2000
Beginning shares outstanding	1,902.1	1,890.3	1,905.5	1,917.5
Shares issued for stock option and stock purchase plans, acquisitions and other corporate purposes	3.2	11.8	1.9	8.2
Shares repurchased	--	--	(17.1)	(20.2)
Ending shares outstanding	1,905.3	1,902.1	1,890.3	1,905.5

The stock repurchase programs of Firstar and the former U.S. Bancorp were rescinded on October 4, 2000, and January 17, 2001, respectively, in connection with the planned merger of the two companies.

Minneapolis-based U.S. Bancorp ("USB"), with $160 billion in assets, is the 8th largest financial services holding company in the United States. The company operates 2,242 banking offices and 5,208 ATMs, and provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, and trust payment services products to consumers, businesses and institutions. U.S. Bancorp is the parent company of Firstar Banks and U.S. Bank. Visit U.S. Bancorp on the web at www.usbank.com and Firstar Bank at www.firstar.com.

A RECORDED REVIEW OF THE FINANCIAL RESULTS BY VICE CHAIRMAN AND CHIEF FINANCIAL OFFICER DAVID M. MOFFETT WILL BE AVAILABLE BY TELEPHONE OR ON THE INTERNET. The recorded message will be available from 10:30 A.M. on Tuesday, April 17, 2001 through 12:00 midnight on Monday, April 23, 2001. To access the recorded message dial 800-642-1687 and enter ID number 434143. If calling from outside the United States, please dial 706-645-9291 and enter the ID number.

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Forward-Looking Statements

This press release contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements cover, among other things, projected earnings growth, anticipated future expenses and revenues, and the future prospects of the Company. 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 in the Company's reports on file with the SEC: (i) 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; (ii) changes in the domestic interest rate environment could reduce net interest income and could increase credit losses; (iii) 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; (iv) changes in the extensive laws, regulations and policies governing financial services companies could alter the Company's business environment or affect operations; (v) 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; (vi) 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 (vii) 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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U.S. Bancorp
CONSOLIDATED STATEMENT OF INCOME

(Dollars in Millions, Except Per Share Data) (Unaudited)	March 3 20
INTEREST INCOME	

Loans	$2,660
Loans held for sale	16
Investment securities	
Taxable	253
Non-taxable	31
Money market investments	8
Trading securities	15
Other interest income	32
Total interest income	3,018
INTEREST EXPENSE	
Deposits	883
Short-term borrowings	219
Long-term debt	332
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	27
Total interest expense	1,463
Net interest income	1,555
Provision for credit losses	532
Net interest income after provision for credit losses	1,023
NONINTEREST INCOME	
Credit card and payment processing revenue	249
Trust and investment management fees	225
Deposit service charges	146
Investment products fees and commissions	125
Cash management fees	76
Commercial product revenue	76
Trading account profits and commissions	71
Investment banking revenue	60
Mortgage banking revenue	48
Securities gains (losses), net	216
Other	104
Total noninterest income	1,400
NONINTEREST EXPENSE	
Salaries	590
Employee benefits	108
Net occupancy	110
Furniture and equipment	76
Postage	46
Goodwill	70
Other intangible assets	43
Merger and restructuring-related charges	404
Other	347
Total noninterest expense	1,798
Income before income taxes	625
Applicable income taxes	215
Net income	$410
EARNINGS PER COMMON SHARE	
Average shares outstanding (in millions)	1,901

Earnings per share	$.
Diluted average shares outstanding (in millions)	1,915
Diluted earnings per share	$.

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U.S. Bancorp
CONSOLIDATED ENDING BALANCE SHEET

(Dollars in Millions)	March 31, 2001
ASSETS	(Unaudited)
Cash and due from banks	$7,252
Money market investments	523
Trading account securities	811
Investment securities	
Held-to-maturity	260
Available-for-sale	16,251
Loans held for sale	1,210
Loans	
Commercial	51,933
Commercial real estate	26,376
Residential mortgages	7,433
Retail	33,907
Total loans	119,649
Less allowance for credit losses	1,729
Net loans	117,920
Premises and equipment	1,787
Customers' liability on acceptances	145
Goodwill and other intangible assets	5,211
Other assets	8,904
Total assets	$160,274
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	
Noninterest-bearing	$24,797
Interest-bearing	67,686
Time deposits greater than $100,000	12,359
Total deposits	104,842
Short-term borrowings	11,665
Long-term debt	21,725
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	1,400
Acceptances outstanding	145
Other liabilities	5,254

Total liabilities	145,031
Shareholders' equity	
Common stock	19
Capital surplus	3,500
Retained earnings	11,711
Treasury stock	(38)
Other comprehensive income	51
Total shareholders' equity	15,243
Total liabilities and shareholders' equity	$160,274