US BANCORP \DE\
Form 8-K
July 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): July 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 July 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: July 17, 2001

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U.S. BANCORP REPORTS EARNINGS FOR 2ND QUARTER 2001

EARNINGS SUMMARY

($ in millions, except per-share data)

	2Q 2001	1Q 2001	2Q 2000	PERCENT CHANGE 2Q01 VS 1Q01	PERCENT CHANGE 2Q01 VS 2Q00	YTD 2001	2
Before merger and restructuring-related items*:							
Operating earnings	$818.6	$797.3	$764.1	2.7	7.1	$1,615.9	$1,
Earnings per common share (diluted)	0.43	0.42	0.40	2.4	7.5	0.84	
Cash earnings per common share (diluted)**	0.49	0.48	0.45	2.1	8.9	0.96	
Net income	562.3	410.1	709.8	37.1	(20.8)	972.4	1,
Earnings per common share (diluted)	0.29	0.21	0.37	38.1	(21.6)	0.51	
Cash earnings per common share (diluted)**	0.35	0.27	0.42	29.6	(16.7)	0.63	
Dividends paid per common share	0.1875	0.1875	0.1625	--	15.4	0.375	
Book value per common share (period-end)	8.10	8.00	7.42	1.3	9.2		

Return on average common equity***(%)	21.0	20.9	21.6	21.0
Return on average assets*** (%)	1.99	1.98	1.95	1.99
Net interest margin (%)	4.37	4.41	4.37	4.39
Efficiency ratio*** (%)	47.6	50.5	48.7	49.1
Banking efficiency ratio****(%)	41.7	45.7	44.1	43.6

* merger and restructuring-related items (net of taxes) totaled $256.3 million in 2Q01, $387.2 million in 1Q01 and $54.3 million in 2Q00 merger and restructuring-related items (net of taxes) totaled $643.5 million year-to-date 2001 and $97.3 million year-to-date 2000

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

*** before merger and restructuring-related items

**** before merger and restructuring-related items; without investment banking and brokerage activity

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MINNEAPOLIS, July 17, 2001 - U.S. Bancorp (NYSE: USB) today reported operating earnings of $818.6 million for the second quarter of 2001, compared with $764.1 million for the second quarter of 2000. Operating earnings of $.43 per diluted share in the second quarter of 2001 were $.03, or 7.5 percent, higher than the same period of 2000. Operating earnings on a cash basis increased to $.49 per diluted share in the second quarter of 2001 from $.45 in the second quarter of 2000. Return on average common equity and return on average assets, excluding merger and restructuring-related items, were 21.0 percent and 1.99 percent, respectively, in the second quarter of 2001, compared with returns of 21.6 percent and 1.95 percent in the second quarter of 2000.

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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 $.43 per diluted share represent a 16.2 percent increase over Firstar's second quarter of 2000 operating earnings, as originally reported, of $.37 per diluted share.

Including after-tax merger and restructuring-related items of $256.3 million in the second quarter of 2001 and $54.3 million in the second quarter of 2000, the Company recorded net income for the second quarter of 2001 of $562.3 million, or $.29 per diluted share, compared with $709.8 million, or $.37 per diluted share, for the same period of 2000.

U.S. Bancorp President and Chief Executive Officer Jerry A. Grundhofer said, "I am very pleased with our second quarter operating results. The results demonstrate that the earnings momentum is building at the new U.S. Bancorp, as core banking revenue grew by 13.2 percent, on an annualized basis, over the first quarter of 2001. Our ability to produce these results in a difficult economic environment, in addition to maintaining our focus on the integration, is a tribute to the dedication and ability of our employees. During the quarter, we made significant progress in further aligning the business units, products and infrastructure of the two organizations, and began the systems conversion stage of the integration process. First mortgage origination and indirect lease and loan origination capabilities were in place in the former U.S. Bank markets for the entire second quarter, which contributed to our core banking revenue growth. We also took additional actions during the quarter to reduce the risk profile of the organization by exiting certain business lines and products. These actions reaffirm our commitment to our customers to efficiently deliver quality products and services in all of the markets that we serve and to provide quality earnings growth for our shareholders."

Total revenue, before merger and restructuring-related items, on a taxable-equivalent basis for the second quarter of 2001 grew by $120.3 million, or 4.4 percent, over the second quarter of 2000. Core banking revenue, (revenue excluding capital markets activities, nonrecurring income, acquisitions and divestitures) on a taxable-equivalent basis, however, grew by approximately 6.5 percent quarter over quarter. Total noninterest expense, before merger and restructuring-related items, increased over the second quarter of 2000 by $12.7 million, or 1.0 percent, primarily reflecting growth in the core banking businesses and acquisitions, principally offset by the reduction in capital markets activity and

cost savings from the integration of recent acquisitions. Provision for credit losses, before merger and restructuring-related items, for the second quarter of 2001 increased by $38.7 million over the second quarter of 2000, reflecting the increase in charge-offs quarter over quarter.

Net charge-offs in the second quarter of 2001 were $240.3 million, compared with the first quarter of 2001 net charge-offs, excluding merger-related items, of $387.1 million and second quarter of 2000 net charge-offs of $198.9 million. Included in the first quarter of 2001 net charge-offs were $160.0 million of charge-offs related to the Company's previously announced accelerated loan workout strategy. Nonperforming assets increased from $1,090.8 million at March 31, 2001, to $1,215.1 million at June 30, 2001. The ratio of allowance for credit losses to nonperforming loans was 156 percent at June 30, 2001, compared with 176 percent at March 31, 2001.

On May 7, 2001, the Company announced an agreement to acquire NOVA Corporation (NYSE: NIS) in a stock and cash transaction valued at approximately $2.1 billion. The transaction is expected to close during the third quarter of 2001 and will be accounted for as a purchase.

On June 5, 2001, the Company announced an agreement to purchase 20 branches in Southern California from Pacific Century Bank in a cash transaction. The acquisition includes approximately $640 million in deposits, $570 million in loans and 300 employees. The transaction is expected to close by the end of the third quarter of 2001.

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LINE OF BUSINESS FINANCIAL PERFORMANCE*

($ in millions)

BUSINESS LINE	PRE-TAX OPERATING INCOME** 2Q 2001	1Q 2001	2Q 2000	PERCENT CHANGE 2Q01 VS 1Q01	2Q01 VS 2Q00	YTD 2001	YTD 2000	PERC CHAN
Wholesale Banking	$491.1	$487.1	$459.5	0.8	6.9	$978.2	$890.1	9
Consumer Banking	604.8	575.2	606.9	5.1	(0.3)	1,180.0	1,162.7	1
Private Client, Trust Services and Asset Management	162.5	151.1	158.5	7.5	2.5	313.6	316.1	(
Payment Services	281.4	272.6	261.5	3.2	7.6	554.0	503.2	10
Capital Markets	32.1	35.0	59.0	(8.3)	(45.6)	67.1	130.2	(48
Treasury and Corporate Support	(63.4)	59.7	(144.5)	nm	nm	(3.7)	(265.8)	
Consolidated Company***	$1,508.5	$1,580.7	$1,400.9	(4.6)	7.7	$3,089.2	$2,736.5	12

* preliminary data
** pre-tax income before merger and restructuring-related items and provision for credit losses
*** securities gains equaled $31.3 million in 2Q01, $216.0 million in 1Q01 and $.3 million in 2Q00 and were assigned to Treasury and and Corporate Support

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 $491.1 million of the Company's pre-tax operating income in the second quarter of 2001, a 6.9 percent increase over the same period of 2000 and a .8 percent increase over the first quarter of 2001. Total revenue grew by 7.6 percent from the second quarter of 2000 to the second quarter of 2001, the result of core loan and deposit growth, as well as the impact of an equipment finance division acquisition, and an increase in noninterest income (18.2 percent), particularly cash management-related fees.

Offsetting the favorable variance in revenue was an increase in noninterest expense (11.2 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 machines ("ATM"). It encompasses community banking, metropolitan banking, small business banking, consumer lending, mortgage banking and investment sales. Consumer Banking contributed $604.8 million of the Company's pre-tax operating income in the second quarter of 2001, a .3 percent decrease from the same period of 2000, but a 5.1 percent increase from the first quarter of 2001. Total revenue grew by 3.1 percent in the second quarter of 2001 over the same quarter of 2000. Fee-based revenue increased 25.3 percent from a year ago, while net interest income declined 4.7 percent. The decline in net interest income reflects the impact of declining interest rates on the funding benefit of consumer deposits, the divestiture of home equity and indirect automobile loans in the first quarter of 2001, and branches divestitures during the second quarter of 2001 in connection with the merger. The decline was partially offset by a funding benefit of approximately $14 million related to the acquisition of 41 branches in Tennessee. Growth in fee-based revenue is primarily attributed to an increase in retail deposit and cash management fees, the result of core account growth, product pricing enhancements and approximately $6 million of fee revenue related to the Tennessee branch acquisition. Mortgage banking revenue also contributed to the favorable variance. Partially offsetting the increase in revenue was an increase in noninterest expense (8.1 percent), primarily related to the growth in mortgage banking activities and 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 $162.5 million of the Company's pre-tax operating income in the second quarter of 2001, a 2.5 percent increase over the same period of 2000 and a 7.5 percent increase from the first quarter of 2001. Strong growth in net interest income (8.7 percent) in the second quarter of 2001 from the second quarter of 2000, in addition to a decrease in noninterest expense (.7 percent) was slightly offset by a decrease in noninterest income (.7 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 $281.4 million of the Company's pre-tax operating income in the second quarter of 2001, a 7.6 percent increase over the same period of 2000 and a 3.2 percent increase from the first quarter of 2001. Strong revenue growth of 8.2 percent, primarily due to growth in credit card and payment processing fees, was partially offset by an increase in noninterest expense (9.7 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 $32.1 million of the Company's pre-tax operating income in the second quarter of 2001, a 45.6 percent decline from the second quarter of 2000 and an 8.3 percent decline from the first quarter of 2001. The unfavorable variances in pre-tax operating income from the second quarter of 2000 and first quarter of 2001 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 $63.4 million in the second quarter of 2001, compared to a loss of $144.5 million in the second quarter of 2000 and operating income of $59.7 million in the first quarter of 2001.

INCOME STATEMENT HIGHLIGHTS

(Taxable-equivalent basis, $ in millions, except per-share data)	2Q 2001	1Q 2001	2Q 2000	PERCENT CHANGE 2Q01 VS 1Q01	PERCENT CHANGE 2Q01 VS 2Q00	YTD 2001
Net interest income	$1,586.0	$1,574.1	$1,526.8	0.8	3.9	$3,160.1
Noninterest income*	1,264.4	1,400.9	1,203.3	(9.7)	5.1	2,665.3
Total revenue	2,850.4	2,975.0	2,730.1	(4.2)	4.4	5,825.4
Noninterest expense*	1,341.9	1,394.3	1,329.2	(3.8)	1.0	2,736.2
Operating income before merger and restructuring-related items	1,508.5	1,580.7	1,400.9	(4.6)	7.7	3,089.2
Provision for credit losses*	240.0	365.8	201.3	(34.4)	19.2	605.8
Income before taxes, merger and restructuring-related items	1,268.5	1,214.9	1,199.6	4.4	5.7	2,483.4
Taxable-equivalent adjustment	16.8	18.5	21.3	(9.2)	(21.1)	35.3
Income taxes*	433.1	399.1	414.2	8.5	4.6	832.2
Income before merger and restructuring-related items	818.6	797.3	764.1	2.7	7.1	1,615.9
Merger and restructuring-related items (after-tax)	(256.3)	(387.2)	(54.3)	nm	nm	(643.5
Net income	$562.3	$410.1	$709.8	37.1	(20.8)	$972.4
Per diluted common share:						
Earnings, before merger and restructuring-related items	$0.43	$0.42	$0.40	2.4	7.5	$0.84
Earnings on a cash basis, before merger and restructuring-related items	$0.49	$0.48	$0.45	2.1	8.9	$0.96
Net income	$0.29	$0.21	$0.37	38.1	(21.6)	$0.51
Earnings on a cash basis**	$0.35	$0.27	$0.42	29.6	(16.7)	$0.63

* before effect of merger and restructuring-related items

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

Net Interest Income

Second quarter net interest income on a taxable-equivalent basis was $1,586.0 million, compared with $1,526.8 million recorded in the second quarter of 2000. Average earning assets for the period increased over the second quarter of 2000 by $5.2 billion, or 3.7 percent, primarily driven by increases in the investment portfolio, core commercial and retail loan growth, and the impact of acquisitions, partially offset by a $2.1 billion decline in lower margin residential mortgages and a $4.2 billion reduction related to transfers of low margin, higher quality, commercial loans to Stellar

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Funding Group, Inc. ("loan conduit"). The net interest margin was flat in the second quarter of 2001 at 4.37 percent, compared with the second quarter of 2000. The four basis point decline in the net interest margin in the second quarter of 2001 from the first quarter of 2001 reflects the funding benefit of the declining rate environment, product re-pricing dynamics and loan conduit activities, offset by the first quarter 2001 sale of the high loan-to-value home equity and indirect automobile portfolios and lower yields on the investment portfolio.

AVERAGE LOANS

($ in millions)	2Q 2001	1Q 2001	2Q 2000	PERCENT CHANGE 2Q01 VS 1Q01	PERCENT CHANGE 2Q01 VS 2Q00	YTD 2001	YT 20
Commercial	$45,632	$46,805	$45,539	(2.5)	0.2	$ 46,215	$4
Lease financing	5,865	5,768	4,197	1.7	39.7	5,817	
Total commercial	51,497	52,573	49,736	(2.0)	3.5	52,032	4
Commercial mortgages	18,991	19,305	19,119	(1.6)	(0.7)	19,148	1
Construction and development	7,360	7,151	6,826	2.9	7.8	7,256	
Total commercial real estate	26,351	26,456	25,945	(0.4)	1.6	26,404	2
Residential mortgages	7,189	7,618	9,269	(5.6)	(22.4)	7,402	1
Credit card	5,652	5,655	4,872	(0.1)	16.0	5,653	
Retail leasing	4,465	4,291	2,844	4.1	57.0	4,379	
Other retail	24,315	25,176	24,342	(3.4)	(0.1)	24,743	2
Total retail	34,432	35,122	32,058	(2.0)	7.4	34,775	3
Total loans	$119,469	$121,769	$117,008	(1.9)	2.1	$120,613	$11
Total loans, excl. residential mortgages	$112,280	$114,151	$107,739	(1.6)	4.2	$113,211	$10

Average loans for the second quarter of 2001 were $2.5 billion higher, or 2.1 percent, than the second quarter of 2000. Year-over-year loan growth was impacted by several management actions, including the first quarter of 2001 sale of the home equity and indirect automobile loan portfolios, recent acquisitions, branch divestitures, and funding of short-term, high quality, commercial loans

through the loan conduit. In addition, the Company continued to reduce its lower margin residential mortgage portfolio. Excluding residential mortgage loans, average loans for the second quarter were higher by $4.5 billion, or 4.2 percent, than the second quarter of 2000, reflecting both core loan growth and acquisitions. Core loan growth (total average loans for the second quarter, excluding residential mortgage loans and the impact of loan sales, but including loans funded in the loan conduit) grew by $6.7 billion, or 6.2 percent, over the second quarter of 2000.

Excluding residential mortgage loans, average loans for the second quarter of 2001 were lower than the first quarter of 2001 by $1.9 billion, or 1.6 percent, reflecting the March 30, 2001, $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.

Investment securities at June 30, 2001, were $4.0 billion more than at June 30, 2000, and $4.6 billion higher than at March 31, 2001, reflecting net purchases of securities. Average investment securities for the second quarter of 2001 were $3.7 billion higher, or 21.0 percent, than the same of quarter of 2000.

Average noninterest-bearing deposits, excluding the impact of branch divestitures, in the second quarter of 2001 were higher than the second quarter of 2000 by $563 million, or 2.4 percent. Average interest-bearing deposits, excluding the impact of branch divestitures, grew by $4.0 billion, or 5.1 percent, over the second quarter of 2000, reflecting bank acquisitions, growth in core money market deposits and increases in time deposits greater than $100,000.

NONINTEREST INCOME

($ in millions)	2Q 2001	1Q 2001	2Q 2000	PERCENT CHANGE 2Q01 VS 1Q01	PERCENT CHANGE 2Q01 VS 2Q00	YTD 2001	YT 200
Credit card and payment processing revenue	$ 260.6	$ 249.7	$ 247.3	4.4	5.4	$510.3	$46
Trust and investment management fees	228.0	225.0	230.4	1.3	(1.0)	453.0	46
Deposit service charges	176.7	146.5	138.0	20.6	28.0	323.2	26
Cash management fees	84.9	76.8	74.1	10.5	14.6	161.7	14
Mortgage banking revenue	57.0	48.2	48.1	18.3	18.5	105.2	9
Trading account profits and commissions	55.8	71.9	59.8	(22.4)	(6.7)	127.7	14
Investment products fees and commissions	114.2	125.7	109.1	(9.1)	4.7	239.9	24
Investment banking revenue	71.1	60.2	72.9	18.1	(2.5)	131.3	16
Commercial product revenue	93.8	76.1	71.6	23.3	31.0	169.9	13
Securities gains, net	31.3	216.0	0.3	nm	nm	247.3	
Other	91.0	104.8	151.7	(13.2)	(40.0)	195.8	26
Subtotal	1,264.4	1,400.9	1,203.3	(9.7)	5.1	2,665.3	2,38
Merger and restructuring-related gains	62.2	--	--			62.2	
Total noninterest income	$1,326.6	$1,400.9	$1,203.3			$2,727.5	$2,38

Noninterest Income

Second quarter noninterest income, excluding merger and restructuring-related items, was $1,264.4 million, an increase of $61.1 million, or 5.1 percent, from the same quarter of 2000, and a $136.5 million, or 9.7 percent, decrease from the first quarter of 2001. Excluding the impact of securities gains, merger and restructuring-related items and the second quarter of 2000 $35 million gain on the disposal of an office building, noninterest income in the second quarter of 2001 was $65.1 million, or 5.6 percent, higher than the second quarter of 2000, and $48.2 million, or 4.1 percent, higher than the first quarter of 2001. Credit card and payment processing revenue was higher in the second quarter of 2001 over the same period of 2000 by $13.3 million, or 5.4 percent, reflecting continued growth in corporate, merchant and retail card product fees. Deposit service charges, commercial product revenue, cash management fees, and mortgage banking revenue also improved in the second quarter of 2001 over the second quarter of 2000 by $38.7 million (28.0 percent), $22.2 million (31.0 percent), $10.8 million (14.6 percent), and $8.9 million (18.5 percent), respectively.

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The increase in deposit service charges was primarily due to the alignment and redesign of products and features following the Firstar/U.S. Bancorp merger. The increase in cash management fees and commercial product revenue was primarily driven by the growth in core business and product fee enhancements during 2000. The increase in mortgage banking revenue in the second quarter of 2001 over the second quarter of 2000 was due to increases in origination and sales fees and loan servicing revenue, partially offset by a decrease in gain on the sale of servicing rights.

Excluding securities gains and merger and restructuring-related items, noninterest income increased in the second quarter of 2001 by $48.2 million, or 4.1 percent, over the first quarter of 2001. Credit card and payment processing revenue increased by $10.9 million (4.4 percent), reflecting seasonal spending patterns. Mortgage banking revenue increased by $8.8 million, the result of higher mortgage loan origination and sales fees and loan servicing revenue.

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NONINTEREST EXPENSE

($ in millions)	2Q 2001	1Q 2001	2Q 2000	PERCENT CHANGE 2Q01 VS 1Q01	PERCENT CHANGE 2Q01 VS 2Q00	YTD 2001	
Salaries	$ 570.5	$590.5	$601.4	(3.4)	(5.1)	$1,161.0	$1
Employee benefits	90.7	108.1	100.3	(16.1)	(9.6)	198.8	
Net occupancy	101.4	110.1	95.7	(7.9)	6.0	211.5	
Furniture and equipment	74.9	76.9	75.7	(2.6)	(1.1)	151.8	
Postage	43.8	46.9	42.6	(6.6)	2.8	90.7	
Goodwill	61.2	70.5	59.8	(13.2)	2.3	131.7	
Other intangible assets	51.4	43.9	37.0	17.1	38.9	95.3	
Other	348.0	347.4	316.7	0.2	9.9	695.4	
Subtotal	1,341.9	1,394.3	1,329.2	(3.8)	1.0	2,736.2	2

Merger and restructuring-related charges	252.8	404.2	81.9	657.0
Total noninterest expense	$1,594.7	$1,798.5	$1,411.1	$3,393.2 $2

Noninterest Expense

Second quarter noninterest expense, before merger and restructuring-related charges, totaled $1,341.9 million, an increase of $12.7 million, or 1.0 percent, from the second quarter of 2000. The increase in noninterest expense was primarily the result of approximately $26 million related to recent acquisitions, including Scripps Financial, Lyon Financial and 41 branches in Tennessee, partially offset by cost savings related to merger integration and restructuring activities.

Second quarter of 2001 noninterest expense, before merger and restructuring-related charges, was lower than the first quarter of 2001 by $52.4 million, or 3.8 percent, primarily due to $44.2 million of unusual or nonrecurring expense items recorded in the first quarter of 2001. Excluding unusual or nonrecurring expense items, before merger and restructuring-related charges, noninterest expense in the second quarter of 2001 would have been essentially flat to the first quarter of 2001.

SIGNIFICANT ITEMS - MERGER AND RESTRUCTURING TABLE 7

($ in millions)

SUMMARY OF ITEMS	CURRENT ESTIMATE	REVISED ESTIMATED TIMING 2001	2002	ACTUAL 1Q 2001	ACTUAL 2Q2001
Firstar/U.S. Bancorp					
Severance and employee-related costs	$225.9	$218.4	$7.5	$123.6	$98.1
Building and equipment	105.3	46.6	58.7	23.6	7.7
Investment banking and transaction costs	61.6	61.6	--	60.6	1.0
Charitable foundation	76.0	76.0		76.0	

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Restructurings					
Credit - portfolio sales	277.9	277.9	--	76.6	201.3
Credit - policy/practice alignment	90.0	90.0	--	90.0	--
Other	120.4	120.4	--	15.0	45.4
Total restructurings	488.3	488.3	--	181.6	246.7
Branch sale	(62.2)	(62.2)	--	--	(62.2
Other, net	138.2	102.6	35.6	38.5	28.0
Subtotal	1,033.1	931.3	101.8	503.9	319.3
Conversion and integration	367.4	227.7	139.7	19.2	53.0
Total Firstar/U.S. Bancorp*	1,400.5	1,159.0	241.5	523.1	372.3
U.S. Bancorp Piper Jaffray restructuring	28.9	28.9	--	22.6	5.4
Other acquisitions, net	85.5	81.4	4.1	25.1	14.2
Total merger and restructuring	$1,514.9	$1,269.3	$245.6	$570.8	$391.9

* orignally estimated to be $800 million - see Table 8 for changes

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Earnings in the second quarter of 2001 included pre-tax net merger and restructuring-related items of $391.9 million. The total merger and restructuring-related items included $372.3 million of net expense associated with the Firstar/U.S. Bancorp merger. In addition, $19.6 million of expense was included in the second quarter of 2001 for the U.S. Bancorp Piper Jaffray restructuring and other recent, smaller acquisitions.

The $372.3 million of net merger and restructuring-related items associated with the U.S. Bancorp/Firstar merger included $201.3 million of provision for credit losses, $98.1 million of severance and employee-related costs, $7.7 million of building and equipment costs, $45.4 million of other restructuring expense, $53.0 million of conversion and integration costs, and $29.0 million of miscellaneous other expense, partially offset by a $62.2 million gain from branch divestitures. The $201.3 million of provision for credit losses included in the merger and restructuring-related items during the second quarter of 2001 was associated with the Company's integration of certain small business credit products and management's decision to discontinue an unsecured small business product of the former U.S. Bancorp. The Company plans to sell the related portfolio by the fourth quarter of 2001 and, as such, has transferred product balances of approximately $680 million to loans held for sale.

FIRSTAR/U.S. BANCORP MERGER AND RESTRUCTURING ITEMS TABL

($ in millions)	ESTIMATED CHARGES 6/30/01	3/31/01	ORIGINAL	INCREASE/(DECRE 6/30/01 VS 3/31/01	6/3 ORIG
Category					
Severance and employee-related costs	$225.9	$187.4	$208.0	$38.5	$
Building and equipment	105.3	103.5	108.0	1.8	
Investment banking and transaction costs	61.6	58.5	60.0	3.1	
Charitable foundation	76.0	76.0	76.0	--	
Restructurings*	488.3	178.1	--	310.2	4
Branch sale	(62.2)	(64.0)	(60.0)	1.8	
Other, net	138.2	103.8	64.0	34.4	
Subtotal	1,033.1	643.3	456.0	389.8	5
Conversion and integration	367.4	326.7	344.0	40.7	
Total Firstar/U.S. Bancorp	$1,400.5	$970.0	$800.0	$430.5	$6

*DETAIL OF RESTRUCTURING CHARGES	ESTIMATE 6/30/01	TIMING OF CHARGE
Unsecured small business credit line portfolio	$201.3	2Q2001
Credit policy and risk management practice alignment	90.0	1Q2001
Sale of high LTV home equity and indirect auto portfolios	76.6	1Q2001
Exit U.S. Bancorp Libra1	45.4	2Q2001
Branch consolidation	20.0	3Q2001
Exit other business lines and/or portfolios	55.0	$15M in 1Q2001/$40M in 3Q2001
Total restructurings	$488.3	

(1) an additional $36.6 million of expense related to the discontinuation of U.S. Bancorp Libra is included in severance and employee-related and other, net charges above

Total merger and restructuring-related charges associated with the Firstar/U.S. Bancorp merger are expected to reach $1,400.5 million, exceeding the original estimate of $800 million by $600.5 million. The majority of the increase is due to risk management policy conformance, the restructuring of the credit portfolio and discontinuing products or exiting businesses that do not correspond with the

newly combined Company's strategic direction. These actions were not anticipated at the time the merger was announced. The actions are expected, however, to reduce the overall risk profile of the Company, as well as lead to higher cost savings than originally anticipated.

Included in the total merger and restructuring-related charges is $82 million associated with the closing of U.S. Bancorp Libra, a business unit that specializes in underwriting and trading high yield debt and mezzanine securities. The charge includes the cost of contractual obligations, liquidation of inventory and investments, severance and other miscellaneous items. The former U.S. Bancorp acquired Libra Investments, Inc. in January of 1999.

ALLOWANCE FOR CREDIT LOSSES — TABLE 9

($ in millions)	2Q 2001	1Q2001 "NORMALIZED*"	1Q2001 ACTUAL	4Q 2000	3Q 2000	2Q 2000
Balance, beginning of period	$1,729.1	$1,786.9	$1,786.9	$1,776.6	$1,757.0	$1,726.1
Net charge-offs						
Commercial	75.5	53.9	270.3	69.0	68.9	68.5
Lease financing	9.1	6.4	19.6	7.2	4.8	5.6

Total commercial	84.6	60.3	289.9	76.2	73.7	74.1
Commercial mortgages	(0.2)	3.1	28.5	6.8	0.7	(2.7)
Construction and development	2.5	0.8	0.8	3.9	5.8	(1.6)
Total commercial real estate	2.3	3.9	29.3	10.7	6.5	(4.3)
Residential mortgages	3.3	3.2	3.2	3.0	2.3	2.3
Credit card	68.5	57.8	57.8	54.4	52.4	52.8
Retail leasing	7.0	6.2	6.2	4.6	3.7	2.6
Other retail	74.6	95.7	90.7	80.6	75.3	71.4
Total retail	150.1	159.7	154.7	139.6	131.4	126.8
Total net charge-offs	240.3	227.1	477.1	229.5	213.9	198.9
Provision for credit losses						
Operating basis	240.0	282.4	365.8	229.5	214.0	201.3
Merger-related	201.3	--	166.6	--	--	--
Total provision for credit losses	441.3	282.4	532.4	229.5	214.0	201.3
Losses from loan sales/transfers	(214.4)	(113.6)	(113.6)	--	--	--
Acquisitions and other changes	--	0.5	0.5	10.3	19.5	28.5
Balance, end of period	$1,715.7	$1,729.1	$1,729.1	$1,786.9	$1,776.6	$1,757.0
Net charge-offs to average loans (%)	0.81	0.76	1.59	0.75	0.71	0.68
Allowance for credit losses to period-end loans (%)	1.45	1.45	1.45	1.46	1.46	1.48

* categories adjusted for merger-related ($90.0 million) and portfolio restructuring-related ($160.0 million) net-charge-offs

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Credit Quality

The allowance for credit losses was $1,715.7 million at June 30, 2001, compared with the allowance for credit losses of $1,729.1 million at March 31, 2001. The decrease was due to the transfer of the unsecured small business line of credit portfolio to loans held for sale. The ratio of allowance for credit losses to nonperforming loans was 156 percent at June 30, 2001, down from the ratio of 176 percent at March 31, 2001. The ratio of allowance for credit losses to period-end loans was 1.45 percent at June 30, 2001, equal to the ratio at March 31, 2001.

Total net charge-offs in the second quarter of 2001 were $240.3 million, compared with the first quarter of 2001 net charge-offs, before merger-related items, of $387.1 million and the second quarter of 2000 net charge-offs of $198.9 million. Total net charge-offs in the first quarter of 2001, before merger-related items, included $160.0 million of charge-offs related to the Company's accelerated loan workout strategy. Retail loan net charge-offs of $150.1 million in the second quarter of 2001 were higher than the same period of 2000 by $23.3 million, or 18.4 percent, but $4.6 million, or 3.0 percent, less than the first quarter of 2001. The reduction in retail loan net charge-offs in the second quarter of 2001 from the first quarter of 2001 was primarily due to the impact of the sale of the high loan-to-value home equity and indirect automobile portfolios at the end of the first quarter of 2000, partially offset by seasonal factors and higher bankruptcies. Retail loan net charge-offs as a percent of average loans outstanding were 1.75 percent in the second quarter of 2001, compared with 1.79 percent and 1.59 percent in the first quarter of 2001 and second quarter of 2000, respectively.

Commercial and commercial real estate loan net charge-offs were $86.9 million for the second quarter of 2001, or .45 percent of average loans outstanding, compared with $319.2 million, or 1.64 percent, in the first quarter of 2001 and $69.8 million, or .37 percent, of average loans outstanding, in the second quarter of 2000. Commercial and commercial real estate loan net charge-offs in the first quarter of 2001 included $255.0 million in merger and restructuring-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 in the first quarter of 2001 were .33 percent of average loans outstanding. The Company expects total net charge-offs in the third and fourth quarters of 2001 to increase modestly from the net charge-offs reported in the second quarter of 2001.

CREDIT RATIOS TABLE 10

	JUN 30 2001	MAR 31 2001	DEC 31 2000	SEP 30 2000	JUN 30 2000

Net charge-offs ratios*					
Commercial	0.66	2.34	0.59	0.59	0.60
Lease financing	0.62	1.38	0.51	0.43	0.54
Total commercial	0.66	2.24	0.58	0.57	0.60
Commercial real estate	0.04	0.45	0.16	0.10	(0.07)
Residential mortgage	0.18	0.17	0.14	0.10	0.10
Credit cards	4.86	4.15	4.15	4.16	4.36
Retail leasing	0.63	0.59	0.46	0.43	0.37
Other retail	1.23	1.46	1.27	1.22	1.18
Total retail	1.75	1.79	1.62	1.58	1.59
Total net charge-offs	0.81	1.59	0.75	0.71	0.68
Delinquent loan ratios**					
Commercial past due 90+ days	1.41	1.22	0.95	0.84	0.78
Consumer past due 90+ days	1.00	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

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ASSET QUALITY TABLE 11

($ in millions)	JUN 30 2001	MAR 31 2001	DEC 31 2000	SEP 30 2000	JUN 30 2000
Nonperforming loans					
Commercial	$724.1	$631.9	$470.4	$383.8	$325.3
Lease financing	126.4	103.8	70.5	57.5	53.5
Total commercial	850.5	735.7	540.9	441.3	378.8
Commercial mortgages	114.4	98.5	105.5	107.6	103.4
Construction and development	37.3	57.8	38.2	34.8	24.1

Commercial real estate	151.7	156.3	143.7	142.4	127.5
Residential mortgages	67.7	64.8	56.9	60.7	63.5
Retail	30.0	25.1	23.8	22.0	26.3
Total nonperforming loans	1,099.9	981.9	765.3	666.4	596.1
Other real estate	52.7	55.0	61.1	42.6	42.0
Other nonperforming assets	62.5	53.9	40.6	30.4	30.1
Total nonperforming assets*	$1,215.1	$1,090.8	$867.0	$739.4	$668.2
Accruing loans 90 days past due	$395.9	$390.7	$385.2	$329.1	$319.7
Allowance to nonperforming loans (%)	156	176	233	267	295
Allowance to nonperforming assets (%)	141	159	206	240	263
Nonperforming assets to loans plus ORE (%)	1.02	0.91	0.71	0.61	0.56

* does not include accruing loans 90 days past due

Nonperforming assets at June 30, 2001, totaled $1,215.1 million, compared with $1,090.8 million at March 31, 2000, and $668.2 million at June 30, 2000. The $124.3 million increase in nonperforming assets from March 31, 2001, to June 30, 2001, was primarily due to continuing stress in sectors of the economy, particularly in manufacturing, automobile and transportation, partially offset by the disposition of nonperforming assets identified as part of the Company's accelerated workout program in the first quarter of 2001. The ratio of nonperforming assets to loans and other real estate was 1.02 percent at June 30, 2001, compared with .91 percent at March 31, 2001, and .56 percent at June 30, 2000.

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CAPITAL POSITION — TABLE 12

($ in millions)	JUN 30 2001	MAR 31 2001	DEC 31 2000	SEP 30 2000	JUN 30 2000
Total shareholders' equity	$15,456	$15,243	$15,168	$14,334	$14,137

Tier 1 capital	12,848	11,831	11,602	11,179	11,125
Total risk-based capital	18,054	17,135	17,038	16,740	16,718
Common equity to assets	9.4%	9.5%	9.2%	8.9%	8.8%
Tangible common equity to assets	6.6	6.6	6.3	6.3	6.3
Tier 1 capital ratio	8.0	7.4	7.2	7.1	7.2
Total risk-based capital ratio	11.2	10.7	10.6	10.6	10.8
Leverage ratio	8.0	7.5	7.4	7.2	7.2

Total shareholder's equity was $15.5 billion at June 30, 2001, compared to $14.1 billion reported at June 30, 2000. The increase was the result of strong corporate earnings, including merger and restructuring-related items, offset by dividend payments and share buybacks in the second and third quarters of 2000.

Tangible common equity to assets was 6.6 percent at June 30, 2001, compared with 6.6 percent at March 31, 2001, and 6.3 percent at June 30, 2000. The Tier 1 capital ratio was 8.0 percent at June 30, 2001, compared with 7.4 percent at March 31, 2001, and 7.2 percent at June 30, 2000. The increase primarily reflects the issuance of $700 million of "trust preferred" securities during the second quarter of 2001. The total risk-based capital ratio was 11.2 percent at June 30, 2001, compared with 10.7 percent at March 31, 2001, and 10.8 percent at June 30, 2000. The improvement in the total risk-based capital ratio during the second quarter of 2001 primarily reflects changes in the mix of investment securities in addition to the issuance of "trust preferred" securities. The leverage ratio was 8.0 percent at June 30, 2001, compared with 7.5 percent at March 31, 2001, and 7.2 percent at June 30, 2000. All regulatory ratios continue to be in excess of stated "well capitalized" requirements.

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COMMON SHARES TABLE 13

(Millions)	2Q 2001	1Q 2001	4Q 2000	3Q 2000	2Q 2000
Beginning shares outstanding	1,905.3	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	2.3	3.2	11.8	1.9	8.2
Shares repurchased	--	--	--	(17.1)	(20.2)

Ending shares outstanding	1,907.6	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 $165 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 at approximately 11:00 A.M. (CDT) on Tuesday, July 17, 2001 through 12:00 midnight (CDT) on Monday, July 23, 2001. To access the recorded message dial 800-642-1687 and enter ID number 1295517. If calling from outside the United States, please dial 706-645-9291 and enter the ID number.

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 and Shares in Millions, Except Per Share Data)(Unaudited)	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Mon June 30, 2001
INTEREST INCOME			
Loans	$2,437.9	$2,591.8	$5,098.8
Loans held for sale	25.9	35.2	42.5
Investment securities			
Taxable	287.8	255.6	541.1
Non-taxable	27.8	33.5	59.0
Money market investments	7.4	15.0	16.3
Trading securities	14.1	12.6	30.0
Other interest income	26.1	37.0	58.1
Total interest income	2,827.0	2,980.7	5,845.8
INTEREST EXPENSE			
Deposits	783.0	875.9	1,666.7
Short-term borrowings	157.6	198.7	376.7
Long-term debt	281.8	371.3	614.6
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	35.4	29.3	63.0
Total interest expense	1,257.8	1,475.2	2,721.0
Net interest income	1,569.2	1,505.5	3,124.8
Provision for credit losses	441.3	201.3	973.7
Net interest income after provision for credit losses	1,127.9	1,304.2	2,151.1
NONINTEREST INCOME			
Credit card and payment processing revenue	260.6	247.3	510.3
Trust and investment management fees	228.0	230.4	453.0

Deposit service charges	176.7	138.0	323.2
Cash management fees	84.9	74.1	161.7
Mortgage banking revenue	57.0	48.1	105.2
Trading account profits and commissions	55.8	59.8	127.7
Investment products fees and commissions	114.2	109.1	239.9
Investment banking revenue	71.1	72.9	131.3
Commercial product revenue	93.8	71.6	169.9
Securities gains, net	31.3	.3	247.3
Merger and restructuring-related gains	62.2	--	62.2
Other	91.0	151.7	195.8
Total noninterest income	1,326.6	1,203.3	2,727.5
NONINTEREST EXPENSE			
Salaries	570.5	601.4	1,161.0
Employee benefits	90.7	100.3	198.8
Net occupancy	101.4	95.7	211.5
Furniture and equipment	74.9	75.7	151.8
Postage	43.8	42.6	90.7
Goodwill	61.2	59.8	131.7
Other intangible assets	51.4	37.0	95.3
Merger and restructuring-related charges	252.8	81.9	657.0
Other	348.0	316.7	695.4
Total noninterest expense	1,594.7	1,411.1	3,393.2
Income before income taxes	859.8	1,096.4	1,485.4
Applicable income taxes	297.5	386.6	513.0
Net income	$562.3	$709.8	$972.4
EARNINGS PER COMMON SHARE			
Average common shares	1,905.3	1,911.4	1,903.2
Earnings per share	$.30	$.37	$.51
Average diluted common shares	1,917.2	1,925.9	1,916.4
Diluted earnings per share	$.29	$.37	$.51

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U.S. Bancorp
CONSOLIDATED ENDING BALANCE SHEET

(Dollars in Millions)	June 30, 2001
ASSETS	(Unaudited)
Cash and due from banks	$7,032
Money market investments	1,045
Trading account securities	805
Investment securities	

Held-to-maturity	271
Available-for-sale	20,813
Loans held for sale	2,400
Loans	
Commercial	50,489
Commercial real estate	26,125
Residential mortgages	6,950
Retail	34,948
Total loans	118,512
Less allowance for credit losses	1,716
Net loans	116,796
Premises and equipment	1,746
Customers' liability on acceptances	151
Goodwill and other intangible assets	5,202
Other assets	8,895
Total assets	$165,156
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	
Noninterest-bearing	$26,122
Interest-bearing	66,084
Time deposits greater than $100,000	14,738
Total deposits	106,944
Short-term borrowings	14,012
Long-term debt	21,425
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company	2,039
Acceptances outstanding	151
Other liabilities	5,129
Total liabilities	149,700
Shareholders' equity	
Common stock	19
Capital surplus	3,534
Retained earnings	11,916
Treasury stock	(26)
Other comprehensive income	13
Total shareholders' equity	15,456
Total liabilities and shareholders' equity	$165,156