

Firststar Corporation
Consolidated Financial Statements
and Report of Independent Accountants
December 31, 2000

Report of Independent Accountants

To the Shareholders and Board of Directors of Firststar Corporation:

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

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

January 16, 2001, except for Note 2, as to
which the date is February 27, 2001

Firststar Corporation
Consolidated Balance Sheets
December 31, 2000 and 1999
(dollars in thousands)

	<u>2000</u>	<u>1999</u>
ASSETS		
Cash and due from banks	\$ 4,332,584	\$ 3,288,291
Money market investments	200,276	896,910
Investment securities:		
Available-for-sale	13,613,909	12,919,413
Held-to-maturity (fair value \$256,455 and \$200,310, respectively)	<u>251,580</u>	<u>194,454</u>
Total securities	13,865,489	13,113,867
Loans held for sale	713,023	624,680
Loans:		
Commercial loans	19,240,653	17,346,596
Real estate loans	17,110,872	19,815,017
Retail loans	<u>17,354,315</u>	<u>13,464,395</u>
Total loans	53,705,840	50,626,008
Allowance for loan losses	<u>720,083</u>	<u>714,898</u>
Net loans	52,985,757	49,911,110
Premises and equipment, net	979,443	1,002,887
Acceptances - customers' liability	20,493	15,149
Other assets	<u>4,487,827</u>	<u>3,934,939</u>
Total assets	<u>\$ 77,584,892</u>	<u>\$ 72,787,833</u>
LIABILITIES		
Deposits:		
Noninterest-bearing deposits	\$ 10,979,702	\$ 10,299,994
Interest-bearing deposits	<u>45,298,229</u>	<u>41,586,417</u>
Total deposits	56,277,931	51,886,411
Short-term borrowings	9,024,379	8,302,019
Long-term debt	3,876,593	5,038,383
Acceptances outstanding	20,493	15,149
Other liabilities	<u>1,857,166</u>	<u>1,237,235</u>
Total liabilities	<u>71,056,562</u>	<u>66,479,197</u>
SHAREHOLDERS' EQUITY		
Common stock:		
Issued - 984,425,979 shares in 2000 and 984,579,636 shares in 1999	9,844	9,846
Surplus	1,863,910	1,926,239
Retained earnings	5,321,832	4,660,463
Treasury stock, at cost:		
Held - 33,698,269 shares in 2000 and 9,033,176 shares in 1999	(747,836)	(192,894)
Accumulated other comprehensive income (loss)	<u>80,580</u>	<u>(95,018)</u>
Total shareholders' equity	<u>6,528,330</u>	<u>6,308,636</u>
Total liabilities and shareholders' equity	<u>\$ 77,584,892</u>	<u>\$ 72,787,833</u>

The accompanying notes are an integral part of these financial statements.

Firststar Corporation
Consolidated Statements of Income
For the years ended December 31, 2000, 1999 and 1998
(dollars in thousands except per share data)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
INTEREST INCOME			
Interest and fees on loans	\$ 4,475,880	\$ 3,968,923	\$ 3,928,140
Interest and fees on loans held for sale	98,510	102,685	84,844
Interest on investment securities:			
Taxable	808,960	828,975	906,911
Non-taxable	86,355	92,832	95,362
Interest on money market investments	21,792	21,920	28,037
Interest on trading securities	-	6,377	8,894
	<u>5,491,497</u>	<u>5,021,712</u>	<u>5,052,188</u>
INTEREST EXPENSE			
Interest on deposits	1,950,936	1,678,839	1,843,674
Interest on short-term borrowings	548,128	368,252	381,985
Interest on long-term debt	293,476	331,475	290,908
	<u>2,792,540</u>	<u>2,378,566</u>	<u>2,516,567</u>
Net interest income	2,698,957	2,643,146	2,535,621
Provision for loan losses	222,443	187,301	164,790
	<u>2,476,514</u>	<u>2,455,845</u>	<u>2,370,831</u>
NONINTEREST INCOME			
Trust income	452,323	427,346	375,258
Mortgage banking income	164,822	151,736	202,590
Retail deposit fees	215,465	193,987	177,762
Cash management income	146,552	142,037	117,466
Credit card income	138,055	112,672	93,670
ATM income	42,184	38,602	36,865
Investment securities gains - net	1,120	14,762	16,530
All other income	345,786	321,429	345,210
	<u>1,506,307</u>	<u>1,402,571</u>	<u>1,365,351</u>
NONINTEREST EXPENSE			
Salaries	726,840	862,092	953,309
Pension and other employee benefits	90,977	137,550	172,990
Equipment expense	140,776	147,821	160,737
Occupancy expense - net	159,995	167,788	169,467
Amortization of intangible assets	121,836	120,831	114,983
All other expense	528,482	539,304	581,038
Merger and restructuring expenses	287,395	470,463	377,292
	<u>2,056,301</u>	<u>2,445,849</u>	<u>2,529,816</u>
Income before income taxes	1,926,520	1,412,567	1,206,366
Income taxes	642,901	537,249	400,916
	<u>\$ 1,283,619</u>	<u>\$ 875,318</u>	<u>\$ 805,450</u>
PER SHARE			
Basic earnings per common share	\$ 1.33	\$ 0.89	\$ 0.83
Diluted earnings per common share	1.32	0.87	0.81
Dividends declared on common stock	0.6500	0.4625	0.3300
	<u>963,503</u>	<u>987,488</u>	<u>970,420</u>
Weighted average common shares (000's)	963,503	987,488	970,420
Weighted average diluted common shares (000's)	<u>972,482</u>	<u>1,002,754</u>	<u>989,085</u>

The accompanying notes are an integral part of these financial statements.

Firstar Corporation
Consolidated Statements of Changes in Shareholders' Equity
(dollars in thousands)

	Preferred Stock	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Employee Stock Ownership Plan Shares Purchased With Debt	Total Shareholders' Equity
BALANCE, JANUARY 1, 1998	\$ 5,308	\$ 9,441	\$ 1,794,210	\$ 3,820,195	\$ (173,185)	\$ 58,070	\$ (1,846)	\$ 5,512,193
Net income				805,450				805,450
Unrealized gain on securities available-for-sale						142,241		142,241
Reclassification adjustment for gains realized in net income						(16,530)		(16,530)
Income taxes						(45,009)		(45,009)
Comprehensive income								886,152
Cash dividends declared on common stock				(461,361)				(461,361)
Cash dividends declared on preferred stock				(83)				(83)
Conversion of preferred stock into common stock	(5,308)	9	4,715	492	64			(28)
Issuance of common stock and treasury shares		288	430,687	12,482	194,324			637,781
Issuance of common stock in acquisitions		180	31,003	125,245	357	2,235		159,020
Purchase of treasury stock					(140,008)			(140,008)
Purchase and retirement of common stock and treasury stock		(42)	(106,989)		106,722			(309)
Shares reserved to meet deferred compensation obligations			9,126		(7,933)			1,193
Amortization of restricted stock			7,272					7,272
ESOP debt reduction, net							1,846	1,846
BALANCE, DECEMBER 31, 1998	-	9,876	2,170,024	4,302,420	(19,659)	141,007	-	6,603,668
Net income				875,318				875,318
Unrealized loss on securities available-for-sale						(527,472)		(527,472)
Reclassification adjustment for losses realized in net income						162,971		162,971
Income taxes						128,476		128,476
Comprehensive income								639,293
Cash dividends declared on common stock				(517,275)				(517,275)
Issuance of common stock and treasury shares		97	86,793		111,946			198,836
Purchase of treasury stock					(627,086)			(627,086)
Retirement of treasury stock		(127)	(343,866)		343,993			-
Shares reserved to meet deferred compensation obligations			2,088		(2,088)			-
Amortization of restricted stock			11,200					11,200
BALANCE, DECEMBER 31, 1999	-	9,846	1,926,239	4,660,463	(192,894)	(95,018)	-	6,308,636
Net income				1,283,619				1,283,619
Unrealized gain on securities available-for-sale						271,476		271,476
Reclassification adjustment for gains realized in net income						(1,120)		(1,120)
Income taxes						(94,758)		(94,758)
Comprehensive income								1,459,217
Cash dividends declared on common stock				(622,250)				(622,250)
Issuance of common stock and treasury shares		(2)	(73,371)		203,571			130,198
Purchase of treasury stock					(749,987)			(749,987)
Shares reserved to meet deferred compensation obligations			8,526		(8,526)			-
Amortization of restricted stock			2,516					2,516
BALANCE, DECEMBER 31, 2000	\$ -	\$ 9,844	\$ 1,863,910	\$ 5,321,832	\$ (747,836)	\$ 80,580	\$ -	\$ 6,528,330

The accompanying notes are an integral part of these financial statements.

Firstar Corporation
Consolidated Statements of Cash Flows
For the years ended December 31, 2000, 1999 and 1998
(dollars in thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 1,283,619	\$ 875,318	\$ 805,450
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	145,755	171,480	204,183
Intangible amortization	121,836	120,831	114,915
Provision for loan losses	222,443	187,301	164,790
Net (increase) decrease in trading securities	-	130,372	(43,759)
Provision for deferred taxes	312,512	197,246	60,583
(Gain) loss on sale of premises and equipment - net	44,707	5,555	(589)
(Gain) loss on sale of securities and other assets - net	(12,339)	157,261	(41,478)
Mortgage loans originated for sale in the secondary market	(5,563,343)	(6,117,100)	(8,303,095)
Proceeds from sale of mortgage loans	5,475,000	7,229,285	7,009,794
Net change in other assets and liabilities	(222,477)	(310,173)	198,347
Total adjustments	<u>524,094</u>	<u>1,772,058</u>	<u>(636,309)</u>
Net cash provided by operating activities	<u>1,807,713</u>	<u>2,647,376</u>	<u>169,141</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from maturities of held-to-maturity securities	25,315	93,304	537,232
Proceeds from maturities of available-for-sale securities	1,411,563	3,793,849	5,300,172
Proceeds from sales of available-for-sale securities	9,569,814	5,819,045	2,580,502
Purchase of held-to-maturity securities	(43,629)	(19,978)	(169,161)
Purchase of available-for-sale securities	(11,792,818)	(7,342,838)	(8,195,068)
Net change in loans	(8,532,353)	(5,419,097)	(1,536,953)
Proceeds from sales of loans	6,038,911	2,415,120	914,432
Proceeds from sales of premises and equipment	18,952	24,168	22,630
Purchase of premises and equipment	(161,782)	(154,965)	(214,853)
Purchases of bank owned life insurance	(80,000)	(160,000)	(125,000)
Acquisitions, net of cash acquired	-	-	(230,787)
Sale of banking offices, net of cash received (paid)	(78,211)	(116,961)	16,300
Net change due to acquisition of branch offices	1,136,893	-	901,611
Net cash used in investing activities	<u>(2,487,345)</u>	<u>(1,068,353)</u>	<u>(198,943)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in deposits	2,747,301	(2,298,345)	531,562
Net change in short-term borrowings	722,360	1,661,248	(1,087,410)
Principal payments on long-term debt	(1,462,006)	(2,653,270)	(1,115,385)
Proceeds from issuance of long-term debt	298,842	2,252,381	2,786,134
Proceeds from issuance of common stock	97,339	122,343	112,781
Purchase of treasury stock	(749,987)	(627,086)	(140,317)
Shares reserved to meet deferred compensation obligations	-	-	1,193
Dividends paid	(626,558)	(456,577)	(405,056)
Net cash provided by/(used in) financing activities	<u>1,027,291</u>	<u>(1,999,306)</u>	<u>683,502</u>
Net change in cash and cash equivalents	347,659	(420,283)	653,700
Cash and cash equivalents at beginning of year	<u>4,185,201</u>	<u>4,605,484</u>	<u>3,951,784</u>
Cash and cash equivalents at end of year	<u>\$ 4,532,860</u>	<u>\$ 4,185,201</u>	<u>\$ 4,605,484</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the year for:			
Interest	\$ 2,667,924	\$ 2,354,667	\$ 2,564,823
Income taxes	299,573	199,420	263,282
Noncash transfer of loans to real estate owned	51,845	71,335	61,247
Acquisitions and branch purchases/sales			
Assets acquired (sold)	744,830	(4,560)	5,591,120
Liabilities (assumed) sold	(1,779,712)	127,858	(5,628,013)

The accompanying notes are an integral part of these financial statements.

Firststar Corporation

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The accounting and reporting policies of Firststar Corporation (“Firststar”) and subsidiaries follow generally accepted accounting principles and conform to general practices within the banking industry. The following is a description of the more significant accounting policies followed by Firststar:

Basis of Presentation

The consolidated financial statements include the accounts of Firststar and all of its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results may differ from those estimates. Financial statements have been restated to include historical information of acquisitions accounted for as poolings of interests. Certain amounts in the consolidated financial statements from prior years have been restated to conform to the current year’s presentation.

Nature of Operations

Firststar Corporation is a multi-state bank holding company headquartered in Milwaukee, Wisconsin. Financial services are provided through approximately 1,200 banking offices in Wisconsin, Ohio, Missouri, Iowa, Minnesota, Illinois, Kentucky, Kansas, Tennessee, Indiana, Arkansas, Arizona, and Florida. These banking services include accepting demand, time and savings deposits; making both secured and unsecured business and personal loans; providing trust and investment management services to individuals and corporate customers; providing correspondent banking services to other financial institutions; conducting mortgage banking activities; providing international banking services; conducting retail brokerage services; providing mutual fund custody services; and other related banking activities.

Investment Securities

When securities are purchased, they are classified in the held-to-maturity portfolio, the available-for-sale portfolio, or as trading securities. Held-to-maturity securities are debt securities that Firststar has the positive intent and ability to hold to maturity. Held-to-maturity securities are reported at historical cost adjusted for amortization of premiums and accretion of discounts. Available-for-sale securities are debt and equity securities which will be held for an indefinite period of time and may be sold from time to time for asset/liability management purposes, in order to manage interest rate risk or for liquidity needs. Available-for-sale securities are reported at fair value. Unrealized gains or losses on these securities are included in comprehensive income as a separate component of shareholders’ equity, net of tax. Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities and reported at fair value, with unrealized gains and losses included in current earnings. The cost of securities sold is determined on a specific identification basis.

Loans

Loans are stated at the principal amount outstanding, net of unearned interest and unamortized origination fees and costs. Interest income on loans is recognized using the effective interest method or methods that approximate the effective interest method.

Loans held for sale are carried in the aggregate at the lower of cost or fair value after consideration of related loan sale commitments.

Firststar Corporation

Notes to Consolidated Financial Statements

Loans are placed on nonaccrual status when, in the opinion of management, there is a reasonable doubt as to future collectibility of interest or principal. Loans are generally placed on nonaccrual status when they are past due 90 days as to either principal or interest. However, loans that are well secured and in the process of collection may not be placed on nonaccrual status, at the discretion of senior management. All accrued interest receivable is reversed when loans are placed on nonaccrual status.

Allowance for Loan Losses

The allowance for loan losses is maintained at a level adequate to absorb probable loan and lease losses inherent in the portfolio. The allowance is based upon a continuing review of loans which includes consideration of actual net loan loss experience, changes in the size and character of the loan portfolio, identification of problem situations which may affect the borrowers' ability to repay, estimated value of underlying collateral and evaluation of current economic conditions. With respect to loans which are deemed impaired, the calculation of allowance levels is based upon the discounted present value of expected cash flows to be received from the debtor or other measures of value such as market prices or collateral values. Firststar considers all nonaccrual commercial loans to be impaired. Loan losses are recognized through charges to the allowance for loan losses. Any subsequent recoveries are added to the allowance.

Premises and Equipment

Premises and equipment are reported at cost, less accumulated depreciation and amortization. Expenditures for major additions and improvements are capitalized, and maintenance and repair costs are charged to operating expense. Depreciation and amortization of premises and equipment are computed on a straight-line basis over the estimated useful lives of the individual assets.

Other Real Estate Owned

Other real estate owned represents real estate of which Firststar has taken control in partial or total satisfaction of loans. Other real estate owned is carried at the lower of cost or fair value, less estimated costs to sell, and is included in other assets in the consolidated balance sheets. Losses at the time property is repossessed in satisfaction of loans and classified as other real estate owned are charged to the allowance for loan losses. Subsequent gains and losses, as well as operating income or expense related to other real estate owned, are recorded in noninterest expense.

Mortgage Servicing Rights

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

Firststar Corporation

Notes to Consolidated Financial Statements

Asset Securitization

Firststar sells commercial loans and credit card receivables in securitization transactions and may retain servicing rights, interest-only strips and/or other retained interests. Any gain or loss recorded in connection with the transfer of those financial assets is dependent upon the relative fair value between the retained interests and the assets sold. The Company estimates the fair value of retained interests based primarily on the present value of future expected cash flows using certain key assumptions. With respect to transfers of commercial loans and credit card receivables during 2000, no retained interests were recorded and no gains or losses were recognized on the assets sold.

Intangible Assets

The excess of the cost of acquisitions over the fair value of net assets acquired is amortized on a straight-line basis over periods of 12 to 25 years. Core deposit intangibles, which represent the net present value of the future economic benefits related to deposits purchased, are amortized on a straight-line basis over periods ranging from 8 to 17 years. Other identified intangible assets are amortized on a straight-line basis over 25 years.

Intangible asset values and the related amortization expense are based on estimated lives. Firststar reviews intangible assets for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable over the original estimated life and records any such impairment charges as additional amortization expense.

Income Taxes

Firststar and its subsidiaries file a consolidated federal income tax return. Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amount of existing assets and liabilities and their tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Derivative Financial Instruments

Firststar uses interest rate swaps, caps and floors to manage its interest rate risks from recorded financial assets and liabilities. These instruments are utilized when they can be demonstrated to effectively hedge a designated asset or liability and such asset or liability exposes Firststar to interest rate risk. Amounts to be paid or received under interest rate swaps, caps and floors are accounted for on the accrual basis as interest income or expense of the related asset or liability. Gains and losses on early termination of these instruments are deferred and amortized as an adjustment to the yield on the related asset or liability over the shorter of the remaining contract life or the maturity of the related asset or liability. If the related asset or liability is sold or otherwise liquidated, the instrument is marked to market, with the resultant gains and losses recognized in other income. Fees paid or received in connection with caps or floors are deferred and amortized over the life of the instruments.

Interest rate swaps, caps, floors and foreign exchange contracts are offered to Firststar's customers. In these transactions, Firststar acts as an intermediary and hedges its risk by entering into offsetting positions with other counterparties. The fair value of these transactions is included in other assets and liabilities and the related gain or loss is recorded in other income.

Firststar Corporation

Notes to Consolidated Financial Statements

Stock-Based Compensation

Firststar has various stock-based compensation plans that authorize the granting of stock options, restricted stock, and other stock-based awards to eligible employees. These plans are accounted for under the intrinsic value method as prescribed in APB Opinion No. 25, "Accounting for Stock Issued to Employees." Included in Note 16 are the pro forma disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," which assumes the fair value method of accounting had been adopted.

Statement of Cash Flows

For purposes of reporting cash flows in the consolidated statements of cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold and securities purchased under agreements to resell.

Earnings per Common Share

Basic earnings per share is computed by dividing net income applicable to common shareholders by the weighted average number of shares of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the sum of the weighted average number of shares outstanding and the potentially dilutive shares that could be issued through stock award programs or convertible securities. All per share amounts have been restated for stock splits.

Recent Accounting Pronouncements

On January 1, 2001, Firststar adopted the provisions of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet and the measurement of those instruments at fair value. The statement requires that changes in the derivatives' fair values be recognized currently in earnings unless specific hedge accounting criteria are met.

Firststar uses interest rate swaps to hedge the fair value of certain assets and liabilities. The fair value of these derivatives on January 1, 2001 was \$61.6 million. The income statement effect of recognizing the fair value of these derivatives will be offset through adjustments of the hedged item's carrying amount to fair market value. Additionally, Firststar has other interest rate swaps and credit related derivatives which do not qualify for hedge accounting with a fair market value of \$169,000 on January 1, 2001. This gain will be recorded as a transition gain in current earnings upon the adoption of FAS 133 in 2001.

Firststar also enters into commitments to sell groups of residential loans that it originates or purchases as part of its mortgage banking business. Firststar is exposed to interest rate risk during the period between issuing a loan commitment and the sale of the loan into the secondary market. To mitigate this interest rate risk, Firststar enters into various hedges of its loan commitments and loans held-for-sale by using mandatory and optional forward commitments to sell mortgage loans. The net fair market value of these forward contracts and the value of unfunded loan commitments was \$6.0 million on January 1, 2001. This loss will be recorded as a transition expense in current earnings upon the adoption of FAS 133 on January 1, 2001.

Firststar Corporation

Notes to Consolidated Financial Statements

In September 2000 the Financial Accounting Standards Board issued SFAS No. 140 "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement replaces SFAS No. 125, but carries over most of SFAS No. 125's provisions without modification. It is effective for transactions occurring after March 31, 2001, although disclosure requirements are effective as of December 31, 2000. The adoption of this Statement will not have any material impact on Firststar's reported financial position or results of operations.

2. Acquisition of U.S. Bancorp

On February 27, 2001, Firststar completed its merger with U.S. Bancorp through a tax-free exchange of shares. Under the terms of the merger agreement, Firststar shareholders received one share, and U.S. Bancorp shareholders received 1.265 shares, of common stock of the combined company for each share of Firststar or U.S. Bancorp common stock, respectively. The merger was accounted for as a pooling of interests. The effects of the merger have not been reflected in the accompanying financial statements. It is estimated that the combined company will incur pre-tax merger related charges of approximately \$800 to \$900 million, principally as a result of employee related costs, systems conversion and operations consolidation costs, elimination of duplicate facilities, write-off of equipment, and legal and investment banking fees.

Firststar Corporation

Notes to Consolidated Financial Statements

Separate results of operations for the periods prior to the merger as originally reported and unaudited pro forma combined were as follows:

<u>(dollars in millions)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net interest income (taxable equivalent basis)			
Firststar	\$ 2,744	\$ 2,697	\$ 2,596
U.S. Bancorp	3,541	3,303	3,112
Pro forma combined	<u>\$ 6,285</u>	<u>\$ 6,000</u>	<u>\$ 5,708</u>
Total revenue (taxable equivalent basis)			
Firststar	\$ 4,250	\$ 4,100	\$ 3,961
U.S. Bancorp	6,799	6,061	5,368
Pro forma combined	<u>\$ 11,049</u>	<u>\$ 10,161</u>	<u>\$ 9,329</u>
Net income			
Firststar	\$ 1,284	\$ 875	\$ 805
U.S. Bancorp	1,592	1,507	1,327
Pro forma combined	<u>\$ 2,876</u>	<u>\$ 2,382</u>	<u>\$ 2,132</u>
Earnings per common share			
Firststar	\$ 1.33	\$ 0.89	\$ 0.83
U.S. Bancorp	\$ 2.14	\$ 2.07	\$ 1.81
Pro forma combined	<u>\$ 1.51</u>	<u>\$ 1.25</u>	<u>\$ 1.12</u>
Diluted earnings per common share			
Firststar	\$ 1.32	\$ 0.87	\$ 0.81
U.S. Bancorp	\$ 2.13	\$ 2.06	\$ 1.78
Pro forma combined	<u>\$ 1.50</u>	<u>\$ 1.23</u>	<u>\$ 1.10</u>

3. Mergers and Acquisitions

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

On November 20, 1998, Firststar Corporation and Star Banc Corporation merged in a pooling-of-interests transaction and, accordingly, all financial information has been restated to include the historical information of both companies. As a result of the merger, a new holding company was formed which retained the name Firststar Corporation. Each share of Star Banc Corporation stock, was converted into and exchanged for one share of the new Firststar Corporation common stock while each share of old Firststar Corporation stock was converted into and exchanged for 0.76 shares of new Firststar Corporation common stock.

Firststar Corporation

Notes to Consolidated Financial Statements

Separate unaudited results of operations of the three combining companies for the periods prior to the mergers were as follows:

<u>(dollars in millions)</u>	Six-Month Period Ended June 30, 1999	Year Ended December 31, 1998	Nine-Month Period Ended September 30, 1998
Net interest income:			
Firststar Corporation	\$ 739	\$ 1,413	\$ 561
Star Banc Corporation	-	-	483
Mercantile Bancorporation, Inc.	580	1,123	821
Total	<u>\$ 1,319</u>	<u>\$ 2,536</u>	<u>\$ 1,865</u>
Net income:			
Firststar Corporation	\$ 340	\$ 430	\$ 231
Star Banc Corporation	-	-	186
Mercantile Bancorporation, Inc.	239	375	285
Total	<u>\$ 579</u>	<u>\$ 805</u>	<u>\$ 702</u>
Total assets at period end:			
Firststar Corporation	\$ 38,137	\$ 38,476	\$ 20,666
Star Banc Corporation	-	-	17,291
Mercantile Bancorporation, Inc.	35,520	35,800	34,597
Total	<u>\$ 73,657</u>	<u>\$ 74,276</u>	<u>\$ 72,554</u>

Firststar Corporation

Notes to Consolidated Financial Statements

The following table summarizes acquisitions by Firststar and its acquirees completed during the past three years, treating Star Banc Corporation as the original acquiring company:

<i>(dollars in millions)</i>	Date	Assets	Deposits	Goodwill & Other Intangibles	Cash Paid	Shares Issued	Method of Accounting
First Union branches	December 2000	\$ 424	\$ 1,779	\$ 359	\$ 342		Purchase
Mercantile Bancorporation	September 1999	35,520	24,334			331,772,028	Pooling
Firststar Corporation	November 1998	20,688	14,560			331,737,543	Pooling
First Financial Bancorporation	September 1998	558	478			6,563,279	Pooling (1)
Financial Services Corporation of the Midwest	August 1998	514	414			4,331,398	Pooling (1)
Trans Financial, Inc.	August 1998	2,409	1,620			32,100,000	Pooling
CBT Corporation	July 1998	1,006	696			10,712,640	Pooling
Firstbank of Illinois Co.	July 1998	2,285	1,970			27,920,372	Pooling
Cargill Leasing Corporation	July 1998	613		64	220		Purchase
Bank One branches	June/August 1998	193	1,198	137	137		Purchase
HomeCorp, Inc.	March 1998	335	309			1,787,303	Pooling (1)
Horizon Bancorp, Inc.	February 1998	537	454			5,331,987	Pooling (1)
Great Financial Corporation	February 1998	2,809	2,001	363	135	28,500,000	Purchase

(1) Firststar's historical financial statements were not restated for the acquisition due to the immateriality of the acquiree's financial statements to those of the acquirer.

4. Merger and Restructuring Expenses

Firststar has recorded merger, integration and restructuring expenses in conjunction with its merger activities and internal restructuring programs during the past three years. The components of these expenses are shown in the tables below.

<i>(dollars in thousands)</i>	2000			
	Firststar/ Mercantile Merger	Firststar/ Star Merger	First Union Branches	Total
Severance and related costs	\$ 42,993	\$ 16,290	\$ 117	\$ 59,400
Asset write-downs	41,657	31	-	41,688
Lease termination charges	1,025	4,605	-	5,630
System conversions	115,239	19,031	4,858	139,128
Charitable contributions	-	-	2,500	2,500
Other merger-related charges	26,144	12,678	227	39,049
Total	\$ 227,058	\$ 52,635	\$ 7,702	\$ 287,395

Firststar Corporation
Notes to Consolidated Financial Statements

1999				
<i>(dollars in thousands)</i>	Firststar/ Mercantile Merger	Firststar/ Star Merger	Other	Total
Severance and related costs	\$ 131,023	\$ 10,563	\$ -	\$ 141,586
Asset write-downs	173	2,568	-	2,741
Lease termination charges	58	1,837	-	1,895
System conversions	19,515	78,876	-	98,391
Charitable contributions	35,000	-	-	35,000
Loss on sale of securities	177,733	-	-	177,733
Other merger-related charges	45,955	21,905	-	67,860
Reversal of prior accruals	-	(19,893)	(34,850)	(54,743)
Total	\$ 409,457	\$ 95,856	\$ (34,850)	\$ 470,463

1998					
<i>(dollars in thousands)</i>	Firststar/ Star Merger	Mercantile Acquisitions	Mercantile Restructuring	Star Banc Acquisitions	Total
Severance and related costs	\$ 79,958	\$ 16,477	\$ 40,000	\$ 6,618	\$ 143,053
Asset write-downs	28,306	9,140	5,130	5,340	47,916
Lease termination charges	16,076	-	-	400	16,476
System conversions	26,884	23,892	-	7,142	57,918
Charitable contributions	20,000	-	-	3,000	23,000
Other merger-related charges	39,776	39,683	-	9,470	88,929
Total	\$ 211,000	\$ 89,192	\$ 45,130	\$ 31,970	\$ 377,292

Firststar Corporation

Notes to Consolidated Financial Statements

The following presents a summary of activity with respect to changes in merger and restructuring accruals:

	Firststar/ Mercantile Merger	Firststar/Star Merger	Mercantile Acquisitions	Mercantile Restructuring	Star Acquisitions	First Union Branches	Total
<i>(dollars in thousands)</i>							
Balance December 31, 1997	\$ -	\$ -	\$ 71,472	\$ -	\$ -	\$ -	\$ 71,472
Merger/restructuring expense	-	211,000	89,192	45,130	31,970	-	377,292
Cash payments	-	(78,750)	(98,677)	(2,288)	(23,370)	-	(203,085)
Noncash write-downs	-	(7,059)	(8,197)	-	(4,593)	-	(19,849)
Balance December 31, 1998	-	125,191	53,790	42,842	4,007	-	225,830
Merger/restructuring expense	409,457	115,749	-	-	-	-	525,206
Cash payments	(182,836)	(176,519)	(33,100)	(13,674)	(3,275)	-	(409,404)
Noncash write-downs	(27,734)	(44,528)	(2,256)	(2,686)	(625)	-	(77,829)
Loss on sale of securities	(177,733)	-	-	-	-	-	(177,733)
Reversals	-	(19,893)	(12,437)	(22,306)	(107)	-	(54,743)
Balance December 31, 1999	21,154	-	5,997	4,176	-	-	31,327
Merger/restructuring expense	227,058	52,635	-	-	-	7,702	287,395
Cash payments	(197,917)	(52,635)	(1,818)	(528)	-	(7,702)	(260,600)
Noncash write-downs	(50,295)	-	(355)	(744)	-	-	(51,394)
Balance December 31, 2000	\$ -	\$ -	\$ 3,824	\$ 2,904	\$ -	\$ -	\$ 6,728

5. Reserve Balance Requirements

Banking regulations require Firststar's banking subsidiaries to maintain cash reserves which are unavailable for investment. The amounts of such reserves, which are included in cash and due from banks in the consolidated balance sheets, were \$271 million and \$462 million at December 31, 2000 and 1999, respectively.

Firststar Corporation

Notes to Consolidated Financial Statements

6. Investment Securities

The table below summarizes unrealized gains and losses for held-to-maturity and available-for-sale securities at December 31, 2000 and 1999.

<i>(dollars in thousands)</i>	2000			1999				
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Held-to-maturity:								
Mortgage-backed securities	\$ 35,729	\$ -	\$ -	\$ 35,729	\$ 45,411	\$ -	\$ -	\$ 45,411
Obligations of state and political subdivisions	215,851	4,875	-	220,726	149,043	5,856	-	154,899
Total held-to-maturity securities	\$ 251,580	\$ 4,875	\$ -	\$ 256,455	\$ 194,454	\$ 5,856	\$ -	\$ 200,310
Available-for-sale:								
U.S. Treasuries and agencies	\$ 1,092,992	\$ 20,048	\$ 2,878	\$ 1,110,162	\$ 1,787,717	\$ 10,505	\$ 12,210	\$ 1,786,012
Mortgage-backed securities	9,305,246	113,906	18,846	9,400,306	6,654,624	19,880	119,652	6,554,852
Obligations of state and political subdivisions	1,349,704	21,524	642	1,370,586	1,598,685	14,860	9,650	1,603,895
Other debt securities	923,016	5,519	14,709	913,826	1,792,296	1	50,061	1,742,236
Money market mutual funds	251,235	-	-	251,235	437,058	-	-	437,058
Federal reserve/FHLB stock and other equity securities	567,735	277	218	567,794	795,407	17	64	795,360
Total available-for-sale securities	\$ 13,489,928	\$ 161,274	\$ 37,293	\$ 13,613,909	\$ 13,065,787	\$ 45,263	\$ 191,637	\$ 12,919,413

Firststar Corporation

Notes to Consolidated Financial Statements

The following table presents the amortized cost and fair value of held-to-maturity and available-for-sale debt securities at December 31, 2000:

<i>(dollars in thousands)</i>	Amortized Cost	Fair Value
Held-to-maturity:		
One year or less	\$ 39,518	\$ 38,981
After one year through five years	94,220	51,704
After five years through ten years	64,043	102,875
After ten years	53,799	62,895
Total	\$ 251,580	\$ 256,455
Available-for-sale:		
One year or less	\$ 629,112	\$ 630,724
After one year through five years	2,834,982	2,873,986
After five years through ten years	1,890,429	1,916,735
After ten years	7,316,435	7,373,435
Total	12,670,958	12,794,880
Equity securities	818,970	819,029
Total	\$ 13,489,928	\$ 13,613,909

Note: Maturity information related to mortgage-backed securities included above is presented based upon weighted average maturities anticipating future prepayments.

As of December 31, 2000 Firststar reported a net unrealized gain of \$124 million for available-for-sale securities. For 2000, the unrealized gain reported as a separate component of equity (net of tax) changed from an unrealized loss of \$95 million to an unrealized gain of \$81 million, increasing equity by \$176 million.

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

<i>(dollars in thousands)</i>	2000	1999	1998
Gross gains	\$ 8,509	\$ 16,577	\$ 21,904
Gross (losses)	(7,389)	(179,548)	(5,374)
Net securities gains (losses)	\$ 1,120	\$ (162,971)	\$ 16,530

Securities with a carrying value of \$9.6 billion at December 31, 2000 and \$6.6 billion at December 31, 1999, were pledged to secure deposits and for other purposes.

Firststar Corporation

Notes to Consolidated Financial Statements

7. Loans

The composition of loans is summarized below. Loans are presented net of unearned interest and unamortized origination fees and costs which amounted to \$571,586,000 and \$335,600,000 at December 31, 2000 and 1999, respectively.

<u>As of December 31 (dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Commercial	\$ 17,121,257	\$ 15,530,346
Commercial leasing	2,119,396	1,816,250
Real estate construction and development	2,534,046	2,184,476
Commercial real estate mortgage	9,257,709	8,851,504
Residential real estate mortgage	5,319,117	8,779,037
Credit card	2,219,092	1,403,655
Retail leasing	4,095,231	2,006,839
Other retail	11,039,992	10,053,901
	<u>\$ 53,705,840</u>	<u>\$ 50,626,008</u>
Total loans	<u>\$ 53,705,840</u>	<u>\$ 50,626,008</u>

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

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Loans on nonaccrual status	\$ 367,882	\$ 207,996
Restructured loans	67	1,664
	<u>\$ 367,949</u>	<u>\$ 209,660</u>
Total nonperforming loans	<u>\$ 367,949</u>	<u>\$ 209,660</u>
Interest that would have been recognized on nonperforming loans in accordance with their original terms	\$ 28,195	\$ 14,488
Actual interest recorded for nonaccrual and restructured loans	8,254	4,657
	<u>\$ 19,941</u>	<u>\$ 9,831</u>
Net interest lost on nonperforming loans	<u>\$ 19,941</u>	<u>\$ 9,831</u>

Firststar evaluates the credit risk of each customer on an individual basis and obtains collateral when it is deemed appropriate. Collateral varies by individual loan customer, but may include accounts receivable, inventory, real estate, equipment, deposits, personal and government guarantees, and general security agreements. Access to collateral is dependent on the type of collateral obtained. On an ongoing basis, Firststar monitors its collateral and the collateral value related to the loan balance outstanding.

Firststar Corporation
Notes to Consolidated Financial Statements

8. Allowance for Loan Losses and Impaired Loans

A summary of the activity in the allowance for loan losses is shown in the following table:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Balance at beginning of year	\$ 714,898	\$ 704,846	\$ 657,098
Loans charged off	(301,767)	(251,980)	(235,704)
Recoveries on loans previously charged off	81,987	74,731	72,219
Net charge-offs	(219,780)	(177,249)	(163,485)
Loan sales	(3,478)	-	-
Acquired reserves	6,000	-	46,443
Provision charged to earnings	222,443	187,301	164,790
Balance at end of year	<u>\$ 720,083</u>	<u>\$ 714,898</u>	<u>\$ 704,846</u>

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

<u>(dollars in thousands)</u>	<u>2000</u>		<u>1999</u>		<u>1998</u>	
	<u>Recorded Investment</u>	<u>Valuation Allowance</u>	<u>Recorded Investment</u>	<u>Valuation Allowance</u>	<u>Recorded Investment</u>	<u>Valuation Allowance</u>
Impaired Loans:						
Valuation allowance required	\$ 198,089	\$ 57,340	\$ 21,696	\$ 8,218	\$ 44,963	\$ 9,723
No valuation allowance required	126,913	-	131,514	-	100,299	-
Total impaired loans	<u>\$ 325,002</u>	<u>\$ 57,340</u>	<u>\$ 153,210</u>	<u>\$ 8,218</u>	<u>\$ 145,262</u>	<u>\$ 9,723</u>
Average balance of impaired loans during year	\$ 198,675		\$ 153,005		\$ 147,676	
Interest income recognized on impaired loans during year	7,802		3,258		4,570	

Firststar Corporation
Notes to Consolidated Financial Statements

9. Premises and Equipment

Premises and equipment as of December 31 are summarized in the following table:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Land	\$ 144,771	\$ 148,571
Bank buildings	888,534	899,375
Furniture, fixtures and equipment	931,475	927,980
Leasehold improvements	191,686	174,979
Construction in progress	43,537	45,853
	<u>2,200,003</u>	<u>2,196,758</u>
Total premises and equipment		
Less: Accumulated depreciation and amortization	<u>1,220,560</u>	<u>1,193,871</u>
Net premises and equipment	<u>\$ 979,443</u>	<u>\$ 1,002,887</u>

Depreciation and amortization expense related to premises and equipment amounted to \$130,012,000 in 2000, \$128,354,000 in 1999 and \$136,075,000 in 1998.

Total rental expense was \$88,862,000 in 2000, \$82,555,000 in 1999 and \$76,836,000 in 1998.

Future minimum rental payments, net of sublease rental payments, related to non-cancelable operating leases having initial terms in excess of one year are \$47,003,000 in 2001, \$43,186,000 in 2002, \$38,436,000 in 2003, \$31,442,000 in 2004, \$24,177,000 in 2005 and \$94,104,000 in later years.

10. Mortgage Servicing Rights

Firststar serviced \$17.0 billion and \$19.5 billion of mortgage loans for other investors as of December 31, 2000 and 1999, respectively. Changes in capitalized mortgage servicing rights are summarized as follows:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Balance at beginning of year	\$ 212,297	\$ 232,105
Rights purchased	15,559	811
Rights capitalized	137,410	169,678
Amortization	(34,633)	(46,808)
Rights sold	(100,760)	(143,489)
Impairment	(947)	-
	<u>\$ 228,926</u>	<u>\$ 212,297</u>
Balance at end of year		

Firststar Corporation

Notes to Consolidated Financial Statements

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

This sensitivity to changes in interest rates is hypothetical and the information should be used with caution because the relationship of the change in the interest rate assumption to the change in fair value may not be linear.

11. Intangible Assets

The following is a summary of intangible assets as of December 31 which are included in other assets in the consolidated balance sheets:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Goodwill	\$ 1,573,621	\$ 1,305,816
Core deposit benefits	201,564	230,726
Mortgage servicing rights	228,926	212,297
Other identified intangibles	9,124	10,237
Total intangible assets	<u>\$ 2,013,235</u>	<u>\$ 1,759,076</u>

12. Deposits

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

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Noninterest-bearing deposits	\$ 10,979,702	\$ 10,299,994
Savings accounts	2,715,356	3,349,308
NOW accounts	6,959,490	6,980,734
Money market deposit accounts	10,867,018	10,263,894
Time deposits \$100,000 and over	5,437,299	3,753,526
Foreign deposits \$100,000 and over	2,859,640	773,926
All other time deposits	<u>16,459,426</u>	<u>16,465,029</u>
Total interest-bearing deposits	<u>45,298,229</u>	<u>41,586,417</u>
Total deposits	<u>\$ 56,277,931</u>	<u>\$ 51,886,411</u>

Firststar Corporation

Notes to Consolidated Financial Statements

13. Short-Term Borrowings

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

<i>(dollars in thousands)</i>	2000		1999		1998	
	Amount	Rate	Amount	Rate	Amount	Rate
At year end:						
Federal funds purchased	\$ 1,871,304	5.9 %	\$ 5,192,850	4.8 %	\$ 3,494,436	4.8 %
Securities sold under agreements to repurchase	2,382,226	4.0	1,938,238	3.1	1,748,455	3.7
Commercial paper	222,866	6.4	139,347	4.4	134,060	5.5
Treasury, tax and loan notes	363,723	5.2	171,004	5.8	321,315	4.4
Other short-term borrowings	4,184,260	6.1	860,580	5.7	947,702	5.2
Total	\$ 9,024,379	5.5 %	\$ 8,302,019	4.5 %	\$ 6,645,968	4.5 %
Average for the year:						
Federal funds purchased	\$ 4,308,090	6.2 %	\$ 4,255,185	5.0 %	\$ 3,528,098	5.4 %
Securities sold under agreements to repurchase	2,023,240	4.5	1,894,359	3.9	1,852,858	4.4
Commercial paper	212,414	6.2	183,023	4.8	101,822	5.4
Treasury, tax and loan notes	572,045	6.1	259,741	4.2	417,243	5.2
Other short-term borrowings	2,149,505	6.5	1,227,254	5.2	1,469,206	5.6
Total	\$ 9,265,294	5.9 %	\$ 7,819,562	4.7 %	\$ 7,369,227	5.2 %
Maximum month-end balances:						
Federal funds purchased	\$ 5,864,443		\$ 5,192,850		\$ 3,995,677	
Securities sold under agreements to repurchase	2,395,928		2,077,538		1,998,619	
Commercial paper	300,086		199,711		134,060	
Treasury, tax and loan notes	3,265,895		968,817		1,117,037	
Other short-term borrowings	4,196,163		2,007,713		1,867,973	

Firststar Corporation

Notes to Consolidated Financial Statements

14. Long-Term Debt

The following is a summary of Firststar's long-term debt as of December 31:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Firststar Corporation (parent company only):		
Medium term notes	\$ 257,863	\$ 343,807
7.30% subordinated notes, due 2007	199,834	200,000
7.625% subordinated notes, due 2002	149,579	150,000
5.875% senior notes, due 2003	99,871	99,831
6.35% senior notes, due 2001	199,921	199,781
6.50% senior notes, due 2002	199,617	199,387
6.80% senior notes, due 2001	149,952	150,000
7.05% senior notes, due 2004	149,690	150,000
8.32% trust capital securities, due 2026	150,000	150,000
Variable rate trust capital securities, due 2027	295,835	298,677
7.25% subordinated notes, due 2003	32,615	32,685
Other debt	-	1,829
Subtotal	<u>1,884,777</u>	<u>1,975,997</u>
Bank subsidiaries:		
Federal Home Loan Bank advances	596,333	1,948,376
6.375% subordinated notes, due 2004	74,682	75,000
6.375% subordinated notes, due 2004	149,360	149,183
6.625% subordinated notes, due 2006	99,157	99,046
7.125% subordinated notes, due 2009	495,048	494,658
7.80% subordinated notes, due 2010	298,695	-
6.25% senior notes, due 2002	249,173	248,780
7.13% senior notes, due 2000	-	25,000
Other debt	29,368	22,343
Subtotal	<u>1,991,816</u>	<u>3,062,386</u>
Total long-term debt	<u>\$ 3,876,593</u>	<u>\$ 5,038,383</u>

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

Firststar's unsecured medium term notes mature from 2001 through 2002 and have interest rates ranging from 5.80% to 7.01%.

Federal Home Loan Bank advances are collateralized by Federal Home Loan Bank stock and first mortgage residential real estate loans. The advances mature from 2001 through 2022 and have variable interest rates averaging 5.75% as of December 31, 2000.

Firststar Corporation

Notes to Consolidated Financial Statements

Firststar formed three statutory business trusts (the “Trusts”) for the issuance of trust preferred capital securities. The primary assets of the Trusts are \$450 million of Firststar’s subordinated debentures with like maturities and interest rates to the securities. Firststar has fully and unconditionally guaranteed the obligations of the Trusts. Firststar has the right to defer payment of interest on the debentures at any time or from time to time for a period not exceeding 20 consecutive quarters, provided that no deferred periods extend beyond the stated maturities of the debentures. Such deferral of interest payments by Firststar could result in a deferral of distribution payments on the related securities. The securities qualify as tier I capital of Firststar for regulatory capital purposes. The Trusts each issued \$150 million of securities which are redeemable in whole or in part in 2006 and 2007 in the amounts of \$150 million and \$300 million, respectively.

Long-term debt has aggregate maturities for the five years 2001 through 2005 as follows: \$755.0 million in 2001, \$668.0 million in 2002, \$141.3 million in 2003, \$375.0 million in 2004, and \$0.7 million in 2005.

Firststar Corporation

Notes to Consolidated Financial Statements

15. Pension Plans

Firststar has non-contributory defined benefit pension plans covering substantially all employees. The benefits are based on years of service and employees' compensation while employed. The plans include both funded and unfunded plans. The funding policy, where applicable, is to make an annual contribution to the plan which at least equals the minimum required contribution. Plan assets primarily consist of listed stocks, corporate bonds, U.S. Treasury and agency securities, and mutual funds. Included in plan assets are shares of Firststar stock with a market value of \$19 million and \$13 million at December 31, 2000 and 1999, respectively. The tables below summarize data relative to the plans.

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 676,465	\$ 723,293
Service cost	17,569	23,765
Interest cost	50,922	46,118
Amendments	-	29,815
Curtailements	(4,439)	(4,039)
Acquisition/divestitures	-	1,859
Actuarial (gain) loss	(16,655)	(95,236)
Benefits paid	(66,525)	(49,110)
	<u>\$ 657,337</u>	<u>\$ 676,465</u>
Change in plan assets:		
Fair value of plan assets at beginning of year	\$ 832,831	\$ 743,089
Actual return on plan assets	236,943	61,170
Employer contribution	8,525	69,716
Acquisition/divestitures	1,080	7,966
Benefits paid	(66,525)	(49,110)
	<u>\$ 1,012,854</u>	<u>\$ 832,831</u>
Funded status	\$ 355,517	\$ 156,366
Unrecognized transition obligation	(1,805)	(3,238)
Unrecognized prior service cost	(11,517)	(14,247)
Unrecognized net (gain) loss	(194,867)	(34,408)
	<u>\$ 147,328</u>	<u>\$ 104,473</u>
Prepaid pension cost	<u>\$ 147,328</u>	<u>\$ 104,473</u>

Firststar Corporation

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Information about pension plans based upon funded status is as follows:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Plans with assets in excess of obligations:		
Fair value of plan assets	\$ 1,012,854	\$ 832,831
Benefit obligation	<u>(556,553)</u>	<u>(582,133)</u>
Funded status	<u>\$ 456,301</u>	<u>\$ 250,698</u>
Plans with obligations in excess of assets:		
Fair value of plans assets	\$ -	\$ -
Benefit obligation	<u>(100,784)</u>	<u>(94,332)</u>
Unfunded status	<u>\$ (100,784)</u>	<u>\$ (94,332)</u>

Weighted average assumptions used in determining pension values were as follows:

	<u>2000</u>	<u>1999</u>
Discount rate	7.75 %	6.58 %
Expected return on plan assets	12.15	11.38
Rate of compensation increase	4.00	4.06

Pension costs included the following components:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service cost	\$ 17,569	\$ 23,765	\$ 24,158
Interest cost	50,922	46,118	47,531
Expected return on plan assets	(98,734)	(79,169)	(54,837)
Net amortization and deferral	(2,634)	13,420	185
Curtailement gain	<u>(5,911)</u>	<u>(4,275)</u>	<u>-</u>
Net periodic benefit cost	<u>\$ (38,788)</u>	<u>\$ (141)</u>	<u>\$ 17,037</u>

Firststar Corporation

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16. Other Employee Benefits

Firststar maintains plans to provide health care benefits to certain retired employees and has a group of active employees who will be eligible for health care benefits upon their retirement. The plans were amended to limit eligibility of future retirees. This action was treated as a plan curtailment. The liability for these benefits is unfunded. The tables below summarize data relative to these plans:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Change in benefit obligation:		
Benefit obligation at beginning of year	\$ 75,793	\$ 86,746
Service cost	242	981
Interest cost	5,890	5,812
Amendments	-	(10,014)
Actuarial (gain) loss	6,828	(1,553)
Benefits paid	<u>(7,695)</u>	<u>(6,179)</u>
Benefit obligation at end of year	<u>\$ 81,058</u>	<u>\$ 75,793</u>
Unfunded status	\$ 81,058	\$ 75,793
Unrecognized transition obligation	(231)	(10,762)
Unrecognized prior service cost	-	30
Unrecognized net loss	<u>(1,643)</u>	<u>5,249</u>
Postretirement benefit liability	<u>\$ 79,184</u>	<u>\$ 70,310</u>

Postretirement benefit costs included the following components:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Service cost	\$ 242	\$ 981	\$ 943
Interest cost	5,890	5,812	5,689
Curtailement loss	10,259	-	18,136
Net amortization and deferral	<u>178</u>	<u>1,854</u>	<u>3,027</u>
Net periodic benefit cost	<u>\$ 16,569</u>	<u>\$ 8,647</u>	<u>\$ 27,795</u>

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The weighted average discount rates used in determining the amount of the benefit obligation were 7.75% and 6.75% at December 31, 2000 and 1999, respectively. The measurement of the benefit obligation at December 31, 2000 assumed a health care cost trend rate of 7.50% which gradually decreases to 5.50% by 2004 and thereafter. To illustrate the effects of changes in this assumption, increasing the assumed health care cost trend by one percentage point in each year would increase the benefit obligation by \$5,153,000 and the aggregate of the service and interest cost components of benefit cost by \$427,000, while decreasing the assumed cost trend by one percentage point would decrease the benefit obligation by \$4,567,000 and the aggregate of the service and interest cost components of benefit cost by \$373,000.

Firststar has defined contribution retirement savings plans under which eligible employees can participate by contributing a portion of their salary for investment in one or more investment funds. Based on a predetermined percentage, Firststar makes contributions to the accounts of each participant. Amounts expensed in connection with these plans were \$14,208,000 in 2000, \$22,594,000 in 1999 and \$20,492,000 in 1998.

17. Stock Options and Compensation Plans

Firststar had stock options outstanding under various plans at December 31, 2000, including plans assumed in acquisitions. The plans provide for grants to selected key managerial personnel of options to purchase shares of common stock generally at the stock's fair market value at the date of grant. In addition, the plans provide for grants to selected key managerial personnel of shares of common stock which are subject to restriction on transfer and to a right of repurchase by Firststar. Not more than 22.9 million authorized and unissued shares of common stock, in the aggregate, are available for issue under the plans as of December 31, 2000.

Firststar provided one-time grants of stock options to all eligible employees in 1998 and 1999. These options were granted to active employees as a performance award and permit them to purchase stock at the stock's fair market value at the date of grant. No additional shares are available for grant under these plans.

Stock options vest over a four year period and expire ten years from the date of grant. Awards of restricted shares vest over a period of up to five years. Options granted by Star Banc Corporation and Firststar Corporation prior to their merger became fully vested as a result of the merger. Similarly, all Mercantile Bancorporation options became fully vested as a result of its merger with Firststar.

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The following is a summary of stock options outstanding and exercised under various stock option plans of Firstar:

	2000		1999		1998	
	Stock Options/ Awards	Weighted-Average Exercise Price	Stock Options/ Awards	Weighted-Average Exercise Price	Stock Options/ Awards	Weighted-Average Exercise Price
Stock option plans:						
Number outstanding at beginning of year	62,670,310	\$ 17.45	63,804,427	\$ 15.03	52,800,650	\$ 9.33
Granted	12,765,152	21.70	16,955,193	22.68	25,589,545	22.79
Assumed	-	-	-	-	287,420	9.95
Exercised	(8,322,706)	10.84	(13,264,586)	10.37	(12,641,477)	8.82
Cancelled	(5,917,557)	23.01	(4,824,724)	23.33	(2,231,711)	13.94
Number outstanding at end of year	61,195,199	\$ 18.69	62,670,310	\$ 17.45	63,804,427	\$ 15.03
Exercisable at end of year	33,375,105	\$ 15.53	37,210,637	\$ 13.50	39,375,065	\$ 10.00
Weighted average fair value of options granted		7.10		8.42		8.49
Restricted share plans:						
Number outstanding at beginning of year	419,314		1,980,038		1,184,192	
Granted	72,913		439,999		1,637,604	
Vested	(314,957)		(1,995,723)		(779,028)	
Cancelled	-		(5,000)		(62,730)	
Number outstanding at end of year	177,270		419,314		1,980,038	
Weighted average fair value of shares granted		\$ 22.90		\$ 24.77		\$ 23.85

The fair value and pro forma income information calculated for options granted is estimated on the date of the grant using the Black-Scholes option-pricing model with the following weighted average assumptions in 2000, 1999 and 1998, respectively: volatility of 36.9 percent, 41.0 percent and 37.7 percent; risk free interest rates of 5.43 percent, 5.55 percent and 4.79 percent; dividend yields of 2.50 percent, 2.00 percent and 1.58 percent; for all years expected lives of 2.5 to 5.5 years.

The following table summarizes information about stock options outstanding at December 31, 2000 under various stock option plans of Firstar Corporation:

Range of exercise prices	Outstanding			Exercisable	
	Number Outstanding at 12/31/00	Weighted-Avg Remaining Contractual Life	Weighted-Avg Exercise Price	Number Exercisable at 12/31/00	Weighted-Avg Exercise Price
\$1.73 - \$10.00	8,597,857	3.6 Years	\$ 5.57	8,597,857	\$ 5.57
10.01 - 15.00	7,078,410	5.0 Years	11.15	7,071,635	11.15
15.01 - 20.00	5,482,138	6.4 Years	17.80	5,380,538	17.79
20.01 - 25.00	35,694,499	8.7 Years	22.40	9,517,355	23.24
25.01 - 30.00	4,080,022	7.2 Years	27.25	2,761,000	26.54
30.01 - 35.00	262,273	8.3 Years	32.94	46,720	33.22
Total	61,195,199	7.3 Years	\$ 18.69	33,375,105	\$ 15.53

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Firststar applied APB Opinion No. 25 and related interpretations in accounting for all its stock-based compensation plans. Accordingly, no compensation expense has been recognized for stock option grants.

The compensation cost that has been charged against income for stock-based compensation plans was \$3,952,000, \$32,916,000 and \$14,138,000 for 2000, 1999 and 1998, respectively. The vesting of restricted stock as a result of mergers accelerated expense recognition in 1999 and 1998.

SFAS No. 123 allows but does not require a "fair value" based method of accounting for stock-based compensation plans. Had Firststar recognized compensation expense based on the fair value of options at their grant date, as prescribed by SFAS No. 123, Firststar's net income for 2000, 1999 and 1998 would have been \$1,230,355,000, \$821,702,000 and \$668,087,000, respectively. Pro forma basic earnings per share would have been \$1.28 in 2000, \$0.83 in 1999 and \$0.69 in 1998. Pro forma diluted earnings per share would have been \$1.27 in 2000, \$0.82 in 1999 and \$0.68 in 1998. These pro forma disclosures are not likely to be representative of the effect on reported net income and earnings per share for future years since current options vest over a four-year period and additional options are generally granted each year. Additionally, the vesting of options as a result of mergers would have accelerated expense recognition in 1999 and 1998 under SFAS No. 123.

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

Firststar has entered into agreements with certain officers. In general, the agreements provide for the payment of a lump sum benefit to the officers, plus the continuation of certain medical and insurance benefits and immediate exercisability of stock options, in the event that the officers' employment is terminated involuntarily by Firststar or voluntarily by the officers for good reason, following a change in control of Firststar during the officers' protected period. The benefits payable under the agreements can be up to three times the officers' base salary and incentive bonus.

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18. Income Taxes

The taxes applicable to income before income taxes were as follows:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Current income taxes:			
Federal	\$ 294,967	\$ 354,477	\$ 300,465
State and other	35,422	(14,474)	39,868
Subtotal	330,389	340,003	340,333
Deferred income taxes:			
Federal	287,091	172,813	66,449
State and other	25,421	24,433	(5,866)
Subtotal	312,512	197,246	60,583
Provision for income taxes	<u>\$ 642,901</u>	<u>\$ 537,249</u>	<u>\$ 400,916</u>

Exercised stock options produced tax benefits of \$32,860,000 in 2000, \$74,303,000 in 1999 and \$52,422,000 in 1998 which were allocated directly to shareholders' equity.

The effective tax rate differed from the statutory U.S. federal tax rate of 35% as shown below:

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Statutory tax rate	35.0%	35.0%	35.0%
Increase (reduction) in rate resulting from:			
Tax-exempt income, net of interest expense disallowance	(1.6%)	(2.5%)	(3.0%)
State and local taxes, net of federal income tax benefit	2.1%	0.5%	1.8%
Amortization of intangibles	1.6%	2.1%	2.4%
Nondeductible merger & acquisition costs	0.3%	4.0%	0.7%
Liquidation of affiliate	-	-	(2.1%)
Sale of affiliate preferred stock	(2.6%)	-	-
Other - net	(1.4%)	(1.1%)	(1.6%)
Effective tax rate	<u>33.4%</u>	<u>38.0%</u>	<u>33.2%</u>

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The significant components of the net deferred tax asset (liability) were as follows:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Deferred tax liabilities:			
Equipment leased to customers	\$ (692,354)	\$ (436,156)	\$ (272,130)
Securities available for sale	(42,963)	-	(77,311)
Bank premises and equipment	(35,662)	(35,853)	(24,655)
Acquired assets accounted for as a purchase	(9,479)	(6,088)	(4,725)
Pension and post-retirement benefits	(20,450)	(16,790)	(8,492)
Deferred loan fees/costs	(40,045)	(4,103)	(4,525)
FHLB dividends	(20,946)	(17,061)	(21,032)
Partnership investments	(14,877)	-	-
Discount on securities	(6,533)	-	-
Other - net	-	(3,826)	(27,796)
Deferred tax assets:			
Allowance for loan losses	259,310	250,603	243,755
Securities available for sale	-	51,291	-
Pension and post-retirement benefits	-	14,554	12,486
State and federal net operating loss carryforwards	24,014	22,931	20,904
Deferred compensation	36,538	26,533	27,186
Amortizable intangibles	16,838	-	-
Merger related charges	1,110	12,239	84,199
Foreclosed property	-	1,213	140
Mortgage servicing rights	9,851	-	-
Federal AMT credit carryforward	-	22,938	7,568
Capital loss carryforward	22,000	-	-
Charitable contributions carryforward	846	6,523	4,202
Other - net	3,721	5,923	12,741
Subtotal	(509,081)	(105,129)	(27,485)
Valuation allowance	(16,589)	(12,704)	(10,854)
Net deferred tax asset / (liability)	<u>\$ (525,670)</u>	<u>\$ (117,833)</u>	<u>\$ (38,339)</u>

A valuation allowance has been established to offset deferred tax assets related to state net operating loss carryforwards totaling approximately \$436,966,000, which expire at various times within the next 15 years.

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Certain events covered by Internal Revenue Code Section 593(e), which was not repealed, will trigger a recapture of the base year reserve of acquired thrift institutions. The base year reserve of acquired thrift institutions would be recaptured if an entity ceases to qualify as a bank for federal income tax purposes. The base year reserves of thrift institutions also remain subject to income tax penalty provisions that, in general, require recapture upon certain stock redemptions of, and excess distributions to, shareholders. At December 31, 2000, retained earnings included approximately \$101.8 million of base year reserves for which no deferred federal income tax liability has been recognized.

19. Shareholders' Equity

The authorized and outstanding shares of Firststar are as follows:

<u>December 31</u>	<u>2000</u>	<u>1999</u>
Preferred stock, \$1.00 par value		
Authorized	10,000,000	10,000,000
Outstanding	-	-
Common stock, \$.01 par value		
Authorized	2,000,000,000	2,000,000,000
Outstanding (net of treasury stock)	950,727,710	975,546,460

Under the Firststar Preferred Share Purchase Rights Plan, each share of common stock entitles its holder to one right. Under certain conditions, each right entitles the holder to purchase one one-hundredth of a share of preferred stock at a price of \$300, subject to adjustment. The rights will only be exercisable if a person or a group has acquired, or announced an intention to acquire, 15% or more of the outstanding shares of Firststar common stock. Under certain circumstances, including the existence of a 15% acquiring party, each holder of a right, other than the acquiring party, will be entitled to purchase at the exercise price Firststar common shares having a market value of two times the exercise price. In the event of the acquisition of Firststar by another company subsequent to a party acquiring 15% or more of Firststar common stock, each holder of a right is entitled to receive the acquiring company's common shares having a market value of two times the exercise price. The rights may be redeemed at a price of \$.01 per right prior to the existence of a 15% acquiring party, and thereafter, may be exchanged for one common share per right prior to the existence of a 50% acquiring party. The rights will expire on December 1, 2008. The rights do not have voting or dividend rights and until they become exercisable, have no dilutive effect on the earnings of Firststar. Under the rights plan, the Board of Directors of Firststar may reduce the thresholds applicable to the rights from 15% to not less than 10%.

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

<u>(dollars in thousands)</u>	<u>Pre-tax</u>	<u>Tax Effect</u>	<u>Net of Tax</u>
1998:			
Unrealized gains on securities available for sale	\$ 142,241	\$ (50,804)	\$ 91,437
Reclassification adjustment for gains realized in net income	<u>(16,530)</u>	<u>5,795</u>	<u>(10,735)</u>
Total	<u>\$ 125,711</u>	<u>\$ (45,009)</u>	<u>\$ 80,702</u>
1999:			
Unrealized losses on securities available for sale	\$ (527,472)	\$ 185,923	\$ (341,549)
Reclassification adjustment for losses realized in net income	<u>162,971</u>	<u>(57,447)</u>	<u>105,524</u>
Total	<u>\$ (364,501)</u>	<u>\$ 128,476</u>	<u>\$ (236,025)</u>
2000:			
Unrealized gains on securities available for sale	\$ 271,476	\$ (95,150)	\$ 176,326
Reclassification adjustment for gains realized in net income	<u>(1,120)</u>	<u>392</u>	<u>(728)</u>
Total	<u>\$ 270,356</u>	<u>\$ (94,758)</u>	<u>\$ 175,598</u>

20. Regulatory Capital

Firststar and its banking subsidiaries are subject to various capital requirements as defined by banking industry regulators for banks and bank holding companies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by the regulators that, if undertaken, could have a material effect on the financial statements of Firststar. As of the most recent notification from its regulators, at December 31, 2000 and 1999, Firststar and its banking subsidiaries were categorized as "well capitalized" under the regulatory framework for prompt corrective action.

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The following provides a summary of the tier 1 and total risk-based capital amounts and ratios as compared to minimum capital requirements for 2000 and 1999 for Firststar and its significant bank subsidiaries:

<i>(dollars in thousands)</i>	Actual		For Minimum Capital Adequacy Purposes		To Be Well Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2000:						
Total Capital (to Risk Weighted Assets):						
Consolidated	\$ 7,259,934	10.15 %	\$ 5,723,855	8.00 %	\$ n/a	n/a %
Firststar Bank, N.A.	6,995,918	10.39	5,384,149	8.00	6,730,186	10.00
Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	5,270,998	7.37	2,861,927	4.00	n/a	n/a
Firststar Bank, N.A.	4,425,506	6.58	2,692,074	4.00	4,038,111	6.00
Tier 1 Capital (to Average Assets):						
Consolidated	5,270,998	7.17	2,939,757	4.00	n/a	n/a
Firststar Bank, N.A.	4,425,506	6.43	2,751,036	4.00	3,438,795	5.00
As of December 31, 1999:						
Total Capital (to Risk Weighted Assets):						
Consolidated	\$ 7,098,176	10.79 %	\$ 5,261,406	8.00 %	\$ n/a	n/a %
Firststar Bank, N.A.	3,980,658	10.22	3,115,410	8.00	3,894,263	10.00
Mercantile Bank, N.A.	1,907,197	11.44	1,333,976	8.00	1,667,469	10.00
Tier 1 Capital (to Risk Weighted Assets):						
Consolidated	5,327,118	8.10	2,630,703	4.00	n/a	n/a
Firststar Bank, N.A.	2,893,411	7.43	1,557,705	4.00	2,336,588	6.00
Mercantile Bank, N.A.	1,678,587	10.07	666,988	4.00	1,000,482	6.00
Tier 1 Capital (to Average Assets):						
Consolidated	5,327,118	7.61	2,779,355	4.00	n/a	n/a
Firststar Bank, N.A.	2,893,411	7.30	1,585,604	4.00	1,982,005	5.00
Mercantile Bank, N.A.	1,678,587	8.26	812,396	4.00	1,015,495	5.00

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21. Financial Instruments and Commitments

Firststar is a party to financial instruments with off-balance-sheet risk in the normal course of business in managing its interest rate risk and meeting the financing needs of its customers. These financial instruments include commitments to extend credit, standby letters of credit, interest rate swap agreements, interest rate caps and floors, forward contracts to purchase or sell foreign currencies and forward commitments to sell residential mortgage loans. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The contract or notional amounts of these instruments reflect the extent of involvement that Firststar has in particular classes of financial instruments.

Firststar's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit, standby letters of credit and commercial letters of credit is represented by the contract amount of these instruments. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. Firststar uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments. The need for collateral is assessed on a case-by-case basis, based upon management's credit evaluation of the other party.

The following table shows the contract amount of off-balance-sheet financial instruments associated with Firststar's commercial and consumer lending activities as of December 31:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>
Commitments to extend credit	\$ 20,772,373	\$ 21,019,156
Credit card lines	5,631,955	4,979,941
Standby letters of credit	2,749,325	2,609,846
Letters of credit	147,622	269,704

As part of its asset and liability management, Firststar uses various types of interest rate contracts for the purpose of managing its interest rate risk. The use of interest rate contracts enables Firststar to synthetically alter the repricing characteristics of designated earning assets and interest bearing liabilities. The following table summarizes the notional amounts and fair market values of interest rate contracts used in the interest rate risk management process at December 31:

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<i>(dollars in thousands)</i>	2000		1999	
	Notional Value	Market Value	Notional Value	Market Value
Interest rate swaps:				
In a receivable position	\$ 1,599,541	\$ 62,161	\$ 135,000	\$ 404
In a payable position	40,000	(71)	765,000	(19,766)
Interest rate floors:				
In a receivable position	-	-	305,000	-
Total	\$ 1,639,541	\$ 62,090	1,205,000	\$ (19,362)

The interest rate swaps were used to convert certain fixed rate deposits and borrowed funds to a variable rate basis and to convert certain floating rate commercial loans to a fixed rate basis. Interest rate floors provide for the receipt of payments when the three month LIBOR rate is below a predetermined level. These interest rate floors have been entered into to protect against the impact of declining rates on certain variable rate loans along with the interest rate risk associated with certain money market deposit accounts which have guaranteed minimum interest rates.

The net cash flows associated with these off-balance-sheet interest rate contracts used to manage interest rate risk increased net interest income by \$3.9 million, \$7.5 million and \$6.2 million during 2000, 1999 and 1998, respectively. The maturities of these interest rate contracts in terms of notional values as of December 31, 2000 are as follows:

<i>(dollars in millions)</i>	Maturity Range of Derivative Financial Instruments			
	2001	2002	2009+	Total
Interest rate swaps:				
Receive fixed rate	\$ 675	\$ 300	\$ 665	\$ 1,640
Average receive rate	6.85%	7.80%	7.40%	7.24%
Average pay rate	6.79%	7.28%	7.10%	7.00%

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

Firststar also acts as an intermediary for customers in their management of interest rate and foreign currency risk. In this regard, Firststar will enter into interest rate swaps, caps, floors and foreign exchange contracts with its customers to minimize their exposure to market risk. Firststar enters into essentially offsetting transactions with other counterparties. Revenue from this intermediary activity was \$14.9 million and \$13.7 million in 2000 and 1999, respectively. Information on these transactions at December 31 is shown below:

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<i>(dollars in thousands)</i>	2000		1999	
	Notional Amount	Market Value	Notional Amount	Market Value
Interest rate swaps:				
In a receivable position	\$ 797,654	\$ 18,165	\$ 725,784	\$ 33,935
In a payable position	797,654	(13,911)	725,784	(31,057)
Interest rate caps/floors:				
Held	303,830	-	136,396	71
Written	303,830	-	136,396	(71)
Foreign exchange contracts:				
In a receivable position	329,971	12,909	501,828	7,071
In a payable position	295,327	(9,229)	456,999	(5,063)

The notional values of derivative financial instruments do not represent direct credit exposures. Firststar is exposed to credit-related losses in the event of nonperformance by counterparties to these instruments. Where appropriate, Firststar requires collateral based upon the positive market value of the exposure taking into account bilateral netting agreements with certain counterparties.

Based upon market values of all derivative financial instruments, Firststar's credit exposure was \$93.2 million at December 31, 2000.

22. Asset Securitizations

Firststar has established a securitization trust which holds short-term commercial loans that were originated by Firststar. These loans totaled \$2.0 billion at December 31, 2000 and included net sales of originated loans to the trust of approximately \$3.7 billion during 2000. Firststar received \$18.0 million in servicing fee revenue from the trust during 2000. Firststar, under a credit enhancement agreement with the trust, may repurchase assets or provide alternative funding to the trust if the credit quality of the assets held falls below certain levels. No funding or repurchase of assets occurred during 2000.

Firststar also established a securitization trust which held credit card receivables originated by Firststar. This trust was terminated in December 2000 and \$509 million of credit card receivables were transferred from the trust to Firststar in exchange for the seller's certificates held by Firststar. During the period in 2000 that the trust was in existence, \$665 million of credit card collections were reinvested in the trust. Firststar received \$18.0 million in servicing fee revenue from the trust in 2000 and recorded a \$2.2 million gain upon the termination of the trust.

23. Litigation

Various legal claims have arisen during the normal course of business which, in the opinion of management, will not result in material liability to Firststar.

Firststar Corporation

Notes to Consolidated Financial Statements

24. Dividend Restrictions

The payment of dividends to the parent company by subsidiary banks is subject to federal regulatory limitations. Dividends payable by a national bank to the parent company without the express approval of the Office of the Comptroller of the Currency (OCC) are limited to that bank's retained net profits for the preceding two calendar years plus retained net profits up to the date of any dividend declaration in the current calendar year. Retained net profits are defined by the OCC as net income, less dividends declared during the period, both of which are based on regulatory accounting principles.

With the written approval of the OCC, Firststar Bank, N.A. ("FBNA") declared dividends in 2000 that were \$566 million in excess of retained net profits. Before FBNA can declare dividends in 2001 without the written approval of the OCC, FBNA must have net income of \$501 million plus an amount greater than the dividends to be declared in 2001. Since it is not expected to have net income of \$501 million plus an amount greater than the dividends to be declared in 2001, FBNA will again need to obtain prior written approval of the OCC before any dividends can be declared in 2001.

The amount of dividends available to the parent company from the other bank subsidiaries at December 31, 2000 was \$49 million.

25. Other Noninterest Income

The following are included in all other income for the years ended December 31:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Securitization income	\$ 73,871	\$ 42,020	\$ 20,011

26. Other Noninterest Expense

The following are included in all other expense for the years ended December 31:

<u>(dollars in thousands)</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Outside services	\$ 112,842	\$ 113,569	\$ 100,546
Postage and courier	70,409	70,261	65,479

Firststar Corporation

Notes to Consolidated Financial Statements

27. Earnings Per Share

The following table shows the amounts used in the computation of basic and diluted earnings per share:

<i>(dollars in thousands, except per share data)</i>	<u>2000</u>	<u>1999</u>	<u>1998</u>
Net income	\$ 1,283,619	\$ 875,318	\$ 805,450
Dividends on preferred stock	-	-	(83)
Interest on convertible notes	-	-	43
Net income available to common shareholders	<u>\$ 1,283,619</u>	<u>\$ 875,318</u>	<u>\$ 805,410</u>
Weighted average shares:			
Common shares	963,503	987,488	970,420
Convertible notes and preferred shares	-	-	602
Options & stock plans	<u>8,979</u>	<u>15,266</u>	<u>18,063</u>
Weighted average diluted common shares	<u>972,482</u>	<u>1,002,754</u>	<u>989,085</u>
Basic earnings per common share	\$ 1.33	\$ 0.89	\$ 0.83
Diluted earnings per common share	1.32	0.87	0.81

28. Business Segments

Firststar's operations include three primary business segments: Consumer Banking, Wholesale Banking, and Trust. Selected financial information by business segment is summarized below. This information is derived from the internal reporting systems used by management to assess segment performance.

Consumer Banking provides deposit, installment and credit card lending, mortgage banking, leasing, investment, payment systems, personal financial management, and other financial services to individuals and small businesses. These services are also provided through retail branch offices, ATMs, voice banking, PC and video banking options.

Wholesale Banking provides traditional business lending, asset-based lending, commercial real estate loans, equipment financing, cash management services and international trade services to businesses and governmental entities.

Trust provides asset management services, comprehensive employee benefit plan services, mutual fund custody and corporate bond and stock transfer services.

Firststar Corporation

Notes to Consolidated Financial Statements

Treasury includes the net effect of transfer pricing of interest income and expense along with the operating results of the investment securities and residential loan portfolios. All revenue and expenses of administrative and support functions have been allocated to the primary business segments.

Certain asset and liability balances have been reclassified between business segments during the year ended December 31, 2000. Additionally, the allocation methods used for administrative and support functions were altered during the year. Prior period segment data has been restated to be comparable to the current period presentation.

For the year ended December 31, 2000 <i>(dollars in thousands)</i>	Consumer Banking	Wholesale Banking	Trust	Treasury	Total	Merger- Related Expenses	Consolidated
Net interest income*	\$ 1,590,871	\$ 586,057	\$ 65,454	\$ 501,683	\$ 2,744,065	\$ -	\$ 2,744,065
Provision for loan losses	180,515	34,951	65	6,912	222,443	-	222,443
Noninterest income	770,191	222,412	458,218	55,486	1,506,307	-	1,506,307
Noninterest expense	1,250,346	263,892	216,757	37,911	1,768,906	287,395	2,056,301
Income taxes*	322,708	176,800	106,452	177,743	783,703	(95,694)	688,009
Net income	<u>\$ 607,493</u>	<u>\$ 332,826</u>	<u>\$ 200,398</u>	<u>\$ 334,603</u>	<u>\$ 1,475,320</u>	<u>\$ (191,701)</u>	<u>\$ 1,283,619</u>
Average balances:							
Loans	\$ 26,059,724	\$ 19,690,676	\$ 42,121	\$ 6,431,720	\$ 52,224,241		
Total assets	29,638,775	20,883,137	506,294	23,014,878	74,043,084		
Deposits	42,526,045	5,351,319	798,408	4,068,186	52,743,958		

* Taxable equivalent basis

For the year ended December 31, 1999 <i>(dollars in thousands)</i>	Consumer Banking	Wholesale Banking	Trust	Treasury	Total	Merger- Related Expenses	Consolidated
Net interest income*	\$ 1,487,804	\$ 583,704	\$ 67,664	\$ 558,270	\$ 2,697,442	\$ -	\$ 2,697,442
Provision for loan losses	169,528	37,186	196	(27,109)	179,801	7,500	187,301
Noninterest income	720,696	198,899	442,612	40,364	1,402,571	-	1,402,571
Noninterest expense	1,429,919	280,786	232,737	31,944	1,975,386	470,463	2,445,849
Income taxes*	216,570	165,218	98,620	211,149	691,557	(100,012)	591,545
Net income	<u>\$ 392,483</u>	<u>\$ 299,413</u>	<u>\$ 178,723</u>	<u>\$ 382,650</u>	<u>\$ 1,253,269</u>	<u>\$ (377,951)</u>	<u>\$ 875,318</u>
Average balances:							
Loans	\$ 25,284,194	\$ 16,668,039	\$ 60,896	\$ 7,242,821	\$ 49,255,950		
Total assets	29,608,458	18,455,164	465,834	24,690,077	73,219,533		
Deposits	44,090,014	5,626,469	561,575	1,543,144	51,821,202		

* Taxable equivalent basis

Firststar Corporation

Notes to Consolidated Financial Statements

29. Fair Value of Financial Instruments

SFAS No. 107, “Disclosures about Fair Value of Financial Instruments,” requires disclosure of fair value information about both on- and off-balance-sheet financial instruments for which it is practicable to estimate fair value. For financial instruments where an available trading market does not exist, significant estimations and present value calculations were used to determine fair values as described below. Changes in those estimates and assumptions could have a significant impact on fair values.

Cash and Cash Equivalents

For cash and due from banks, federal funds sold, securities purchased under agreement to resell and interest-bearing deposits in banks, the carrying value is a reasonable estimate of fair value due to their short-term nature.

Investment Securities

Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments or estimated current replacement cost of the instrument.

Loans and Loans Held-for-Sale

For variable rate loans which reprice frequently or are based on market changes, with no significant changes in credit risk, fair values are based on carrying values. The fair values for all other types of loans (including nonperforming loans) are estimated by discounting the future cash flows using current rates being offered for similar loans to borrowers of similar credit quality.

Deposits

The fair values of noninterest-bearing deposits, savings, NOW and money market deposit accounts are, by definition, equal to the amount payable on demand at the reporting date. The carrying values of variable rate fixed-term time deposits approximate their fair values. For fixed-rate time deposits, fair values are estimated using a discounted cash flow analysis based on rates currently offered for deposits of similar remaining maturities.

Short-Term Borrowings

The carrying amounts of federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings approximate their fair values due to their short-term nature.

Long-Term Debt

Fair values of Firststar’s long-term debt are estimated by using discounted cash flow analyses, based on current market rates for debt with similar terms and remaining maturities.

Off-Balance-Sheet Instruments

The fair value of interest rate swap agreements is based on the present value of the swap. Fair values for caps and floors were obtained using an option pricing model. These values represent the estimated amount Firststar would receive or pay to terminate the contracts or agreements taking into account current interest rates and market volatility. Prices obtained from counterparties or pricing models are tested by obtaining third party valuations. The fair value of commitments to extend credit and standby letters of credit is not material and is not shown here.

Firststar Corporation

Notes to Consolidated Financial Statements

Due to the wide range of permitted valuation techniques and numerous estimates and assumptions which must be made for financial instruments which lack available secondary markets, management is concerned that reasonable comparability of estimated fair value disclosures between financial institutions may not be likely.

The following table summarizes the estimated fair values of Firststar's financial instruments at December 31:

	2000		1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<i>(dollars in thousands)</i>				
Financial assets:				
Cash and cash equivalents	\$ 4,532,860	\$ 4,532,860	\$ 4,185,201	\$ 4,185,201
Investment securities	13,865,489	13,870,364	13,113,867	13,119,723
Net loans	52,985,757	52,833,388	49,911,110	50,737,867
Loans held for sale	713,023	716,777	624,680	625,070
Financial liabilities:				
Deposits	56,277,931	56,268,607	51,886,411	52,256,815
Short-term borrowings	9,024,379	9,024,379	8,302,019	8,302,019
Long-term debt	3,876,593	3,927,857	5,038,383	4,907,654
Derivative financial instruments:				
Asset and liability management:				
Interest rate contracts				
Asset	-	62,161	-	404
Liability	-	71	-	19,766
Customer activities:				
Interest rate contracts				
Asset	18,165	18,165	34,006	34,006
Liability	13,911	13,911	31,128	31,128
Foreign exchange contracts:				
Asset	12,909	12,909	7,071	7,071
Liability	9,229	9,229	5,063	5,063

Firststar Corporation
Notes to Consolidated Financial Statements

30. Parent Company Financial Information

Balance Sheets

As of December 31 *(dollars in thousands)*

	<u>2000</u>	<u>1999</u>
Assets:		
Investment in subsidiaries:		
Banking subsidiaries	\$ 5,898,875	\$ 6,497,477
Other subsidiaries	178,838	126,531
	<u>6,077,713</u>	<u>6,624,008</u>
Total investment in subsidiaries		
Cash and cash equivalents	306,420	577,017
Other investments	37,155	30,630
Advances to subsidiaries	1,496,573	570,380
Other assets	811,326	943,554
	<u>8,729,187</u>	<u>8,745,589</u>
Total assets		
Liabilities and Shareholders' Equity:		
Short-term borrowings	\$ 223,622	\$ 139,347
Long-term debt	1,898,697	1,980,637
Other liabilities	78,538	316,969
Shareholders' equity	6,528,330	6,308,636
	<u>8,729,187</u>	<u>8,745,589</u>
Total liabilities and shareholders' equity		

Firststar Corporation
Notes to Consolidated Financial Statements

Statements of Income

For the years ended December 31 *(dollars in thousands)*

	2000	1999	1998
Revenue:			
Dividends from subsidiaries:			
Banking subsidiaries	\$ 2,095,500	\$ 666,006	\$ 803,176
Nonbank subsidiaries	8,888	12,000	16,300
Total dividends from subsidiaries	2,104,388	678,006	819,476
Fees and assessments from subsidiaries	32,194	37,612	82,457
Other income	64,864	91,235	43,238
Total revenue	2,201,446	806,853	945,171
Expense:			
Interest on short-term borrowings	14,329	11,308	9,734
Interest on long-term debt	135,372	112,234	96,059
Other operating expense	56,433	221,548	285,623
Total expense	206,134	345,090	391,416
Income before income tax benefit	1,995,312	461,763	553,755
Income tax benefit	25,719	19,790	81,056
Equity in undistributed income of subsidiaries	(737,412)	393,765	170,639
Net income	<u>\$ 1,283,619</u>	<u>\$ 875,318</u>	<u>\$ 805,450</u>

Firststar Corporation
Notes to Consolidated Financial Statements

Statement of Cash Flows

For the years ended December 31 (dollars in thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Cash flows from Operating Activities:			
Net income	\$ 1,283,619	\$ 875,318	\$ 805,450
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed income of subsidiaries	737,412	(393,765)	(170,639)
Depreciation and amortization	40,474	63,649	63,254
Net change in receivables from subsidiaries	-	-	(942)
(Gain)/loss on sale of securities available for sale	-	1,630	(333)
Net change in other assets and liabilities	(295,974)	(68,219)	(17,740)
Net cash provided by operating activities	<u>1,765,531</u>	<u>478,613</u>	<u>679,050</u>
Cash flows from Investing Activities:			
Capital contributions to subsidiaries	-	-	(211,005)
Net change in advances to subsidiaries	(926,193)	137,440	(100,577)
Proceeds from maturities of available for sale securities	3,588	1,071	10,939
Proceeds from sales of available for sale securities	-	328	616
Purchase of available for sale securities	(10,004)	(10,790)	(10,626)
Cash from mergers of holding companies	173,353	-	55,659
Other investing activity	-	45,805	93
Net cash (used in) provided by investing activities	<u>(759,256)</u>	<u>173,854</u>	<u>(254,901)</u>
Cash flows from Financing Activities:			
Net change in short-term borrowings	84,275	5,287	30,447
Net change in long-term debt	(81,940)	494,008	63,601
Dividends paid	(626,558)	(456,570)	(394,583)
Common stock transactions	(652,649)	(502,691)	(19,868)
Shares reserved to meet deferred compensation obligations	-	-	1,193
Net cash used in financial activities	<u>(1,276,872)</u>	<u>(459,966)</u>	<u>(319,210)</u>
Net change in cash and cash equivalents	(270,597)	192,501	104,939
Cash and cash equivalents at beginning of year	<u>577,017</u>	<u>384,516</u>	<u>279,577</u>
Cash and cash equivalents at end of year	<u>\$ 306,420</u>	<u>\$ 577,017</u>	<u>\$ 384,516</u>

Supplemental Disclosure of Cash Flow Information

For the years ended December 31 (dollars in thousands)

	<u>2000</u>	<u>1999</u>	<u>1998</u>
Interest expense	\$ 149,774	\$ 109,272	\$ 129,329
Taxes (refunded) paid	(77,410)	199,420	137,166

Firstar Corporation

Notes to Consolidated Financial Statements

31. Summary of Quarterly Financial Information (Unaudited)

The following is a summary of quarterly results of operations for 2000 and 1999.

<i>(dollars in thousands, except per share data)</i>	Quarter Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
2000				
Net interest income	\$ 676,065	\$ 678,653	\$ 674,587	\$ 669,653
Provision for loan losses	67,500	58,200	51,054	45,689
Net interest income after provision for loan losses	608,565	620,453	623,533	623,964
Noninterest income	398,519	374,965	371,574	361,248
Noninterest expense	508,775	533,612	508,089	505,826
Income taxes	148,226	152,812	170,275	171,587
Net income	350,083	308,994	316,743	307,799
Per share:				
Basic earnings per common share	0.37	0.32	0.33	0.32
Diluted earnings per common share	0.37	0.32	0.32	0.31
Cash dividends declared on common stock	0.1625	0.1625	0.1625	0.1625
Book value of common shares at quarter-end	6.87	6.52	6.46	6.46
Market price - high	24.50	25.00	28.00	24.88
low	15.38	20.00	20.88	16.38
Weighted average common shares outstanding (000's)	951,788	958,886	968,446	975,071
Weighted average diluted common shares (000's)	958,590	967,578	979,378	984,590
Ratios:				
Return on average assets	1.85 %	1.66 %	1.72 %	1.71 %
Return on average common equity	21.84	19.42	20.15	19.35
Net interest margin	4.02	4.09	4.12	4.17
Efficiency ratio	46.89	50.12	48.05	48.49
Noninterest income as a percent of net revenue	36.73	35.22	35.14	34.63

Firststar Corporation

Notes to Consolidated Financial Statements

<i>(dollars in thousands, except per share data)</i>	Quarter Ended			
	Dec. 31	Sept. 30	June 30	Mar. 31
1999				
Net interest income	\$ 662,829	\$ 661,481	\$ 663,411	\$ 655,425
Provision for loan losses	43,749	55,325	44,838	43,389
Net interest income after provision for loan losses	619,080	606,156	618,573	612,036
Noninterest income	361,423	348,621	353,014	339,513
Noninterest expense	548,295	840,589	536,122	520,843
Income taxes	164,163	85,828	144,176	143,082
Net income	268,045	28,360	291,289	287,624
Per share:				
Basic earnings per common share	\$ 0.27	\$ 0.03	\$ 0.29	\$ 0.29
Diluted earnings per common share	0.27	0.03	0.29	0.29
Cash dividends declared on common stock	0.1625	0.10	0.10	0.10
Book value of common shares at quarter-end	6.47	6.56	6.74	6.84
Market price - high	29.50	29.63	35.33	31.94
low	19.56	22.13	26.00	27.42
Weighted average common shares outstanding (000's)	980,630	985,779	992,496	991,182
Weighted average diluted common shares (000's)	993,411	999,298	1,009,669	1,008,845
Ratios:				
Return on average assets	1.49 %	0.15 %	1.58 %	1.58 %
Return on average common equity	16.48	1.69	17.07	17.25
Net interest margin	4.17	4.04	4.09	4.07
Efficiency ratio	52.88	82.11	52.03	51.62
Noninterest income as a percent of net revenue	34.86	34.05	34.26	33.65