

[LOGO] US BANCORP (R)

=====

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

-----

## FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 1999

OR

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

For the transition period from (not applicable)

Commission file number 1-6880

U.S. BANCORP  
(Exact name of registrant as specified in its charter)

DELAWARE	41-0255900
(State or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)

U.S. BANK PLACE,  
601 SECOND AVENUE SOUTH,  
MINNEAPOLIS, MINNESOTA 55402-4302  
(Address of principal executive offices and Zip Code)

612-973-1111  
(Registrant's telephone number, including area code)

(NOT APPLICABLE)  
(Former name, former address and former fiscal year,  
if changed since last report).

-----

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding twelve months and (2) has been subject to such filing  
requirements for the past 90 days.

YES ☒ NO ☐

Indicate the number of shares outstanding of each of the Registrant's  
classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 31, 1999
Common Stock, \$1.25 Par Value	727,649,911 shares

=====

## FINANCIAL SUMMARY

	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
(Dollars in Millions, Except Per Share Data)				
Income before merger-related items .....	\$ 406.9	\$ 370.3	\$ 1,159.3	\$ 1,086.3
Merger-related items .....	(10.5)	(41.2)	(21.8)	(108.1)
Net income .....	\$ 396.4	\$ 329.1	\$ 1,137.5	\$ 978.2
=====				
PER COMMON SHARE				
Earnings per share .....	\$ .55	\$ .45	\$ 1.57	\$ 1.33
Diluted earnings per share .....	.54	.44	1.56	1.31
Earnings on a cash basis (diluted)* .....	.60	.49	1.72	1.45
Dividends paid .....	.195	.175	.585	.525
Common shareholders' equity .....	9.20	8.13		
PER COMMON SHARE BEFORE MERGER-RELATED ITEMS				
Earnings per share .....	.56	.50	1.60	1.47
Diluted earnings per share .....	.56	.50	1.59	1.45
Earnings on a cash basis (diluted)* .....	.61	.55	1.75	1.59
=====				
FINANCIAL RATIOS				
Return on average assets .....	2.02%	1.81%	1.99%	1.84%
Return on average common equity .....	23.9	21.4	24.0	21.4
Efficiency ratio .....	50.2	55.1	50.6	53.2
Net interest margin (taxable-equivalent basis) .....	4.84	4.83	4.84	4.91
SELECTED FINANCIAL RATIOS BEFORE MERGER-RELATED ITEMS				
Return on average assets .....	2.08	2.04	2.03	2.04
Return on average common equity .....	24.5	24.1	24.5	23.8
Efficiency ratio .....	49.2	50.3	49.8	48.8
Banking efficiency ratio** .....	42.3	43.3	42.7	44.5
=====				
	September 30	December 31		
	1999	1998		
=====				
PERIOD END				
Loans .....	\$ 60,265	\$ 59,122		
Allowance for credit losses .....	966	1,001		
Assets .....	77,036	76,438		
Total shareholders' equity .....	6,719	5,970		
Tangible common equity to total assets*** .....	6.5%	6.0%		
Tier 1 capital ratio .....	6.7	6.4		
Total risk-based capital ratio .....	11.2	10.9		
Leverage ratio .....	7.1	6.8		
=====				

\* CALCULATED BY ADDING AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS TO NET INCOME.

\*\* WITHOUT INVESTMENT BANKING AND BROKERAGE ACTIVITY.

\*\*\* DEFINED AS COMMON EQUITY LESS GOODWILL AS A PERCENTAGE OF TOTAL ASSETS LESS GOODWILL.

## TABLE OF CONTENTS AND FORM 10-Q CROSS-REFERENCE INDEX

## PART I -- FINANCIAL INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations (Item 2) .....	2
Quantitative and Qualitative Disclosures About Market Risk (Item 3) .....	12
Financial Statements (Item 1) .....	17

## PART II -- OTHER INFORMATION

Exhibits and Reports on Form 8-K (Item 6) .....	29
Signature .....	29
Exhibit 12 -- Computation of Ratio of Earnings to Fixed Charges .....	30

## FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including the following:

(i) general economic or industry conditions could be less favorable than expected, resulting in a deterioration in credit quality or a reduced demand for credit or fee-based products and services; (ii) changes in the domestic interest rate environment could reduce net interest income; (iii) the conditions of the securities markets could change, adversely affecting the availability and terms of funding necessary to meet the Company's liquidity needs; (iv) changes in the extensive laws, regulations and policies governing financial services companies, particularly the adoption of proposed bank regulatory reform, could alter the Company's business environment or affect operations; (v) the potential need to adapt to industry changes in information technology systems, on which the Company is highly dependent, could present operational issues or require significant capital spending; (vi) competitive pressures could intensify and affect the Company's profitability, including as a result of continued industry consolidation, the increased availability of financial services from non-banks, technological developments such as the Internet, or bank regulatory reform; (vii) acquisitions may not produce revenue enhancements or cost savings at levels or within time frames originally anticipated, or may result in unforeseen integration difficulties; and (viii) third parties with which the Company does business may fail to remedy their Year 2000 issues and other unforeseen Year 2000 complications may arise, affecting the Company's operations.

Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**EARNINGS SUMMARY** U.S. Bancorp (the "Company") reported third quarter 1999 operating earnings (net income excluding merger-related items) of \$406.9 million, compared with \$370.3 million in the third quarter of 1998. On a diluted per share basis, operating earnings were \$.56 in the third quarter of 1999, compared with \$.50 in the third quarter of 1998, an increase of 12 percent. Operating earnings on a cash basis were \$.61 per diluted share in the third quarter of 1999, compared with \$.55 per diluted share in the third quarter of 1998, an increase of 11 percent. Return on average assets and return on average common equity, excluding merger-related items, were 2.08 percent and 24.5 percent, respectively, in the third quarter of 1999, compared with returns of 2.04 percent and 24.1 percent, respectively, in the third quarter of 1998. Excluding merger-related items, the efficiency ratio (the ratio of expenses to revenues) was 49.2 percent in the third quarter of 1999, compared with 50.3 percent in the third quarter of 1998.

Net interest income on a taxable-equivalent basis in the third quarter of 1999 was higher by \$66.1 million (8 percent) than the third quarter of 1998. Noninterest income increased by \$95.7 million (16 percent), with growth in all major sources of noninterest income. Noninterest expense, before merger-related items, grew at a slower pace than revenue in the third quarter of 1999, increasing by \$65.0 million (9 percent), over the third quarter of 1998. The banking efficiency ratio (the ratio of expenses to revenues without the impact of investment banking and brokerage activity), before merger-related items, for the third quarter of 1999 was 42.3 percent, compared with 43.3 percent in the third quarter of 1998. Unusual items in the third quarter of 1999 operating results included a \$20 million gain-on-sale from the divestiture of 28 branches in Kansas and Iowa and approximately \$18.0 million of expense accruals, primarily related to two contingencies. Third quarter results also included \$3.4 million of securities losses.

Net income was \$396.4 million in the third quarter of 1999, or \$.54 per diluted share, compared with \$329.1 million, or \$.44 per diluted share, in the third quarter of 1998. Merger-related charges decreased net income in the third quarter of 1999 by \$10.5 million (\$16.8 million on a pre-tax basis) compared to a decrease of \$41.2 million (\$66.4 million on a pre-tax basis) in the third quarter of 1998.

Comparisons to the first nine months of 1999 are affected by the May, 1998 acquisition of Piper Jaffray Companies Inc. ("Piper Jaffray") and several other smaller acquisitions. Operating earnings for the first nine months of 1999 were \$1.16 billion compared with \$1.09 billion in the first nine months of 1998. On a diluted per share basis, year-to-date 1999 operating earnings were \$1.59, compared with \$1.45 for the same period of 1998, an increase of 10 percent. Operating earnings on a cash basis were \$1.75 per diluted share in the first nine months of 1999, compared with \$1.59 per diluted share in the first nine months of 1998. Year-to-date return on average assets and return on average common equity, excluding merger-related items, were 2.03 percent and 24.5 percent, respectively, compared with returns of 2.04 percent and 23.8 percent, respectively, in the first nine months of 1998. Excluding merger-related items, the efficiency ratio was 49.8 percent in the first nine months of 1999, compared with 48.8 percent in the first nine months of 1998, reflecting the impact of acquired businesses. Excluding merger-related items, the banking efficiency ratio was 42.7 percent in the first nine months of 1999, compared with 44.5 percent in the first nine months of 1998.

Net income for the first nine months of 1999 was \$1.14 billion, or \$1.56 per diluted share, compared with \$978.2 million, or \$1.31 per diluted share, for the first nine months of 1998. Return on average assets and return on average common equity were 1.99 percent and 24.0 percent, respectively, in the first nine months of 1999, compared with returns of 1.84 percent and 21.4 percent, respectively, for the same period of 1998. Merger-related items decreased net income by \$21.8 million (\$34.7 million on a pre-tax basis) in the first nine months of 1999 compared with \$108.1 million (\$172.4 million on a pre-tax basis) in the first nine months of 1998.

**ACQUISITION AND DIVESTITURE ACTIVITY** Operating results for the first nine months of 1999 reflect the following purchase and divestiture transactions. On September 24, 1999, the Company completed the sale of 28 branches in Kansas and Iowa with aggregate deposits of \$364 million. On September 23, 1999, the Company sold \$1.8 billion of indirect automobile loans and is in the process of exiting this business. On September 17, 1999, the Company completed its acquisition of the investment banking

TABLE 1 SUMMARY OF CONSOLIDATED INCOME

(Taxable-Equivalent Basis; Dollars In Millions, Except Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	1999	1998	1999	1998
Interest income .....	\$ 1,462.1	\$ 1,382.3	\$ 4,220.4	\$ 4,083.0
Interest expense .....	617.1	603.4	1,758.7	1,758.2
Net interest income .....	845.0	778.9	2,461.7	2,324.8
Provision for credit losses .....	142.0	95.0	385.0	278.0
Net interest income after provision for credit losses .....	703.0	683.9	2,076.7	2,046.8
Available-for-sale securities gains (losses) .....	(3.4)	--	(3.4)	12.6
Other noninterest income .....	716.0	616.9	1,998.2	1,623.9
Merger-related charges .....	16.8	66.4	34.7	172.4
Other noninterest expense .....	767.4	702.4	2,221.1	1,926.6
Income before income taxes .....	631.4	532.0	1,815.7	1,584.3
Taxable-equivalent adjustment .....	10.3	12.5	31.7	38.5
Income taxes .....	224.7	190.4	646.5	567.6
Net income .....	\$ 396.4	\$ 329.1	\$ 1,137.5	\$ 978.2
Return on average assets .....	2.02%	1.81%	1.99%	1.84%
Return on average common equity .....	23.9	21.4	24.0	21.4
Net interest margin .....	4.84	4.83	4.84	4.91
Efficiency ratio .....	50.2	55.1	50.6	53.2
Efficiency ratio before merger-related items .....	49.2	50.3	49.8	48.8
Banking efficiency ratio before merger-related items* .....	42.3	43.3	42.7	44.5
PER COMMON SHARE:				
Earnings per share .....	\$ .55	\$ .45	\$ 1.57	\$ 1.33
Diluted earnings per share .....	.54	.44	1.56	1.31
Dividends paid .....	.195	.175	.585	.525

\*WITHOUT INVESTMENT BANKING AND BROKERAGE ACTIVITY.

division of The John Nuveen Company which became part of the U.S. Bancorp Piper Jaffray Fixed Income Capital Markets division. On September 13, 1999, the Company completed its acquisition of Voyager Fleet Systems, Inc. On July 15, 1999, the Company completed its acquisition of the San Diego-based Bank of Commerce, one of the nation's largest U.S. Small Business Administration ("SBA") lenders. On June 30, 1999, the Company completed its acquisition of Mellon Network Services' electronic fund transfer processing unit. On March 16, 1999, the Company completed its acquisition of Reliance Trust Company's corporate trust business, which operates offices in Georgia, Florida and Tennessee. On January 4, 1999, the Company acquired Libra Investments, Inc., a privately held Los Angeles- and New York-based investment bank that specializes in underwriting and trading high yield and mezzanine securities for middle market companies. In December 1998, the Company completed its acquisition of Northwest Bancshares, Inc. In May 1998, the Company completed its acquisition of Piper Jaffray, a full-service investment banking and securities brokerage firm. These transactions were all accounted for as purchase acquisitions.

On September 2, 1999, the Company announced an agreement to acquire Peninsula Bank of San Diego. With \$456 million in assets at June 30, 1999, Peninsula Bank operates 11 branches in San Diego County. The acquisition is pending regulatory approval and is expected to close in the first quarter of 2000. The acquisition will be accounted for as a purchase transaction.

On May 19, 1999, the Company announced an agreement to acquire Newport Beach-based Western Bancorp. With \$2.5 billion in assets at June 30, 1999, Western Bancorp has 31 branches in southern California in Los Angeles, Orange and San Diego counties. The acquisition is pending regulatory approval and is expected to close during the fourth quarter of 1999. The acquisition will be accounted for as a purchase transaction.

## LINE OF BUSINESS FINANCIAL REVIEW

Within the Company, financial performance is measured by major lines of business, which include: Wholesale and Private Financial Services, Retail Banking, Payment Systems, Corporate Trust and Institutional Financial Services, and Investment Banking and Brokerage. These segments are determined based on the products and services provided to respond effectively to the needs of a diverse customer base. Business line results are derived from the Company's business unit profitability reporting

TABLE 2 LINE OF BUSINESS FINANCIAL PERFORMANCE

For the Three Months Ended September 30 (Dollars in Millions)	Wholesale and Private Financial Services			Retail Banking		
	1999	1998	Percent Change	1999	1998	Percent Change
CONDENSED INCOME STATEMENT:						
Net interest income (expense) (taxable-equivalent basis) .....	\$ 374.8	\$ 334.6	12.0%	\$ 393.5	\$ 375.7	4.7%
Provision for credit losses .....	27.4	11.6	*	73.7	45.6	61.6
Noninterest income .....	80.4	74.9	7.3	157.3	137.5	14.4
Noninterest expense .....	163.8	146.2	12.0	277.9	261.5	6.3
Income taxes and taxable-equivalent adjustment .....	98.3	95.9		74.1	78.6	
Income (loss) before merger-related items .....	\$ 165.7	\$ 155.8	6.4	\$ 125.1	\$ 127.5	(1.9)
Merger-related items (after-tax) .....						
Net income .....						
AVERAGE BALANCE SHEET DATA:						
Commercial loans .....	\$ 36,353	\$ 31,944	13.8	\$ 2,263	\$ 2,099	7.8
Consumer loans, excluding residential mortgage .....	713	594	20.0	13,911	12,346	12.7
Residential mortgage loans .....	505	436	15.8	2,177	3,003	(27.5)
Assets .....	45,319	40,618	11.6	22,062	21,360	3.3
Deposits .....	12,239	11,080	10.5	33,633	34,086	(1.3)
Common equity .....	3,258	3,138	3.8	1,598	1,471	8.6
Return on average assets .....	1.45%	1.52%		2.25%	2.37%	
Return on average common equity ("ROCE") .....	20.2	19.7		31.1	34.4	
Net tangible ROCE** .....	29.3	26.6		50.4	53.7	
Efficiency ratio .....	35.9	35.7		50.4	51.0	
Efficiency ratio on a cash basis** .....	32.3	32.4		48.1	48.8	

For the Nine Months Ended September 30 (Dollars in Millions)	Wholesale and Private Financial Services			Retail Banking		
	1999	1998	Percent Change	1999	1998	Percent Change
CONDENSED INCOME STATEMENT:						
Net interest income (expense) (taxable-equivalent basis) .....	\$1,079.1	\$1,010.2	6.8%	\$1,160.6	\$1,125.7	3.1%
Provision for credit losses .....	52.9	31.4	68.5	193.8	120.0	61.5
Noninterest income .....	241.1	236.1	2.1	430.5	416.4	3.4
Noninterest expense .....	468.2	441.9	6.0	802.5	809.6	(.9)
Income taxes and taxable-equivalent adjustment .....	298.5	295.0		222.2	233.8	
Income before merger-related items .....	\$ 500.6	\$ 478.0	4.7	\$ 372.6	\$ 378.7	(1.6)
Merger-related items (after-tax) .....						
Net income .....						
AVERAGE BALANCE SHEET DATA:						
Commercial loans .....	\$ 35,250	\$ 31,346	12.5	\$ 2,255	\$ 2,118	6.5
Consumer loans, excluding residential mortgage .....	669	561	19.3	13,934	12,105	15.1
Residential mortgage loans .....	474	380	24.7	2,360	3,402	(30.6)
Assets .....	44,108	40,161	9.8	22,314	21,918	1.8
Deposits .....	12,074	11,073	9.0	33,867	34,470	(1.7)
Common equity .....	3,152	3,216	(2.0)	1,510	1,584	(4.7)
Return on average assets .....	1.52%	1.59%		2.23%	2.31%	
Return on average common equity ("ROCE") .....	21.2	19.9		33.0	32.0	
Net tangible ROCE** .....	29.8	26.6		52.5	49.6	
Efficiency ratio .....	35.4	35.5		50.4	52.6	
Efficiency ratio on a cash basis** .....	32.0	32.4		48.1	50.5	

\* NOT MEANINGFUL.

\*\* CALCULATED BY EXCLUDING GOODWILL AND OTHER INTANGIBLES AND THE RELATED AMORTIZATION.

NOTE: MERGER-RELATED ITEMS ARE NOT ALLOCATED TO THE BUSINESS LINES. ALL RATIOS ARE CALCULATED WITHOUT THE EFFECT OF MERGER-RELATED ITEMS.

Payment Systems			Corporate Trust and Institutional Financial Services			Investment Banking and Brokerage			Consolidated Company		
1999	1998	Percent Change	1999	1998	Percent Change	1999	1998	Percent Change	1999	1998	Percent Change
\$ 60.1	\$ 52.6	14.3%	\$ 16.8	\$ 16.3	3.1%	\$ (.2)	\$ (.3)	33.3%	\$ 845.0	\$ 778.9	8.5%
40.9	37.8	8.2	--	--	--	--	--	--	142.0	95.0	49.5
179.6	155.1	15.8	84.7	78.2	8.3	210.6	171.2	23.0	712.6	616.9	15.5
79.3	74.6	6.3	50.7	48.2	5.2	195.7	171.9	13.9	767.4	702.4	9.3
44.5	36.3		18.9	17.7		5.5	(.4)		241.3	228.1	
\$ 75.0	\$ 59.0	27.1	\$ 31.9	\$ 28.6	11.5	\$ 9.2	\$ (.6)	*	406.9	370.3	9.9
									(10.5)	(41.2)	*
									\$ 396.4	\$ 329.1	20.4
\$ 1,386	\$ 1,533	(9.6)	\$ --	\$ --	--	\$ --	\$ --	--	\$40,002	\$35,576	12.4
4,041	4,219	(4.2)	--	--	--	--	--	--	18,665	17,159	8.8
--	--	--	--	--	--	--	--	--	2,682	3,439	(22.0)
6,776	7,074	(4.2)	769	808	(4.8)	2,774	2,223	24.8	77,700	72,083	7.8
196	149	31.5	1,648	1,685	(2.2)	--	--	--	47,716	47,000	1.5
642	491	30.8	634	561	13.0	456	439	3.9	6,588	6,100	8.0
4.39%	3.31%		*	*		*	*		2.08%	2.04%	
46.3	47.7		20.0%	20.2%		8.0%	(.5)%		24.5	24.1	
91.3	76.6		44.3	51.5		39.2	12.9		41.0	38.4	
32.9	35.9		49.7	51.0		93.0	100.6		49.2	50.3	
29.8	33.2		46.8	48.0		92.0	98.4		46.5	47.7	
Payment Systems			Corporate Trust and Institutional Financial Services			Investment Banking and Brokerage			Consolidated Company		
1999	1998	Percent Change	1999	1998	Percent Change	1999	1998	Percent Change	1999	1998	Percent Change
\$ 173.7	\$ 140.0	24.1%	\$ 49.3	\$ 46.8	5.3%	\$ (1.0)	\$ 2.1	*	\$2,461.7	\$2,324.8	5.9%
138.3	126.6	9.2	--	--	--	--	--	--	385.0	278.0	38.5
459.8	441.7	4.1	235.0	226.8	3.6	628.4	315.5	99.2	1,994.8	1,636.5	21.9
217.5	222.4	(2.2)	147.0	142.2	3.4	585.9	310.5	88.7	2,221.1	1,926.6	15.3
103.7	88.8		51.2	50.1		15.5	2.7		691.1	670.4	
\$ 174.0	\$ 143.9	20.9	\$ 86.1	\$ 81.3	5.9	\$ 26.0	\$ 4.4	*	1,159.3	1,086.3	6.7
									(21.8)	(108.1)	*
									\$1,137.5	\$ 978.2	16.3
\$ 1,292	\$ 1,415	(8.7)	\$ --	\$ --	--	\$ --	\$ --	--	\$ 38,797	\$ 34,879	11.2
4,025	4,089	(1.6)	--	--	--	--	--	--	18,628	16,755	11.2
--	--	--	--	--	--	--	--	--	2,834	3,782	(25.1)
6,529	6,901	(5.4)	757	670	13.0	2,595	1,476	75.8	76,303	71,126	7.3
157	103	52.4	1,674	1,591	5.2	--	--	--	47,772	47,237	1.1
603	554	8.8	620	490	26.5	446	264	68.9	6,331	6,108	3.7
3.56%	2.79%		*	*		*	*		2.03%	2.04%	
38.6	34.7		18.6%	22.2%		7.8%	2.2%		24.5	23.8	
62.0	54.8		42.9	47.4		44.8	21.0		39.6	36.0	
34.3	38.5		51.6	52.4		93.4	97.8		49.8	48.8	
31.5	35.1		48.6	49.3		92.1	95.8		47.2	46.1	

system. Designations, assignments and allocations may change from time to time as management accounting systems are enhanced or product lines change. During 1999 certain organization and methodology changes were made and 1998 results are presented on a consistent basis.

**WHOLESALE AND PRIVATE FINANCIAL SERVICES** Wholesale and Private Financial Services includes lending, treasury management, and other financial services to middle market, large corporate and mortgage banking companies, and private banking and personal trust clients. Operating earnings increased 6 percent in the third quarter and 5 percent in the first nine months of 1999, compared with the same periods in 1998. Net tangible return on average common equity increased to 29.3 percent compared with 26.6 percent in the third quarter of the prior year. Year-to-date profitability ratios showed similar trends.

Total revenue (net interest income and noninterest income) increased 11 percent and 6 percent in the third quarter and first nine months of 1999, respectively, from the same periods of 1998, primarily reflecting growth in average loan and deposit balances partially offset by margin compression in both loans and deposits. The efficiency ratio on a cash basis was 32.3 percent in the third quarter and 32.0 percent in the first nine months of 1999 compared with 32.4 percent in both of the same periods of 1998.

**RETAIL BANKING** Retail Banking delivers products and services to the broad consumer market and small businesses through branch offices, telemarketing, direct mail, and automated teller machines ("ATMs"). Operating earnings decreased 2 percent in the third quarter and first nine months of 1999, compared to the same periods of 1998. Third quarter and year-to-date net tangible return on average common equity was 50.4 percent and 52.5 percent, respectively, compared with 53.7 percent and 49.6 percent in the same periods of the prior year.

Total revenue for the third quarter and first nine months of 1999 increased 7 percent and 3 percent, respectively, from the same periods of 1998, due primarily to growth in home equity loans partially offset by the planned runoff of the residential mortgage loan portfolio. Noninterest expense increased 6 percent in the third quarter and decreased 1 percent in the first nine months of 1999, compared to the same periods of 1998. The efficiency ratio on a cash basis improved to 48.1 percent in the third quarter and first nine months of 1999, compared with 48.8 percent and 50.5 percent in the same periods of 1998.

**PAYMENT SYSTEMS** Payment Systems includes consumer and business credit cards, corporate and purchasing card services, card-accessed secured and unsecured lines of credit, ATM processing, and merchant processing. Operating earnings increased 27 percent in the third quarter and 21 percent in the first nine months of 1999, compared with the same periods of 1998. Third quarter and year-to-date return on average assets was 4.39 percent and 3.56 percent, respectively, compared with 3.31 percent and 2.79 percent in the same periods of the prior year. Net tangible return on average common equity was 91.3 percent and 62.0 percent in the third quarter and first nine months of 1999, respectively, compared with 76.6 percent and 54.8 percent in the same periods of 1998.

Total revenue increased 15 percent and 9 percent in the third quarter and first nine months of 1999, respectively, from the same periods of the prior year due to lower corporate card and purchasing card non-earning asset balances, increased fee revenue related to the acquired operations of Mellon Network Services, as well as continued growth in card fee revenue. Noninterest expense increased 6 percent in the third quarter and decreased 2 percent in the first nine months of 1999, compared to the same periods in 1998. The efficiency ratio on a cash basis improved to 29.8 percent in the third quarter and 31.5 percent in the first nine months of 1999 from 33.2 percent and 35.1 percent for the same periods of the prior year.

**CORPORATE TRUST AND INSTITUTIONAL FINANCIAL SERVICES** Corporate Trust and Institutional Financial Services includes institutional and corporate trust services, investment management services, and the former Piper Capital Management. Operating earnings increased 12 percent and 6 percent in the third quarter and first nine months of 1999, respectively, compared with the same periods of 1998. Growth in investment management services in the third quarter of 1999 was partially offset by a decline in corporate trust fees as a result of fewer bond issuances attributable to market conditions.

Total revenue increased 7 percent and 4 percent in the third quarter and first nine months of 1999, respectively, from the same periods of the prior year due to growth in average deposit balances and higher fees in Institutional Financial Services. The efficiency ratio on a cash basis improved to 46.8 percent in the third quarter and 48.6 percent in the first nine months of 1999, compared with 48.0 percent and 49.3 percent in the same periods of 1998.

**INVESTMENT BANKING AND BROKERAGE** Investment Banking and Brokerage reflects the results of U.S. Bancorp Piper Jaffray, a full-service broker/dealer that was acquired as part of the acquisition of Piper Jaffray on May 1, 1998. Table 2 includes the amortization of intangible assets and employee retention programs (totaling \$9.0 million and

TABLE 3 ANALYSIS OF NET INTEREST INCOME

	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
(Dollars In Millions)				
Net interest income, as reported .....	\$ 834.7	\$ 766.4	\$2,430.0	\$2,286.3
Taxable-equivalent adjustment .....	10.3	12.5	31.7	38.5
Net interest income (taxable-equivalent basis) .....	\$ 845.0	\$ 778.9	\$2,461.7	\$2,324.8
Average yields and weighted average rates (taxable-equivalent basis):				
Earning assets yield .....	8.37%	8.57%	8.30%	8.62%
Rate paid on interest-bearing liabilities .....	4.45	4.79	4.35	4.76
Gross interest margin .....	3.92%	3.78%	3.95%	3.86%
Net interest margin .....	4.84%	4.83%	4.84%	4.91%
Net interest margin without taxable-equivalent adjustment .....	4.78%	4.75%	4.78%	4.82%

\$25.7 million in the third quarter and first nine months of 1999, respectively).

#### INCOME STATEMENT ANALYSIS

**NET INTEREST INCOME** Third quarter net interest income on a taxable-equivalent basis was \$845.0 million compared with \$778.9 million in the third quarter of 1998. Year-to-date net interest income on a taxable-equivalent basis was \$2.46 billion compared with \$2.32 billion in the first nine months of 1998. The third quarter and year-to-date average earning assets increased \$5.3 billion (8 percent) and \$4.6 billion (7 percent), respectively, from the same periods of 1998. The increase was driven by core commercial and consumer loan growth and several consumer loan portfolio purchases, partially offset by reductions in securities, indirect automobile loans and residential mortgages. The net interest margin increased from 4.83 percent to 4.84 percent in the third quarter and decreased from 4.91 percent to 4.84 percent in the first nine months of 1999.

Average loans for both the third quarter and first nine months of 1999 were up 9 percent from the same periods of the previous year. Excluding indirect automobile and residential mortgage loans, average loans for the third quarter and first nine months of 1999 were higher by \$6.3 billion (13 percent) and \$5.9 billion (12 percent) than the third quarter and first nine months of 1998, reflecting strong growth in commercial loans and home equity and second mortgages, in addition to the several consumer loan portfolio purchases. Without the loan portfolio purchases, average home equity and second mortgages were higher than third quarter and first nine months of 1998 by 15 percent and 10 percent, respectively. Average available-for-sale securities for the third quarter and first nine months of 1999 decreased by \$378 million and \$845 million, respectively, from the third quarter and first nine months of 1998, reflecting prepayments, maturities and sales of securities.

**PROVISION FOR CREDIT LOSSES** The provision for credit losses was \$142.0 million in the third quarter of 1999, up \$47.0 million (49 percent) from the third quarter of 1998, reflecting the increase in net charge-offs and nonperforming assets. The provision for the first nine months of 1999 increased \$107.0 million (38 percent) from the first nine months of 1998 to \$385.0 million. Third quarter and year-to-date net charge-offs totaled \$141.8 million and \$421.7 million, respectively, up from \$106.1 million and \$316.0 million in the same periods of 1998. The increase in net charge-offs was due primarily to an expected increase in losses on consumer portfolios purchased in 1998 and higher consumer fraud losses. Refer to "Corporate Risk Management" for further information on credit quality.

**NONINTEREST INCOME** Third quarter 1999 noninterest income was \$712.6 million, an increase of \$95.7 million (16 percent), from the third quarter of 1998. Noninterest income in the first nine months of 1999 was \$1.99 billion, compared with \$1.64 billion in the first nine months of 1998.

Credit card fee revenue was up slightly year over year, reflecting continued growth in the business, offset by the loss of a portion of the U.S. Government purchasing card business. Service charges on deposit accounts increased by \$10.5 million (10 percent) in the third quarter of 1999, compared with the third quarter of 1998 and \$24.1 million (8 percent) for the first nine months of 1999, compared to the same period of a year ago, reflecting enhancements in pricing and additional deposit services. Trust and investment management fees were up due to growth in the institutional and personal trust businesses and Piper Jaffray. Investment products fees and commissions, investment banking revenue and trading account profits and commissions were higher, due to growth in U.S. Bancorp Piper Jaffray and U.S. Bancorp Libra. The increase in other noninterest income included



TABLE 4 NONINTEREST INCOME

(Dollars In Millions)	Three Months Ended		Nine Months Ended	
	September 30	September 30	September 30	September 30
	1999	1998	1999	1998
Credit card fee revenue .....	\$ 161.3	\$ 156.1	\$ 436.8	\$ 430.5
Trust and investment management fees .....	113.8	104.8	343.2	307.7
Service charges on deposit accounts .....	112.2	101.7	323.1	299.0
Investment products fees and commissions .....	79.5	76.0	259.7	151.7
Investment banking revenue .....	60.1	38.3	156.6	67.3
Trading account profits and commissions .....	48.4	42.8	150.4	77.9
Available-for-sale securities gains (losses) .....	(3.4)	—	(3.4)	12.6
Other .....	140.7	97.2	328.4	289.8
Total noninterest income .....	\$ 712.6	\$ 616.9	\$1,994.8	\$1,636.5

the \$20 million gain-on-sale from the divestiture of 28 branches in Kansas and Iowa (\$364 million of deposits) and \$11 million in fee income related to the acquired operations of Bank of Commerce and Mellon Network Services.

**NONINTEREST EXPENSE** Third quarter of 1999 noninterest expense was \$784.2 million, an increase of \$15.4 million (2 percent), from \$768.8 million in the third quarter of 1998. Year-to-date noninterest expense was \$2.26 billion, an increase of \$156.8 million (7 percent), from \$2.10 billion in the first nine months of 1998, reflecting the impact of acquired businesses. Noninterest expense in the third quarter and first nine months of 1999 included merger-related charges of \$16.8 million and \$34.7 million, compared with merger-related charges of \$66.4 million and \$172.4 million in the third quarter and first nine months of 1998.

Third quarter 1999 noninterest expense, before merger-related items, was \$767.4 million, an increase of \$65.0 million (9 percent), from \$702.4 million in the third quarter of 1998. Year-to-date 1999 noninterest expense, before merger-related items, increased \$294.5 million (15 percent) to \$2.22 billion from \$1.93 billion in the first nine months of 1998. The increase was attributable to acquisitions and expense increases related to the growth in investment banking activities, as well as approximately \$18 million of expense accruals primarily related to two contingencies.

Since 1996, the Company has undertaken efforts to address the "Year 2000" computer problem as discussed in further detail under Corporate Risk Management. In connection with its Year 2000 project, the Company has completed the evaluation, replacement, renovation, installation and testing of its internal computer hardware and software and embedded technologies. The Company incurred approximately \$9.1 million of direct costs associated with its Year 2000 project during the first nine months of 1999. The Company estimates that the aggregate cost of its Year 2000 project will be less than \$40 million over the three-year period ending December 31, 1999, of which approximately \$33.1 million has been incurred. The Company has not deferred any material information technology projects as a consequence of its Year 2000 efforts.

**PROVISION FOR INCOME TAXES** The provision for income taxes was \$224.7 million (an effective rate of 36.2 percent) in the third quarter and \$646.5 million (an effective rate of 36.2 percent) in the first nine months of 1999, compared with \$190.4 million (an effective rate of 36.7 percent) and \$567.6 million (an effective rate of 36.7 percent) in the same periods of 1998. The increase in the provision was primarily the result of higher levels of taxable income, as discussed above.

#### BALANCE SHEET ANALYSIS

**LOANS** The Company's loan portfolio was \$60.3 billion at September 30, 1999, compared with \$59.1 billion at December 31, 1998. Commercial loans totaled \$40.9 billion at September 30, 1999, up \$3.6 billion (10 percent) from December 31, 1998. The increase was primarily attributable to continued growth in core commercial and commercial real estate loans. Total consumer loan outstandings were \$19.4 billion at September 30, 1999, compared with \$21.9 billion at December 31, 1998. The decline reflects the sale of \$1.8 billion of indirect automobile loans completed in September of 1999. Excluding indirect automobile and residential mortgage loan balances, consumer loans increased by \$282 million from December 31, 1998. This reflects an increase in home equity and second mortgage loans of \$1.1 billion (14 percent) from December 31, 1998, offset by a decrease in credit card loans of \$179 million (4 percent), in installment loans of \$371 million (23 percent) and student loans of \$336 million (41 percent) from December 31, 1998. See Note E of the Notes to Consolidated Financial Statements for the composition of the Company's loan portfolio at September 30, 1999, and December 31, 1998.

TABLE 5 NONINTEREST EXPENSE

	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
(Dollars In Millions)				
Salaries .....	\$ 352.4	\$ 339.6	\$1,063.2	\$ 882.5
Employee benefits .....	59.8	55.7	183.4	168.6
Total personnel expense .....	412.2	395.3	1,246.6	1,051.1
Net occupancy .....	51.9	49.2	151.8	140.6
Furniture and equipment .....	40.9	39.4	118.0	114.4
Goodwill and other intangible assets .....	41.6	37.1	116.0	106.5
Telephone .....	20.3	19.2	55.7	51.7
Other personnel costs .....	16.7	10.4	49.2	40.3
Professional services .....	17.0	18.3	47.6	44.9
Third party data processing .....	15.7	18.3	46.7	50.2
Advertising and marketing .....	18.5	14.3	46.2	47.8
Postage .....	12.5	11.0	40.3	33.5
Printing, stationery and supplies .....	11.8	13.1	39.3	33.0
FDIC insurance .....	1.9	2.0	5.9	6.1
Merger-related .....	16.8	66.4	34.7	172.4
Other .....	106.4	74.8	257.8	206.5
Total noninterest expense .....	\$ 784.2	\$ 768.8	\$2,255.8	\$2,099.0
Efficiency ratio* .....	50.2%	55.1%	50.6%	53.2%
Efficiency ratio before merger-related items .....	49.2	50.3	49.8	48.8
Banking efficiency ratio before merger-related items** .....	42.3	43.3	42.7	44.5
Average number of full-time equivalent employees .....	26,907	27,552	26,871	26,408

\* COMPUTED AS NONINTEREST EXPENSE DIVIDED BY THE SUM OF NET INTEREST INCOME ON A TAXABLE-EQUIVALENT BASIS AND NONINTEREST INCOME NET OF AVAILABLE-FOR-SALE SECURITIES GAINS AND LOSSES.

\*\* WITHOUT INVESTMENT BANKING AND BROKERAGE ACTIVITY.

SECURITIES At September 30, 1999, available-for-sale securities were \$5.1 billion compared with \$5.6 billion at December 31, 1998, reflecting prepayments, maturities and sales of securities.

DEPOSITS Noninterest-bearing deposits were \$14.3 billion at September 30, 1999, compared with \$16.4 billion at December 31, 1998. The decrease was primarily due to seasonality of business deposits. Interest-bearing deposits remained relatively unchanged at \$33.6 billion at September 30, 1999, compared with \$33.7 billion at December 31, 1998.

BORROWINGS Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, decreased to \$2.6 billion at September 30, 1999, compared with \$3.4 billion at December 31, 1998. This was primarily due to a decline in federal funds purchased as a result of completing the \$1.8 billion indirect automobile loan sale offset by other loan growth during the year.

Long-term debt was \$16.2 billion at September 30, 1999, up from \$13.8 billion at December 31, 1998. The Company issued \$4.1 billion of debt, with an average original maturity of 2.2 years, under its medium-term note and bank note programs during the first nine months of 1999. In April, the Company issued \$400 million variable-rate Euro medium-term notes due April 13, 2004. These issuances were partially offset by \$1.9 billion of medium-term and bank note maturities and \$103 million of Federal Home Loan Bank advance maturities. Also, in May 1999, the Company called its \$107 million subordinated floating-rate notes due November, 2010.

#### CORPORATE RISK MANAGEMENT

CREDIT MANAGEMENT The Company's strategy for credit risk management includes stringent, centralized credit policies, and standard underwriting criteria for specialized lending categories, such as mortgage banking, real estate construction, and consumer credit. The strategy also emphasizes diversification on both a geographic and customer level, regular credit examinations, and quarterly management reviews of large loans and loans experiencing deterioration of credit quality. The Company strives to identify potential problem loans early, take any necessary charge-offs promptly, and maintain strong reserve levels.

TABLE 6 NET CHARGE-OFFS AS A PERCENTAGE OF AVERAGE LOANS OUTSTANDING

	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
COMMERCIAL:				
Commercial .....	.39%	.39%	.42%	.32%
Real estate:				
Commercial mortgage .....	.25	(.44)	.03	(.21)
Construction .....	.02	.18	.02	.18
Total commercial .....	.32	.19	.30	.18
CONSUMER:				
Credit card .....	3.50	4.26	4.42	4.43
Other .....	1.97	1.35	1.83	1.37
Subtotal .....	2.30	2.04	2.39	2.10
Residential mortgage .....	.12	.14	.10	.19
Total consumer .....	2.03	1.72	2.09	1.75
Total .....	.92%	.75%	.94%	.76%

The Company's commercial banking operations rely on a strong credit culture that combines prudent credit policies and individual lender accountability. In addition, the commercial lenders generally focus on middle market companies within their regions. In the Company's retail banking operations, a standard credit scoring system is used to assess consumer credit risks and to price consumer products accordingly.

In evaluating its credit risk, the Company considers changes in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, assessments of a specific customer's Year 2000 readiness, the level of allowance coverage and macroeconomic factors. Approximately 46 percent of the Company's loan portfolio consists of credit to businesses and consumers in Minnesota, Oregon and Washington.

**NET CHARGE-OFFS AND ALLOWANCE FOR CREDIT LOSSES** Net loan charge-offs totaled \$141.8 million and \$421.7 million in the third quarter and first nine months of 1999, respectively, compared with \$106.1 million and \$316.0 million in the same periods of 1998. Commercial loan net charge-offs were \$32.7 million and \$86.5 million in the third quarter and first nine months of 1999, respectively, compared with \$16.7 million and \$47.5 million in the same periods of 1998. Consumer loan net charge-offs for the quarter and year-to-date were \$109.1 million and \$335.2 million, respectively, compared with \$89.4 million and \$268.5 million for the same periods of 1998. The increases in consumer loan net charge-offs from the prior year reflect higher credit card and overdraft fraud losses in addition to expected losses associated with consumer portfolio purchases, partially offset by a decrease in losses in the base portfolio. During the third quarter of 1999, the Company modified its charge-off policy to conform with recently issued regulatory guidelines for consumer loans. Although the policy did not have an impact on total consumer charge-offs as a percent of average loans outstanding, the change did affect individual consumer categories. Without the change in policy, credit card and other consumer loan net charge-offs as a percent of average loans outstanding would have been 4.13 percent and 1.81 percent, respectively. Consumer loans 30 days or more past due increased to 2.43 percent of the portfolio at September 30, 1999, compared with 2.39 percent at December 31, 1998, primarily reflecting the sale of indirect automobile loans. Without the effect of the \$1.8 billion sale of indirect automobile loans, consumer loans (excluding residential mortgage loans) 30 days or more past due and 90 days or more past due were 2.09 percent and .53 percent at September 30, 1999. The ratio of total net charge-offs to average loans was .92 percent and .94 percent in the third quarter and first nine months of 1999, respectively, compared with .75 percent and .76 percent in the same periods in 1998.

The allowance for credit losses declined slightly to \$966.3 million at September 30, 1999, from \$1,000.9 million at December 31, 1998. The reduction reflected the net change due to additions for acquisitions and a reduction related to the \$1.8 billion sale of indirect automobile loans. As a percentage of nonperforming loans, the allowance was 327 percent at September 30, 1999, compared to 359 percent at December 31, 1998.

TABLE 7 SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

(Dollars in Millions)	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
Balance at beginning of period .....	\$ 968.2	\$ 981.8	\$1,000.9	\$1,008.7
CHARGE-OFFS:				
Commercial:				
Commercial .....	38.8	40.6	132.2	100.5
Real estate:				
Commercial mortgage .....	6.5	2.3	7.1	6.8
Construction .....	.2	1.4	.6	4.3
Total commercial .....	45.5	44.3	139.9	111.6
Consumer:				
Credit card .....	40.5	48.7	146.9	147.8
Other .....	88.6	58.5	250.7	167.5
Subtotal .....	129.1	107.2	397.6	315.3
Residential mortgage .....	.9	1.3	2.7	6.1
Total consumer .....	130.0	108.5	400.3	321.4
Total .....	175.5	152.8	540.2	433.0
RECOVERIES:				
Commercial:				
Commercial .....	11.8	16.1	47.9	43.4
Real estate:				
Commercial mortgage .....	1.0	11.3	5.4	19.8
Construction .....	--	.2	.1	.9
Total commercial .....	12.8	27.6	53.4	64.1
Consumer:				
Credit card .....	5.1	4.9	14.6	15.2
Other .....	15.7	14.1	50.0	36.9
Subtotal .....	20.8	19.0	64.6	52.1
Residential mortgage .....	.1	.1	.5	.8
Total consumer .....	20.9	19.1	65.1	52.9
Total .....	33.7	46.7	118.5	117.0
NET CHARGE-OFFS:				
Commercial:				
Commercial .....	27.0	24.5	84.3	57.1
Real estate:				
Commercial mortgage .....	5.5	(9.0)	1.7	(13.0)
Construction .....	.2	1.2	.5	3.4
Total commercial .....	32.7	16.7	86.5	47.5
Consumer:				
Credit card .....	35.4	43.8	132.3	132.6
Other .....	72.9	44.4	200.7	130.6
Subtotal .....	108.3	88.2	333.0	263.2
Residential mortgage .....	.8	1.2	2.2	5.3
Total consumer .....	109.1	89.4	335.2	268.5
Total .....	141.8	106.1	421.7	316.0
Provision charged to operating expense .....	142.0	95.0	385.0	278.0
Acquisitions and other additions (reductions) .....	(2.1)	9.4	2.1	9.4
Balance at end of period .....	\$ 966.3	\$ 980.1	\$ 966.3	\$ 980.1
Allowance as a percentage of:				
Period-end loans .....	1.60%	1.72%		
Nonperforming loans .....	327	364		
Nonperforming assets .....	297	336		
Annualized net charge-offs .....	172	233		

TABLE 8 NONPERFORMING ASSETS\*

(Dollars In Millions)	September 30 1999	December 31 1998
-----		
COMMERCIAL:		
Commercial .....	\$ 170.6	\$ 165.7
Real estate:		
Commercial mortgage .....	69.6	35.5
Construction .....	18.0	17.2
-----		
Total commercial .....	258.2	218.4
CONSUMER:		
Other .....	7.3	13.9
Residential mortgage .....	29.7	46.6
-----		
Total consumer .....	37.0	60.5
-----		
Total nonperforming loans .....	295.2	278.9
OTHER REAL ESTATE .....	19.7	14.3
OTHER NONPERFORMING ASSETS .....	10.5	11.1
-----		
Total nonperforming assets .....	\$ 325.4	\$ 304.3
=====		
Accruing loans 90 days or more past due** .....	\$ 106.7	\$ 106.8
Nonperforming loans to total loans .....	.49%	.47%
Nonperforming assets to total loans plus other real estate .....	.54	.51
=====		

\* THROUGHOUT THIS DOCUMENT, NONPERFORMING ASSETS AND RELATED RATIOS DO NOT INCLUDE LOANS MORE THAN 90 DAYS PAST DUE AND STILL ACCRUING.

\*\* THESE LOANS ARE NOT INCLUDED IN NONPERFORMING ASSETS AND CONTINUE TO ACCRUE INTEREST BECAUSE THEY ARE SECURED BY COLLATERAL AND/OR ARE IN THE PROCESS OF COLLECTION AND ARE REASONABLY EXPECTED TO RESULT IN REPAYMENT OR RESTORATION TO CURRENT STATUS.

NONPERFORMING ASSETS Nonperforming assets include all nonaccrual loans, restructured loans, other real estate and other nonperforming assets owned by the Company. At September 30, 1999, nonperforming assets totaled \$325.4 million, an increase of \$21.1 million (7 percent) from December 31, 1998. The increase in nonperforming assets from the fourth quarter of 1998 was partially due to continued stress in agricultural sectors given current commodity market prices. The ratio of nonperforming assets to loans and other real estate was .54 percent at September 30, 1999, compared with .51 percent at December 31, 1998. The percentage of consumer loans 90 days or more past due of the total consumer loan portfolio totaled .70 percent at September 30, 1999, compared with .75 percent at December 31, 1998. This reflects expected improvements related to purchased portfolios and seasonality.

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

NET INTEREST INCOME SIMULATION MODELING: The Company uses a net interest income simulation model to estimate near-term (next 24 months) risk due to changes in interest rates. The model, which is updated monthly, incorporates substantially all the Company's assets and liabilities and off-balance sheet instruments, together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. ALCO uses the model to simulate the effect of immediate and sustained parallel shifts in the yield curve of 1 percent, 2 percent and 3 percent as well as the effect of immediate and sustained flattening or steepening of the yield curve. ALCO also calculates the sensitivity of the simulation results to changes in key assumptions, such as the Prime/LIBOR spread or core deposit repricing. The results from the simulation are reviewed by ALCO monthly and are used to guide ALCO's hedging strategies. ALCO guidelines, approved by the Company's Board of Directors, limit the estimated change in net interest income over the succeeding 12 months to 1.5 percent of forecasted net interest income given a 1 percent change in interest rates. At September 30, 1999, forecasted net interest income for the next 12 months would decrease \$18.0 million from an immediate 100 basis point upward parallel shift in rates and increase \$5.3 million from a downward shift of similar magnitude.

MARKET VALUE SIMULATION MODELING: The net interest income simulation model is somewhat limited by its dependence upon accurate forecasts of future business activity and the resulting effect on balance sheet assets and liabilities. As a result, its usefulness is greatly diminished

TABLE 9 DELINQUENT LOAN RATIOS\*

	September 30 1999	December 31 1998
90 days or more past due		
-----		
COMMERCIAL:		
Commercial .....	.63%	.65%
Real estate:		
Commercial mortgage .....	.80	.44
Construction .....	.49	.56
	-----	-----
Total commercial .....	.65	.60
CONSUMER:		
Credit card .....	.91	.74
Other .....	.49	.51
	-----	-----
Subtotal .....	.59	.56
Residential mortgage .....	1.40	1.86
	-----	-----
Total consumer .....	.70	.75
	-----	-----
Total .....	.67%	.65%
=====		

\* RATIOS INCLUDE NONPERFORMING LOANS AND ARE EXPRESSED AS A PERCENT OF ENDING LOAN BALANCES.

for periods beyond one or two years. To better measure all interest rate risk, both short-term and long-term, the Company uses a market value simulation model. This model estimates the effect of 1 percent, 2 percent and 3 percent rate shocks on the present value of substantially all future cash flows of the Company's outstanding assets, liabilities and off-balance sheet instruments. The amount of market value risk is subject to limits, approved by the Company's Board of Directors, of .5 percent of assets for an immediate 100 basis point rate shock. Historically, the Company's market value risk position has been substantially lower than its limits.

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

USE OF DERIVATIVES TO MANAGE INTEREST RATE RISK: While each of the interest rate risk measurements has limitations, taken together they represent a comprehensive view of the magnitude of the Company's interest rate risk over various time intervals. The Company manages its interest rate risk by entering into off-balance sheet transactions (primarily interest rate swaps), investing in fixed rate assets or issuing variable-rate liabilities. To a lesser degree, the Company also uses interest rate caps and floors to hedge this risk.

In the third quarter and first nine months of 1999, the Company added \$1.9 billion and \$4.1 billion, respectively, of interest rate swaps to reduce its interest rate risk. This increase was partially offset by \$1.8 billion of interest rate swap maturities and \$1.6 billion in swap terminations in the first nine months of 1999. Interest rate swap agreements involve the exchange of fixed and floating-rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. As of September 30, 1999, the Company received payments on \$8.0 billion notional amount of interest rate swap agreements based on fixed interest rates, and made payments based on variable interest rates. These swaps had a weighted average fixed-rate received of 6.19 percent and a weighted average variable-rate paid of 5.39 percent. The remaining maturity of these agreements ranged from 1 month to 15 years with an average remaining maturity of 4.7 years. Swaps increased net interest income for the quarters ended September 30, 1999, and 1998 by \$15.2 million and \$8.9 million, respectively, and the nine months ended September 30, 1999, and 1998 by \$52.3 million and \$25.0 million, respectively.

The Company also purchases interest rate caps and floors to minimize the impact of fluctuating interest rates on earnings. To hedge against rising interest rates, the Company uses interest rate caps. Counterparties to these interest rate cap agreements pay the Company when specified rates rise above a specified point or strike level. The payment is based on the notional amount and the difference between current rates and strike rates. There were no caps outstanding at September 30, 1999. To hedge against falling interest rates, the Company uses interest rate floors. Counterparties to interest rate floor agreements pay the Company when specified rates fall below the strike level. Like caps, the payment is based on

TABLE 10 INTEREST RATE SWAP HEDGING PORTFOLIO NOTIONAL BALANCES AND YIELDS BY MATURITY DATE

At September 30, 1999 (Dollars in Millions)

Receive Fixed Swaps* Maturity Date	Notional Amount	Weighted Average Interest Rate Received	Weighted Average Interest Rate Paid
1999 (remaining three months) .....	\$ 370	6.25%	5.38%
2000 .....	135	5.99	5.43
2001 .....	429	6.26	5.38
2002 .....	774	6.10	5.38
2003 .....	2,707	6.01	5.41
After 2003 .....	3,570	6.33	5.38
	-----		
Total .....	\$7,985	6.19%	5.39%
=====			

\* AT SEPTEMBER 30, 1999, THE COMPANY HAD NO SWAPS IN ITS HEDGING PORTFOLIO THAT REQUIRED IT TO PAY FIXED-RATE INTEREST.

the notional amount and the difference in current rates and strike rates. The total notional amount of floor agreements purchased as of September 30, 1999, all of which were LIBOR-indexed, was \$500 million. The impact of floors on net interest income was not material for the nine months ended September 30, 1999, and 1998.

MARKET RISK MANAGEMENT The Company uses a value-at-risk ("VaR") model to measure and manage market risk in its broker/dealer activities. The VaR model uses an estimate of volatility appropriate to each instrument and a ninety-nine percentile adverse move in the underlying markets. The Company believes the market risk inherent in its broker/dealer activities, including equities, fixed income, high yield securities and foreign exchange, is not significant.

YEAR 2000 RISK MANAGEMENT The Company is continuing efforts to address the "Year 2000" computer problem, which arose because many computer applications worldwide will not properly recognize the date change from December 31, 1999, to January 1, 2000, potentially causing production of erroneous data, miscalculations, system failures and other operational problems. In the early 1990s, the Company implemented significant technology changes and replaced many of its principal data processing applications with licensed software packages. The Company also undertook an organization-wide initiative to address the Year 2000 issue, including the formation in 1996 of a dedicated project team of employees to evaluate the Year 2000 impact on the Company's critical computer hardware and software and embedded technologies in its physical plant and automated equipment (such as ATMs, check sorting machines, vaults and security systems), and on its customers. In addition to evaluating the scope of the Year 2000 issue, the project team prioritized tasks, developed implementation plans and established completion and testing schedules. As a result, the Company has completed evaluation, replacement, renovation, installation and testing of its internal computer hardware and software (including software to be remediated by vendors) and embedded technologies. Apart from the Company's project, federal banking regulators are conducting special examinations of FDIC-insured banks and savings associations to determine whether they are taking necessary steps to prepare for the Year 2000 issue, and are closely monitoring the progress made by these institutions in completing key steps required by their individual Year 2000 plans. The Company has met all applicable regulatory guidelines.

Ultimately, the potential impact of the Year 2000 issue will depend not only on the success of the corrective measures the Company has undertaken, but also on the way in which the Year 2000 issue is addressed by customers, vendors, service providers, counterparties, clearing houses, utilities (e.g., power, telecommunication, transportation), governmental agencies (including the Federal Reserve, which provides services for processing and settling payments and securities transactions between banks) and other entities with which the Company does business. The Company is communicating with these parties to monitor their efforts in addressing the Year 2000 issue and to evaluate and work to minimize any likely impact on the Company. For example, the Company is conducting ongoing Year 2000 surveys and evaluations of its corporate and middle market borrowing customers and of other significant funds takers, funds providers and capital markets/asset management counterparties, and has implemented in its lending units uniform criteria for identifying, managing and underwriting Year 2000 credit risk. The Company continues to review its fiduciary activities for Year 2000 risk related to marketable securities, special assets and counterparties. Necessary testing with critical service providers, as well as prioritized testing with certain large customers, has been completed. In addition, the Company

TABLE 11 CAPITAL RATIOS

(Dollars in Millions)	September 30 1999	December 31 1998
Tangible common equity* .....	\$ 4,894	\$ 4,465
As a percent of assets .....	6.5%	6.0%
Tier 1 capital .....	\$ 5,387	\$ 4,917
As a percent of risk-adjusted assets .....	6.7%	6.4%
Total risk-based capital .....	\$ 9,047	\$ 8,343
As a percent of risk-adjusted assets .....	11.3%	10.9%
Leverage ratio .....	7.1	6.8

\* DEFINED AS COMMON EQUITY LESS GOODWILL.

has successfully participated in tests organized by major industry and governmental organizations, including tests sponsored by the Federal Reserve, the National Automated Clearing House Association and the Securities and Exchange Commission.

Based on the Company's Year 2000 efforts, management presently believes that the Year 2000 issue will not result in significant operational problems for the Company. In addition, the Company's Year 2000 project has contingency plans designed to mitigate the potential effects of system failures in the event of foreseeable worst case scenarios. These contingency plans include back-up solutions for mission-critical operations and business continuation plans for significant vendors and other business partners. For example, the Company has arranged for reserve power supplies for certain vital locations, and will have available back-up account data and alternative manual processes for certain business line functions. The Company also has developed a liquidity management plan to address potential increased funding needs that may arise as the millennium approaches, for example, if Year 2000 concerns cause consumers to make significant withdrawals of deposits. In addition, the Company has established an organization-wide event plan that identifies tasks, responsibilities (including problem management processes) and schedules for the period of time prior to, during and after the calendar rollover to 2000. Notwithstanding the Company's efforts and such contingency planning, however, given the unprecedented nature of the Year 2000 computer problem, there can be no assurance that Year 2000 issues will not arise, or that any such issues will be fully mitigated. Further, the Year 2000 efforts of third parties are not within the Company's control, and their failure to remediate Year 2000 issues successfully could result in, among other things, business disruption, operational problems, financial loss, increased credit and liquidity risk and legal liability for the Company. It is not possible at this time to identify all of the potential adverse consequences of third party failures or to quantify the potential negative effects of any such failures on the Company's operations and financial condition, which effects could be material.

The discussions regarding Year 2000 in this Form 10-Q, including the discussions of the timing and effectiveness of implementation and cost of the Company's Year 2000 project, contain forward-looking statements, which are based on management's best estimates derived using various assumptions. These forward-looking statements involve inherent risks and uncertainties, and actual results could differ materially from those contemplated by such statements. Factors that might cause material differences include, but are not limited to, the failure of third parties with which the Company does business to remedy their own Year 2000 issues and the Company's ability to respond to unforeseen Year 2000 complications. Such material differences could result in business disruption, operational problems, financial loss, increased credit and liquidity risk, legal liability and similar adverse effects on the Company, which effects could be material.

CAPITAL MANAGEMENT At September 30, 1999, total tangible common equity was \$4.9 billion, or 6.5 percent of assets, compared with 6.0 percent at December 31, 1998. Tier 1 and total risk-based capital ratios were 6.7 percent and 11.3 percent at September 30, 1999, compared with 6.4 percent and 10.9 percent at December 31, 1998. The September 30, 1999 leverage ratio was 7.1 percent, compared with 6.8 percent at December 31, 1998.

On June 8, 1998, the Company's Board of Directors authorized the repurchase of up to \$2.5 billion of the Company's common stock over the period ending March 31, 2000. The shares will be repurchased in the open market or through negotiated transactions. Under this program, the Company repurchased 34.0 million shares for \$1.3 billion, including 9.4 million shares for \$310.6 million in the first nine months of 1999.



#### ACCOUNTING CHANGES

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES Statement of Financial Accounting Standards No. ("SFAS") 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In certain defined conditions, a derivative may be specifically designated as a hedge for a particular exposure. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. The effective date was deferred for one year with the issuance of SFAS 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133," which amended SFAS 133. SFAS 133, as amended, is effective for all fiscal years beginning after June 15, 2000, with earlier application permitted. The adoption of SFAS 133 is not expected to have a material impact on the Company.

CONSOLIDATED BALANCE SHEET

	September 30 1999	December 31 1998
(Dollars in Millions)		
(Unaudited)		
<b>ASSETS</b>		
Cash and due from banks .....	\$ 3,454	\$ 4,772
Federal funds sold .....	139	83
Securities purchased under agreements to resell .....	332	461
Trading account securities .....	718	537
Available-for-sale securities .....	5,058	5,577
Loans .....	60,265	59,122
Less allowance for credit losses .....	966	1,001
Net loans .....	59,299	58,121
Premises and equipment .....	845	879
Interest receivable .....	436	456
Customers' liability on acceptances .....	140	166
Goodwill and other intangible assets .....	2,355	1,975
Other assets .....	4,260	3,411
Total assets .....	\$ 77,036	\$ 76,438
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Deposits:</b>		
Noninterest-bearing .....	\$ 14,329	\$ 16,377
Interest-bearing .....	33,649	33,657
Total deposits .....	47,978	50,034
Federal funds purchased .....	550	1,255
Securities sold under agreements to repurchase .....	1,106	1,427
Other short-term funds borrowed .....	937	683
Long-term debt .....	16,155	13,781
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts		
holding solely the junior subordinated debentures of the parent company .....	950	950
Acceptances outstanding .....	140	166
Other liabilities .....	2,501	2,172
Total liabilities .....	70,317	70,468
<b>Shareholders' equity:</b>		
Common stock, par value \$1.25 a share - authorized 1,500,000,000 shares;		
issued: 9/30/99 and 12/31/98 - 744,797,857 shares .....	931	931
Capital surplus .....	1,162	1,247
Retained earnings .....	5,167	4,456
Accumulated other comprehensive income .....	(28)	72
Less cost of common stock in treasury: 9/30/99 - 14,413,126 shares; 12/31/98 - 19,036,139 shares ...	(513)	(736)
Total shareholders' equity .....	6,719	5,970
Total liabilities and shareholders' equity .....	\$ 77,036	\$ 76,438

CONSOLIDATED STATEMENT OF INCOME

(Dollars in Millions, Except Per Share Data) (Unaudited)	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
<hr/>				
INTEREST INCOME				
Loans .....	\$1,333.3	\$1,246.8	\$3,844.0	\$3,676.6
Securities:				
Taxable .....	64.2	71.4	188.6	235.4
Exempt from federal income taxes .....	14.2	15.6	43.2	47.3
Other interest income .....	40.1	36.0	112.9	85.2
Total interest income .....	1,451.8	1,369.8	4,188.7	4,044.5
INTEREST EXPENSE				
Deposits .....	318.7	351.3	939.1	1,058.6
Federal funds purchased and repurchase agreements .....	48.4	41.9	131.4	117.3
Other short-term funds borrowed .....	12.9	18.1	37.9	45.2
Long-term debt .....	217.8	171.8	592.3	486.0
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company .....	19.3	20.3	58.0	51.1
Total interest expense .....	617.1	603.4	1,758.7	1,758.2
Net interest income .....	834.7	766.4	2,430.0	2,286.3
Provision for credit losses .....	142.0	95.0	385.0	278.0
Net interest income after provision for credit losses .....	692.7	671.4	2,045.0	2,008.3
NONINTEREST INCOME				
Credit card fee revenue .....	161.3	156.1	436.8	430.5
Trust and investment management fees .....	113.8	104.8	343.2	307.7
Service charges on deposit accounts .....	112.2	101.7	323.1	299.0
Investment products fees and commissions .....	79.5	76.0	259.7	151.7
Investment banking revenue .....	60.1	38.3	156.6	67.3
Trading account profits and commissions .....	48.4	42.8	150.4	77.9
Available-for-sale securities gains (losses) .....	(3.4)	--	(3.4)	12.6
Other .....	140.7	97.2	328.4	289.8
Total noninterest income .....	712.6	616.9	1,994.8	1,636.5
NONINTEREST EXPENSE				
Salaries .....	352.4	339.6	1,063.2	882.5
Employee benefits .....	59.8	55.7	183.4	168.6
Net occupancy .....	51.9	49.2	151.8	140.6
Furniture and equipment .....	40.9	39.4	118.0	114.4
Goodwill and other intangible assets .....	41.6	37.1	116.0	106.5
Merger-related .....	16.8	66.4	34.7	172.4
Other .....	220.8	181.4	588.7	514.0
Total noninterest expense .....	784.2	768.8	2,255.8	2,099.0
Income before income taxes .....	621.1	519.5	1,784.0	1,545.8
Applicable income taxes .....	224.7	190.4	646.5	567.6
Net income .....	\$ 396.4	\$ 329.1	\$1,137.5	\$ 978.2
Earnings per share .....	\$ .55	\$ .45	\$ 1.57	\$ 1.33
Diluted earnings per share .....	\$ .54	\$ .44	\$ 1.56	\$ 1.31

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(Dollars in Millions) (Unaudited)	Common Shares Outstanding*	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock**	Total
BALANCE DECEMBER 31, 1997 .....	739,933,014	\$ 924.9	\$1,261.1	\$3,644.8	\$ 59.3	\$ --	\$5,890.1
Common dividends declared .....				(389.5)			(389.5)
Purchase of treasury stock .....	(17,991,970)					(724.7)	(724.7)
Issuance of common stock:							
Dividend reinvestment .....	350,751	.3	9.9			3.8	14.0
Stock option and stock purchase plans .....	8,421,807	5.8	(1.6)			151.7	155.9
	730,713,602	931.0	1,269.4	3,255.3	59.3	(569.2)	4,945.8
Comprehensive income							
Net income .....				978.2			978.2
Other comprehensive income:							
Unrealized gain on securities of \$27.1 (net of \$16.2 tax expense) net of reclassification adjustment for gains included in net income of \$11.1 (net of \$6.4 tax expense) .....					16.0		16.0
Total comprehensive income .....							994.2
BALANCE SEPTEMBER 30, 1998 .....	730,713,602	\$ 931.0	\$1,269.4	\$4,233.5	\$ 75.3	\$ (569.2)	\$5,940.0
BALANCE DECEMBER 31, 1998 .....	725,761,718	\$ 931.0	\$1,247.2	\$4,455.8	\$ 71.8	\$ (735.8)	\$5,970.0
Common dividends declared .....				(426.0)			(426.0)
Purchase of treasury stock .....	(9,418,262)					(310.6)	(310.6)
Issuance of common stock:							
Acquisitions .....	10,315,236		(33.0)			386.3	353.3
Dividend reinvestment .....	551,169		(2.9)			20.5	17.6
Stock option and stock purchase plans .....	3,174,870		(49.7)			126.4	76.7
	730,384,731	931.0	1,161.6	4,029.8	71.8	(513.2)	5,681.0
Comprehensive income							
Net Income .....				1,137.5			1,137.5
Other comprehensive income:							
Unrealized loss on securities of \$100.3 (net of \$61.5 tax benefit) net of reclassification adjustment for losses included in net income of \$.6 (net of \$.3 tax benefit) .....					(99.7)		(99.7)
Total comprehensive income .....							1,037.8
BALANCE SEPTEMBER 30, 1999 .....	730,384,731	\$ 931.0	\$1,161.6	\$5,167.3	\$ (27.9)	\$ (513.2)	\$6,718.8

\* DEFINED AS TOTAL COMMON SHARES LESS COMMON STOCK HELD IN TREASURY.

\*\* ENDING TREASURY SHARES WERE 14,413,126 AT SEPTEMBER 30, 1999; 19,036,139 AT DECEMBER 31, 1998; AND 14,075,862 AT SEPTEMBER 30, 1998.

CONSOLIDATED STATEMENT OF CASH FLOWS

(Dollars in Millions) (Unaudited)	Nine Months Ended	
	September 30 1999	September 30 1998
<b>OPERATING ACTIVITIES</b>		
Net cash provided by operating activities .....	\$1,900.5	\$1,094.4
<b>INVESTING ACTIVITIES</b>		
Net cash provided (used) by:		
Interest-bearing deposits with banks .....	2.2	(10.0)
Loans outstanding .....	(3,060.5)	(2,057.9)
Securities purchased under agreements to resell .....	128.7	177.9
Available-for-sale securities:		
Sales .....	146.0	169.3
Maturities .....	1,154.5	1,288.4
Purchases .....	(916.6)	(66.3)
Proceeds from sales of other real estate .....	25.9	37.3
Net purchases of bank premises and equipment .....	(69.3)	(85.6)
Sales of loans .....	1,720.0	4.9
Purchases of loans .....	(254.6)	(513.3)
Divestitures of branches .....	(352.0)	--
Acquisitions, net of cash received .....	(220.5)	(685.2)
Cash and cash equivalents of acquired subsidiaries .....	107.4	--
Other - net .....	(342.1)	(18.2)
Net cash used by investing activities .....	(1,930.9)	(1,758.7)
<b>FINANCING ACTIVITIES</b>		
Net cash (used) provided by:		
Deposits .....	(2,183.5)	(531.2)
Federal funds purchased and securities sold under agreements to repurchase .....	(1,026.0)	(253.1)
Short-term borrowings .....	246.9	(527.2)
Proceeds from long-term debt .....	4,465.1	4,583.0
Principal payments on long-term debt .....	(2,091.7)	(2,010.2)
Issuance of Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company .....	--	350.0
Proceeds from dividend reinvestment, stock option, and stock purchase plans .....	94.3	169.9
Repurchase of common stock .....	(310.6)	(724.7)
Cash dividends .....	(426.0)	(389.5)
Net cash (used) provided by financing activities .....	(1,231.5)	667.0
Change in cash and cash equivalents .....	(1,261.9)	2.7
Cash and cash equivalents at beginning of period .....	4,855.3	4,801.0
Cash and cash equivalents at end of period .....	\$3,593.4	\$4,803.7

(Unaudited)

## NOTE A BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flow activity required under generally accepted accounting principles. In the opinion of management of the Company, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of results have been made, and the Company believes such presentation is adequate to make the information presented not misleading. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Accounting policies for the lines of business are the same as those used in preparation of the consolidated financial statements with respect to activities specifically attributable to each business line. However, the preparation of business line results requires management to establish methodologies to allocate funding costs and benefits, expenses and other financial elements to each line of business. Table 2 "Line of Business Financial Performance" on pages 3 through 7 provides details of segment results. This information is incorporated by reference into these Notes to Consolidated Financial Statements.

## NOTE B ACCOUNTING CHANGES

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. In certain defined conditions, a derivative may be specifically designated as a hedge for a particular exposure. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. The effective date was deferred for one year with the issuance of SFAS 137, "Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133," which amended SFAS 133. SFAS 133, as amended, is effective for all fiscal years beginning after June 15, 2000, with earlier adoption permitted. The adoption of SFAS 133 is not expected to have a material impact on the Company.

## NOTE C BUSINESS COMBINATIONS AND DIVESTITURES

PENINSULA BANK OF SAN DIEGO On September 2, 1999, the Company announced an agreement to acquire Peninsula Bank of San Diego. With \$456 million in assets at June 30, 1999, Peninsula Bank operates 11 branches in San Diego County. The acquisition, which is pending regulatory approval, will be accounted for as a purchase and is expected to close in the first quarter of 2000.

WESTERN BANCORP On May 19, 1999, the Company announced an agreement to acquire Newport Beach-based Western Bancorp. With \$2.5 billion in assets at June 30, 1999, Western Bancorp has 31 branches in southern California in Los Angeles, Orange and San Diego counties. The acquisition, which is pending regulatory approval, will be accounted for as a purchase and is expected to close during the fourth quarter of 1999.

BANK OF COMMERCE On July 15, 1999, the Company completed its acquisition of San Diego-based Bank of Commerce, one of the nation's largest SBA lenders. The transaction was accounted for as a purchase acquisition.

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

On September 17, 1999, the Company completed its acquisition of the investment banking division of The John Nuveen Company, based in Chicago. The division, which focuses on fixed income investment banking, became part of the U.S. Bancorp Piper Jaffray Fixed Income Capital Markets division. On September 13, 1999, the Company completed its acquisition of Voyager Fleet Systems, Inc.

On June 30, 1999, the Company completed its acquisition of Mellon Network Services' electronic funds transfer processing unit. On March 16, 1999, the Company completed its acquisition of Reliance Trust Company's corporate trust business, which operates offices in Georgia, Florida, and Tennessee. On January 4, 1999, the Company completed its acquisition of Libra Investments, Inc., a privately held Los Angeles- and New York-based investment bank that specializes in underwriting and trading high yield and mezzanine securities for middle market companies. Effective December 15, 1998, the Company completed its acquisition of Northwest Bancshares, Inc., a privately held bank holding company headquartered in Vancouver, Washington, with 10 banking locations and \$344 million in deposits. In May 1998, the Company completed its acquisition of Piper Jaffray, a full-service investment banking and securities brokerage firm. These transactions were accounted for as purchase acquisitions.

#### NOTE D SECURITIES

The detail of the amortized cost and fair value of available-for-sale securities consisted of the following:

(Dollars in Millions)	September 30, 1999		December 31, 1998	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury .....	\$ 391	\$ 389	\$ 489	\$ 500
Mortgage-backed .....	3,062	3,025	3,395	3,438
Other U.S. agencies .....	206	206	252	259
State and political .....	1,119	1,131	1,219	1,255
Other .....	328	307	106	125
Total .....	\$5,106	\$5,058	\$5,461	\$5,577

#### NOTE E LOANS

The composition of the loan portfolio was as follows:

(Dollars in Millions)	September 30 1999	December 31 1998
COMMERCIAL:		
Commercial .....	\$28,378	\$25,974
Real estate:		
Commercial mortgage .....	8,739	8,193
Construction .....	3,748	3,069
Total commercial .....	40,865	37,236
CONSUMER:		
Home equity and second mortgage .....	8,477	7,409
Credit card .....	4,042	4,221
Revolving credit .....	1,786	1,686
Installment .....	1,216	1,587
Student* .....	493	829
Subtotal .....	16,014	15,732
Indirect automobile .....	741	2,994
Residential mortgage .....	2,645	3,160
Total consumer .....	19,400	21,886
Total loans .....	\$60,265	\$59,122

\* ALL OR PART OF THE STUDENT LOAN PORTFOLIO MAY BE SOLD WHEN THE REPAYMENT PERIOD BEGINS.

At September 30, 1999, the Company had \$258 million in loans considered impaired under SFAS 114 included in its nonaccrual loans. The carrying value of the impaired loans was less than or equal to the appraised collateral value or the present value of expected future cash flows and, accordingly, no allowance for credit losses was specifically allocated to impaired loans. For the quarter ended September 30, 1999, the average recorded investment in impaired loans was approximately \$255 million. No interest income was recognized on impaired loans during the quarter.

NOTE F LONG-TERM DEBT

Long-term debt (debt with original maturities of more than one year) consisted of the following:

(Dollars in Millions)	September 30	December 31
	1999	1998
Fixed-rate subordinated notes (5.70% to 8.35%) -- maturities to June 2026 .....	\$ 2,850	\$ 2,850
Step-up subordinated notes -- due August 15, 2005 .....	100	100
Floating-rate notes -- due November 15, 1999 .....	200	200
Floating-rate notes -- due February 27, 2000 .....	250	250
Floating-rate subordinated notes -- due November 30, 2010 .....	--	107
Federal Home Loan Bank advances (5.25% to 9.11%) -- maturities to October 2026 ..	2,082	2,187
Medium-term notes (5.37% to 6.93%) -- maturities to June 2004 .....	2,256	1,675
Bank notes (5.25% to 6.38%) -- maturities to November 2005 .....	7,814	6,209
Euro medium-term notes -- due April 13, 2004 .....	400	--
Other .....	203	203
Total .....	\$16,155	\$13,781

In May 1999, the Company called \$107 million of its floating-rate subordinated notes due November 30, 2010, in accordance with its call provisions.

In April, the Company issued \$400 million variable-rate Euro medium-term notes due April 13, 2004. The interest rate for each quarterly period is three-month LIBOR plus .15 percent.

NOTE G SHAREHOLDERS' EQUITY

The Company issued 10,315,236 shares of common stock with an aggregate value of \$353.3 million in connection with acquisitions during the nine months ended September 30, 1999.

On June 8, 1998, the Company's Board of Directors authorized the repurchase of up to \$2.5 billion of the Company's common stock over the period ending March 31, 2000. The shares will be repurchased in the open market or through negotiated transactions. Under this program, the Company repurchased 34.0 million shares for \$1.3 billion, including 9.4 million shares for \$310.6 million for the nine months ended September 30, 1999.

NOTE H EARNINGS PER SHARE

The components of earnings per share were:

(Dollars in Millions, Except Per Share Data)	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
EARNINGS PER SHARE:				
Net income to common stockholders .....	\$ 396.4	\$ 329.1	\$ 1,137.5	\$ 978.2
Average shares outstanding .....	726,506,673	734,577,075	724,141,996	737,623,506
Earnings per share .....	\$ .55	\$ .45	\$ 1.57	\$ 1.33
DILUTED EARNINGS PER SHARE:				
Net income to common stockholders .....	\$ 396.4	\$ 329.1	\$ 1,137.5	\$ 978.2
Average shares outstanding .....	726,506,673	734,577,075	724,141,996	737,623,506
Net effect of the assumed purchase of stock under the stock option and stock purchase plans - based on the treasury stock method using average market price .....	5,088,017	10,163,113	5,534,580	11,289,979
Dilutive common shares outstanding .....	731,594,690	744,740,188	729,676,576	748,913,485
Diluted earnings per share .....	\$ .54	\$ .44	\$ 1.56	\$ 1.31



## NOTE I INCOME TAXES

The components of income tax expense were:

(Dollars in Millions)	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
FEDERAL:				
Current tax .....	\$177.9	\$165.1	\$492.4	\$463.1
Deferred tax provision (credit) .....	18.5	(.3)	56.7	26.3
Federal income tax .....	196.4	164.8	549.1	489.4
STATE:				
Current tax .....	23.8	24.1	85.3	74.6
Deferred tax provision .....	4.5	1.5	12.1	3.6
State income tax .....	28.3	25.6	97.4	78.2
Total income tax provision .....	\$224.7	\$190.4	\$646.5	\$567.6

The reconciliation between income tax expense and the amount computed by applying the statutory federal income tax rate was as follows:

(Dollars in Millions)	Three Months Ended		Nine Months Ended	
	September 30 1999	September 30 1998	September 30 1999	September 30 1998
Tax at statutory rate (35%) .....	\$217.4	\$181.8	\$624.4	\$541.0
State income tax, at statutory rates, net of federal tax benefit ..	18.4	16.6	63.3	50.8
Tax effect of:				
Tax-exempt interest:				
Loans .....	(2.2)	(2.4)	(6.8)	(8.6)
Securities .....	(5.5)	(5.8)	(16.9)	(17.2)
Amortization of nondeductible goodwill .....	10.3	8.9	29.1	23.6
Tax credits and other items .....	(13.7)	(8.7)	(46.6)	(22.0)
Applicable income taxes .....	\$224.7	\$190.4	\$646.5	\$567.6

The Company's net deferred tax asset was \$145.4 million at September 30, 1999, and \$261.3 million at December 31, 1998.

## NOTE J MERGER AND INTEGRATION CHARGES

During 1999, the Company recorded \$34.7 million of nonrecurring expense related to the integration of the Company's various acquisitions. The following table presents a summary of activity with respect to the Company's merger and integration accrual:

(Dollars in Millions)	Nine Months Ended September 30, 1999
Balance at December 31, 1998 .....	\$ 126.7
Provision charged to operating expense .....	34.7
Cash outlays .....	(59.9)
Transfer to tax liabilities* .....	(33.8)
Additions related to purchase acquisitions .....	14.2
Noncash writedowns .....	(17.6)
Balance at September 30, 1999 .....	\$ 64.3

\* THE LIABILITY RELATES TO CERTAIN SEVERANCE RELATED ITEMS.

The components of the merger and integration accrual were as follows:

(Dollars in Millions)	September 30 1999	December 31 1998
Severance .....	\$ 36.0	\$ 98.1
Other employee related costs .....	9.0	7.2
Lease terminations and facility costs .....	11.0	7.4
Contracts and system writeoffs .....	4.7	10.4
Other .....	3.6	3.6
Total .....	\$ 64.3	\$ 126.7

Employee termination plans were developed in connection with the acquisitions of U.S. Bancorp of Portland, Oregon, Piper Jaffray Companies Inc., Northwest Bancshares, Inc., Zappco, Inc., Bank of Commerce and other acquisitions. The severance amounts are determined based on the Company's existing

severance pay programs under which benefits are paid out over a period of up to two years from the time of termination. With respect to completed acquisitions, additional merger-related charges of approximately \$15.0 million and \$19.5 million on a pre-tax basis are expected to be incurred in 1999 and 2000, respectively.

NOTE K COMMITMENTS, CONTINGENT LIABILITIES AND OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various off-balance sheet financial instruments to meet the needs of its customers and to manage its interest rate and market risk. These instruments carry varying degrees of credit, interest rate and liquidity risk. The contract or notional amounts of these financial instruments were as follows:

(Dollars in Millions)	September 30 1999	December 31 1998
Commitments to extend credit:		
Commercial .....	\$26,530	\$25,023
Corporate and purchasing cards .....	17,371	24,758
Consumer credit cards .....	15,241	14,982
Other consumer .....	6,498	7,020
Letters of credit:		
Standby .....	3,225	3,241
Commercial .....	301	309
Interest rate swap contracts:		
Hedges .....	7,985	7,239
Intermediated .....	615	740
Options contracts:		
Hedge interest rate floors purchased .....	500	500
Intermediated interest rate and foreign exchange caps and floors purchased ...	304	360
Intermediated interest rate and foreign exchange caps and floors written ....	304	360
Futures and forward contracts .....	37	10
Recourse on assets sold .....	114	37
Foreign currency commitments:		
Commitments to purchase .....	1,304	812
Commitments to sell .....	1,299	806
Commitments from securities lending .....	507	342

The Company received fixed-rate interest and paid floating-rate interest on all swap hedges as of September 30, 1999. Activity for the nine months ended September 30, 1999, with respect to interest rate swaps which the Company uses to hedge loans, deposits and long-term debt was as follows:

(Dollars in Millions)	
Notional amount outstanding at December 31, 1998 .....	\$ 7,239
Additions .....	4,111
Maturities .....	(1,772)
Terminations .....	(1,593)
Notional amount outstanding at September 30, 1999 .....	\$ 7,985
Weighted average interest rates paid .....	5.39%
Weighted average interest rates received .....	6.19

LIBOR-based interest rate floors totaling \$500 million with an average remaining maturity of 1.95 years at September 30, 1999, and \$500 million with an average remaining maturity of 2.7 years at December 31, 1998, hedged floating-rate commercial loans. The strike rate on these LIBOR-based floors was 4.63 percent at September 30, 1999, and December 31, 1998.

Net unamortized deferred losses relating to swaps, options and futures were \$10.5 million at September 30, 1999.

NOTE L SUPPLEMENTAL DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET Time certificates of deposit in denominations of \$100,000 or more totaled \$4,722 million and \$2,823 million at September 30, 1999, and December 31, 1998, respectively.

CONSOLIDATED STATEMENT OF CASH FLOWS Listed below are supplemental disclosures to the Consolidated Statement of Cash Flows.

(Dollars in Millions)	Nine Months Ended	
	September 30 1999	September 30 1998
Income taxes paid .....	\$ 429.5	\$ 372.8
Interest paid .....	1,708.8	1,730.5
Net noncash transfers to foreclosed property .....	26.7	18.4
Change in unrealized gain (loss) on available-for-sale securities, net of taxes of \$61.2 in 1999 and \$9.8 in 1998 .....	(99.7)	16.0
	=====	=====
Cash acquisitions of businesses:		
Fair value of noncash assets acquired .....	\$ 250.3	\$ 1,802.8
Liabilities assumed .....	(29.8)	(1,117.6)
Net .....	\$ 220.5	\$ 685.2
	=====	=====
Stock acquisitions of businesses:		
Fair value of noncash assets acquired .....	\$ 798.2	\$ --
Net cash acquired .....	107.4	--
Liabilities assumed .....	(552.3)	--
Net value of common stock issued .....	\$ 353.3	\$ --
	=====	=====

CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

	For the Three Months Ended September 30						
	1999			1998			
(Dollars In Millions) (Unaudited)	Balance	Interest	Yields and Rates	Balance	Interest	Yields and Average Rates	% Change Average Balance
ASSETS							
Available-for-sale securities:							
U.S. Treasury .....	\$ 397	\$ 5.6	5.60%	\$ 532	\$ 7.8	5.82%	(25.4)%
Mortgage-backed .....	3,173	53.1	6.64	3,432	57.8	6.68	(7.5)
State and political .....	1,118	21.4	7.59	1,258	24.4	7.70	(11.1)
U.S. agencies and other .....	537	5.1	3.77	381	5.3	5.52	40.9
Total available-for-sale securities .....	5,225	85.2	6.47	5,603	95.3	6.75	(6.7)
Unrealized gain (loss) on available-for-sale securities ..	(36)			94			**
Net available-for-sale securities .....	5,189			5,697			(8.9)
Trading account securities .....	659	10.5	6.32	350	6.1	6.91	88.3
Federal funds sold and resale agreements .....	501	5.6	4.43	622	9.0	5.74	(19.5)
Loans:							
Commercial:							
Commercial .....	27,614	531.5	7.64	24,806	495.5	7.92	11.3
Real estate:							
Commercial mortgage .....	8,654	183.7	8.42	8,066	178.0	8.76	7.3
Construction .....	3,734	83.3	8.85	2,704	61.1	8.96	38.1
Total commercial .....	40,002	798.5	7.92	35,576	734.6	8.19	12.4
Consumer:							
Home equity and second mortgage .....	8,258	197.5	9.49	6,207	150.1	9.59	33.0
Credit card .....	4,009	136.9	13.55	4,076	130.7	12.72	(1.6)
Other .....	6,398	152.2	9.44	6,876	168.5	9.72	(7.0)
Subtotal .....	18,665	486.6	10.34	17,159	449.3	10.39	8.8
Residential mortgage .....	2,682	51.1	7.56	3,439	66.5	7.67	(22.0)
Total consumer .....	21,347	537.7	9.99	20,598	515.8	9.93	3.6
Total loans .....	61,349	1,336.2	8.64	56,174	1,250.4	8.83	9.2
Allowance for credit losses .....	993			998			(.5)
Net loans .....	60,356			55,176			9.4
Other earning assets .....	1,537	24.6	6.35	1,245	21.5	6.85	23.5
Total earning assets* .....	69,271	1,462.1	8.37	63,994	1,382.3	8.57	8.2
Other assets .....	9,458			8,993			5.2
Total assets .....	\$77,700			\$72,083			7.8%
LIABILITIES AND SHAREHOLDERS' EQUITY							
Noninterest-bearing deposits .....	\$13,655			\$13,514			1.0%
Interest-bearing deposits:							
Interest checking .....	6,028	28.2	1.86	5,603	27.0	1.91	7.6
Money market accounts .....	11,990	104.0	3.44	11,374	114.6	4.00	5.4
Other savings accounts .....	2,241	10.5	1.86	2,424	13.1	2.14	(7.5)
Savings certificates .....	9,432	117.8	4.96	11,060	152.7	5.48	(14.7)
Certificates over \$100,000 .....	4,370	58.2	5.28	3,025	43.9	5.76	44.5
Total interest-bearing deposits .....	34,061	318.7	3.71	33,486	351.3	4.16	1.7
Short-term borrowings .....	4,309	61.3	5.64	3,881	60.0	6.13	11.0
Long-term debt .....	15,733	217.8	5.49	11,658	171.8	5.85	35.0
Company-obligated mandatorily redeemable preferred securities .....	950	19.3	8.06	950	20.3	8.48	--
Total interest-bearing liabilities .....	55,053	617.1	4.45	49,975	603.4	4.79	10.2
Other liabilities .....	2,404			2,494			(3.6)
Common equity .....	6,611			6,041			9.4
Accumulated other comprehensive income .....	(23)			59			**
Total liabilities and shareholders' equity .....	\$77,700			\$72,083			7.8%
Net interest income .....							
		\$ 845.0			\$ 778.9		
Gross interest margin .....							
			3.92%			3.78%	
Gross interest margin without taxable-equivalent increments .....							
			3.86%			3.70%	
Net interest margin .....							
			4.84%			4.83%	
Net interest margin without taxable-equivalent increments .....							
			4.78%			4.75%	

INTEREST AND RATES ARE PRESENTED ON A FULLY TAXABLE-EQUIVALENT BASIS UNDER A TAX RATE OF 35 PERCENT.

INTEREST INCOME AND RATES ON LOANS INCLUDE LOAN FEES. NONACCRUAL LOANS ARE INCLUDED IN AVERAGE LOAN BALANCES.

\* BEFORE DEDUCTING THE ALLOWANCE FOR CREDIT LOSSES AND EXCLUDING THE UNREALIZED GAIN (LOSS) ON AVAILABLE-FOR-SALE SECURITIES.

\*\* NOT MEANINGFUL.

CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

	For the Nine Months Ended September 30						
	1999			1998			
(Dollars In Millions) (Unaudited)	Balance	Interest	Yields and Rates	Balance	Interest	Yields and Rates	% Change Average Balance
<hr/>							
ASSETS							
Available-for-sale securities:							
U.S. Treasury .....	\$ 438	\$ 18.6	5.68%	\$ 591	\$ 25.8	5.84%	(25.9)%
Mortgage-backed .....	3,180	156.1	6.56	3,765	191.2	6.79	(15.5)
State and political .....	1,146	65.1	7.59	1,268	74.0	7.80	(9.6)
U.S. agencies and other .....	430	13.0	4.04	415	17.0	5.48	3.6
	<hr/>			<hr/>			
Total available-for-sale securities .....	5,194	252.8	6.51	6,039	308.0	6.82	(14.0)
Unrealized gain on available-for-sale securities .....	45			92			(51.1)
	<hr/>			<hr/>			
Net available-for-sale securities .....	5,239			6,131			(14.5)
Trading account securities .....	600	29.5	6.57	239	11.3	6.32	**
Federal funds sold and resale agreements .....	515	16.1	4.18	686	28.6	5.57	(24.9)
Loans:							
Commercial:							
Commercial .....	26,841	1,510.1	7.52	24,192	1,454.8	8.04	10.9
Real estate:							
Commercial mortgage .....	8,427	532.0	8.44	8,127	535.5	8.81	3.7
Construction .....	3,529	232.2	8.80	2,560	177.5	9.27	37.9
	<hr/>			<hr/>			
Total commercial .....	38,797	2,274.3	7.84	34,879	2,167.8	8.31	11.2
Consumer:							
Home equity and second mortgage .....	7,852	554.2	9.44	6,025	431.5	9.58	30.3
Credit card .....	4,003	387.8	12.95	4,000	379.3	12.68	.1
Other .....	6,773	473.0	9.34	6,730	488.7	9.71	.6
	<hr/>			<hr/>			
Subtotal .....	18,628	1,415.0	10.16	16,755	1,299.5	10.37	11.2
Residential mortgage .....	2,834	163.6	7.72	3,782	221.4	7.83	(25.1)
	<hr/>			<hr/>			
Total consumer .....	21,462	1,578.6	9.83	20,537	1,520.9	9.90	4.5
	<hr/>			<hr/>			
Total loans .....	60,259	3,852.9	8.55	55,416	3,688.7	8.90	8.7
Allowance for credit losses .....	994			1,002			(.8)
	<hr/>			<hr/>			
Net loans .....	59,265			54,414			8.9
Other earning assets .....	1,437	69.1	6.43	979	46.4	6.34	46.8
	<hr/>			<hr/>			
Total earning assets* .....	68,005	4,220.4	8.30	63,359	4,083.0	8.62	7.3
Other assets .....	9,247			8,677			6.6
	<hr/>			<hr/>			
Total assets .....	\$76,303			\$71,126			7.3%
	<hr/>			<hr/>			
LIABILITIES AND SHAREHOLDERS' EQUITY							
Noninterest-bearing deposits .....	\$13,585			\$13,285			2.3%
Interest-bearing deposits:							
Interest checking .....	6,051	80.3	1.77	5,733	78.0	1.82	5.5
Money market accounts .....	12,100	310.7	3.43	10,990	325.5	3.96	10.1
Other savings accounts .....	2,244	30.0	1.79	2,519	40.1	2.13	(10.9)
Savings certificates .....	9,733	359.7	4.94	11,521	474.0	5.50	(15.5)
Certificates over \$100,000 .....	4,059	158.4	5.22	3,189	141.0	5.91	27.3
	<hr/>			<hr/>			
Total interest-bearing deposits .....	34,187	939.1	3.67	33,952	1,058.6	4.17	.7
Short-term borrowings .....	4,224	169.3	5.36	3,654	162.5	5.95	15.6
Long-term debt .....	14,712	592.3	5.38	10,942	486.0	5.94	34.5
Company-obligated mandatorily redeemable preferred securities .....	950	58.0	8.16	835	51.1	8.18	13.8
	<hr/>			<hr/>			
Total interest-bearing liabilities .....	54,073	1,758.7	4.35	49,383	1,758.2	4.76	9.5
Other liabilities .....	2,314			2,350			(1.5)
Common equity .....	6,303			6,050			4.2
Accumulated other comprehensive income .....	28			58			(51.7)
	<hr/>			<hr/>			
Total liabilities and shareholders' equity .....	\$76,303			\$71,126			7.3%
	<hr/>			<hr/>			
Net interest income .....		\$2,461.7			\$2,324.8		
	<hr/>			<hr/>			
Gross interest margin .....			3.95%			3.86%	
	<hr/>			<hr/>			
Gross interest margin without taxable-equivalent increments .....			3.89%			3.77%	
	<hr/>			<hr/>			
Net interest margin .....			4.84%			4.91%	
	<hr/>			<hr/>			
Net interest margin without taxable-equivalent increments .....			4.78%			4.82%	
	<hr/>			<hr/>			

INTEREST AND RATES ARE PRESENTED ON A FULLY TAXABLE-EQUIVALENT BASIS UNDER A TAX RATE OF 35 PERCENT.

INTEREST INCOME AND RATES ON LOANS INCLUDE LOAN FEES. NONACCRUAL LOANS ARE INCLUDED IN AVERAGE LOAN BALANCES.

\* BEFORE DEDUCTING THE ALLOWANCE FOR CREDIT LOSSES AND EXCLUDING THE UNREALIZED GAIN ON AVAILABLE-FOR-SALE SECURITIES.

\*\* NOT MEANINGFUL.

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 12 Computation of Ratio of Earnings to Fixed Charges.
- 27 Article 9 Financial Data Schedule.\*

\* COPIES OF THIS EXHIBIT WILL BE FURNISHED UPON REQUEST AND PAYMENT OF THE COMPANY'S REASONABLE EXPENSES IN FURNISHING THE EXHIBIT.

(b) REPORTS ON FORM 8-K

During the three months ended September 30, 1999, the Company filed no Current Reports on Form 8-K.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

U.S. BANCORP

By: /s/ TERRANCE R. DOLAN

-----  
Terrance R. Dolan  
Senior Vice President and Controller  
(Chief Accounting Officer and Duly  
Authorized Officer)

DATE: November 12, 1999

U.S. Bancorp

29

(This page has been left blank intentionally.)

(This page has been left blank intentionally.)



(This page has been left blank intentionally.)

[LOGO] US BANCORP (R)

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

www.usbank.com

-----  
First Class  
U.S. Postage  
PAID  
Permit No. 2440  
Minneapolis, MN  
-----

#### SHAREHOLDER INQUIRIES

##### COMMON STOCK TRANSFER AGENT AND REGISTRAR

First Chicago Trust Company of New York, a division of EquiServe, acts as transfer agent and registrar, dividend paying agent, and dividend reinvestment plan agent for U.S. Bancorp and maintains all shareholder records for the corporation. For information about U.S. Bancorp stock, or if you have questions regarding your stock certificates (including transfers), address or name changes, lost dividend checks, lost stock certificates, or Form 1099s, please call First Chicago Trust's Shareholder Services Center at (800) 446-2617. Representatives are available weekdays 8:30 a.m. to 7:00 p.m. Eastern time, and the interactive voice response system is available 24 hours a day, seven days a week. The TDD telephone number for the hearing impaired is (201) 222-4955.

First Chicago Trust Company of New York  
c/o EquiServe  
Mailing address: P.O. Box 2500,  
Jersey City, New Jersey 07303-2500.

Telephone: (201) 324-0498  
Fax: (201) 222-4892  
Internet address: <http://www.equiserve.com>  
E-mail address: [fcfc@em.fcncd.com](mailto:fcfc@em.fcncd.com)

If you own shares in a book-entry or plan account maintained by First Chicago Trust, you can access your account information on the Internet through First Chicago Trust's Web site. To obtain a password that provides you secured access to your account, please call First Chicago Trust toll free at (877) THE-WEB7 (outside North America call (201) 536-8071).

##### COMMON STOCK LISTING AND TRADING

U.S. Bancorp Common Stock is listed and traded on the New York Stock Exchange under the ticker symbol USB.

##### DIVIDENDS

U.S. Bancorp currently pays quarterly dividends on its Common Stock on or about the 15th of March, June, September and December, subject to prior Board approval. Shareholders may choose to have dividends electronically deposited directly into their bank accounts. For enrollment information, please call First Chicago Trust at (800) 446-2617.

##### DIVIDEND REINVESTMENT PLAN

U.S. Bancorp shareholders can take advantage of a plan that provides automatic reinvestment of dividends and/or optional cash purchases of additional shares of U.S. Bancorp Common Stock up to \$60,000 per calendar year. For more information, please contact First Chicago Trust Company of New York, c/o EquiServe, P.O. Box 2598, Jersey City, New Jersey, 07303-2598, (800) 446-2617.

##### INVESTMENT COMMUNITY CONTACTS

John R. Danielson  
Senior Vice President, Investor Relations  
(612) 973-2261  
[john.danielson@usbank.com](mailto:john.danielson@usbank.com)

Judith T. Murphy  
Vice President, Investor Relations  
(612) 973-2264  
[judith.murphy@usbank.com](mailto:judith.murphy@usbank.com)

##### FINANCIAL INFORMATION

U.S. Bancorp news and financial results are available through the Company's Web site, fax, and mail.

WEB SITE. For information about U.S. Bancorp, including news and financial results, product information, and service locations, access our home page on the World Wide Web. The address is <http://www.usbank.com>.

FAX. To access our fax-on-demand service, call (800) 758-5804. When asked, enter U.S. Bancorp's extension number, "312402." Enter "1" for the most current news release or "2" for a menu of news releases. Enter your fax and telephone numbers as directed. The information will be faxed to you promptly.

MAIL. At your request, we will mail to you our quarterly earnings news releases, quarterly financial data on Form 10-Q, and additional annual reports. To be added to U.S. Bancorp's mailing list for quarterly earnings news releases, or to request other information, please contact:

Investor Relations  
(612) 973-2263  
U.S. Bancorp  
601 Second Avenue South  
Minneapolis, Minnesota 55402-4302

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

	Three Months Ended September 30	Nine Months Ended September 30
(Dollars in Millions)	1999	1999
=====		
EARNINGS		
1. Net income .....	\$ 396.4	\$ 1,137.5
2. Applicable income taxes .....	224.7	646.5
	-----	
3. Net income before taxes (1 + 2) .....	\$ 621.1	\$ 1,784.0
	=====	
4. Fixed charges:		
a. Interest expense excluding interest on deposits .....	\$ 298.4	\$ 819.6
b. Portion of rents representative of interest and amortization of debt expense .....	12.0	37.0
	-----	
c. Fixed charges excluding interest on deposits (4a + 4b) .....	310.4	856.6
d. Interest on deposits .....	318.7	939.1
	-----	
e. Fixed charges including interest on deposits (4c + 4d) .....	\$ 629.1	\$ 1,795.7
	=====	
5. Amortization of interest capitalized .....	\$ --	\$ --
6. Earnings excluding interest on deposits (3 + 4c + 5) .....	931.5	2,640.6
7. Earnings including interest on deposits (3 + 4e + 5) .....	1,250.2	3,579.7
8. Fixed charges excluding interest on deposits (4c) .....	310.4	856.6
9. Fixed charges including interest on deposits (4e) .....	629.1	1,795.7
RATIO OF EARNINGS TO FIXED CHARGES		
10. Excluding interest on deposits (line 6/line 8) .....	3.00	3.08
11. Including interest on deposits (line 7/line 9) .....	1.99	1.99
=====		

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE U.S. BANCORP SEPTEMBER 30, 1999, 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

9-MOS	
	DEC-31-1999
	JAN-01-1999
	SEP-30-1999
	3,454,000
	0
	471,000
	718,000
5,058,000	
	0
	0
	60,265,000
	966,300
	77,036,000
	47,978,000
	2,593,000
2,501,000	
	16,155,000
	0
	0
	931,000
	5,788,000
77,036,000	
	3,844,000
	231,800
	112,900
	4,188,700
	939,100
	1,758,700
2,430,000	
	385,000
	(3,400)
	2,255,800
	1,784,000
1,784,000	
	0
	0
	1,137,500
	1.57
	1.56
	4.84
	295,200
	106,700
	0
	0
1,000,900	
	540,200
	118,500
966,300	
	0
	0
0	