

FORM 10-K COVER PAGE - SEE PAGE 79

FIRST BANK SYSTEM  
1993 INTEGRATED ANNUAL REPORT / FORM 10-K

-COVER-

## ABOUT THE COMPANY

First Bank System, Inc. is a regional bank holding company primarily serving Minnesota, Colorado, Montana, North Dakota, South Dakota, and Wisconsin through 181 banking locations and 24 offices of additional nonbank subsidiaries. Headquartered in Minneapolis with \$26.4 billion in assets, First Bank System has three core businesses: Retail and Community Banking, Commercial Banking, and the Trust and Investment Group.

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Graphs illustrate the following information:

	1990	1991	1992	1993
Return on Average Common Equity* (Percent)	2.7	13.1	12.0	16.4
Earnings Per Share* (Dollars)	0.36	1.79	1.96	2.83
Shareholders' Equity to Assets Ratio (Percent)	6.5	7.8	8.7	8.5

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.

(Inside Front Cover)

## FINANCIAL SUMMARY

(Dollars in Millions, Except Per Share Amounts)	1993	1992	% CHANGE 1992-1993
<b>FOR THE YEAR</b>			
Income before Cumulative Effect of Accounting Changes and Merger-related Charges . . . . .	\$ 348.0	\$ 236.3	47.3
Merger-related Charges . . . . .	(50.0)	(81.8)	38.9
Cumulative Effect of Accounting Changes . . . . .	--	157.3	**
Net Income . . . . .	\$ 298.0	\$ 311.8	(4.4)
<b>PER COMMON SHARE</b>			
Income before Cumulative Effect of Accounting Changes and Merger-related Charges . . . . .	\$ 2.83	\$ 1.96	44.4
Merger-related Charges . . . . .	(.44)	(.78)	43.6
Cumulative Effect of Accounting Changes . . . . .	--	1.49	**
Net Income . . . . .	\$ 2.39	\$ 2.67	(10.5)
Dividends Paid . . . . .	\$ 1.00	\$ .88	13.6
Common Shareholders' Equity . . . . .	\$ 18.09	\$ 17.09	5.9
<b>RETURN ON AVERAGE ASSETS before</b>			
Cumulative Effect of Accounting Changes and Merger-related Charges . . . . .	1.36%	1.00%	**
Merger-related Charges . . . . .	(.19)	(.35)	**
Cumulative Effect of Accounting Changes . . . . .	--	.67	**
Return on Average Assets . . . . .	1.17%	1.32%	**
<b>RETURN ON AVERAGE COMMON EQUITY before</b>			
Cumulative Effect of Accounting Changes and Merger-related Charges . . . . .	16.4%	12.0%	**
Merger-related Charges . . . . .	(2.6)	(4.7)	**
Cumulative Effect of Accounting Changes . . . . .	--	9.1	**
Return on Average Common Equity . . . . .	13.8%	16.4%	**
Net Interest Margin . . . . .	5.07%	4.85%	**
Efficiency Ratio before Merger-related Charges . . . . .	59.8%	64.7%	**
<b>AT YEAR END</b>			
Loans . . . . .	\$18,779	\$17,076	10.0
Allowance for Credit Losses . . . . .	423	448	(5.6)
Assets . . . . .	26,385	26,625	(.9)
Deposits . . . . .	21,031	21,188	(.7)
Total Shareholders' Equity . . . . .	2,245	2,318	(3.1)
Common Equity to Total Assets . . . . .	7.5%	7.3%	**
Shareholders' Equity to Total Assets . . . . .	8.5	8.7	**
Tier 1 Capital Ratio . . . . .	9.2	9.5	**
Total Risk-based Capital . . . . .	13.3	12.6	**

\*\* NOT MEANINGFUL

Graphs illustrate the following information:

	1990	1991	1992	1993
Return on Average Assets* (Percent)	0.22	0.90	1.00	1.36
Efficiency Ratio* (Percent)	75.1	67.8	64.7	59.8
Allowance Coverage Ratio of Nonperforming Loans (Percent)	104	142	179	269

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.



LETTER TO SHAREHOLDERS

"THE WINNERS WILL BE BANKS THAT CAN CREATE SHAREHOLDER VALUE BY FULLY INTEGRATING ACQUISITIONS AND CONTINUOUSLY IMPROVING PRODUCTIVITY AND CUSTOMER SATISFACTION."

A year ago First Bank System set three goals: realize the value of acquisitions through integration, grow core businesses, and maintain a fortress balance sheet. We've done exactly that. And in the process, we've achieved strong earnings, announced significant stock repurchase plans, and raised our common stock dividend.

Our financial performance is approaching the highest levels of the banking industry. Our goal remains to become one of the nation's best banks, in terms of market share and long-term profitability. We'll accomplish this by building high-performing banking franchises where we can create and sustain market leadership -- a mission we believe will lead to greater shareholder value.

As the banking industry continues its rapid consolidation, the winners will be banks that can create shareholder value by fully integrating acquisitions and by continuously improving productivity and customer satisfaction.

**ACQUISITION INTEGRATION** - Our strong performance reflects significant changes in our operations. Last year we integrated virtually all of our existing operations and five acquisitions -- totaling nearly one-third of our \$26.4 billion in assets -- into one organization designed around markets and individual customers. All of this was accomplished on time with minimal disruption in customer service and while achieving our financial objectives.

We now have more complete and easily accessible customer data. Our customers can walk into any of our nearly 200 locations and our bankers can instantly view the entire customer banking relationship on a computer screen. This allows for more effective cross-selling and better positions FBS for interstate branching.

Centralizing our operations has helped make us a low-cost producer, which we believe is absolutely essential for future success. Our efficiency ratio, the measure of expenses to revenues, improved to 59.8 percent from 64.7 percent a year ago. FBS now ranks among the nation's most efficient banking organizations.

Our ability to increase productivity and our proven integration model are valuable assets. FBS has integrated its last three major acquisitions at a progressively faster pace -- the integration of Colorado National Bankshares was completed in just two months -- enabling each transaction to contribute to earnings in its first full year.

**CORE BUSINESS GROWTH** - Leading market shares in attractive, healthy communities and a pervasive sales and service culture also bode well for growth. We continued to strengthen our regional banking franchise, which is our engine for earnings, through both internal growth and acquisitions. All three of our core businesses -- Retail and Community Banking,

Table entitled "Managing Capital for Shareholder Value"

16 percent common dividend increase, announced 2/94.

\$159 million preferred stock redemption, announced 1/94.

\$200 million common stock repurchase in conjunction with Boulevard Bancorp acquisition, announced 9/93.

\$125 million preferred stock repurchase, announced 9/93.

11 percent common dividend increase, announced 2/93

\$75 million common stock repurchase in conjunction with Bank Shares Inc. acquisition, announced 1/93.

Commercial Banking, and the Trust and Investment Group -- has solid earnings gains in 1993.

Despite a sluggish economy last year, both net interest income and fee income grew. Total loans were up substantially as the result of a strong home equity loan promotion, aggressive small and middle-market business lending, and loans to mortgage bankers, a commercial banking niche. We also are encouraged by the performance of several products with great growth potential, such as our mutual funds and Visa Corporate and Procurement Cards.

We completed or announced eight acquisitions. The completion of the previously announced acquisition of Colorado National Bankshares, Inc. made us the largest banking organization in Colorado. We announced plans to acquire J.P. Morgan's domestic corporate trust business, and announced deals that will strengthen our retail banking market shares in Duluth and Mankato, Minnesota, and Bismarck, North Dakota. In January the Federal Reserve Board approved our acquisition of Boulevard Bancorp, which will mark our entry into the attractive Chicago market.

FORTRESS BALANCE SHEET - Meanwhile, we maintained a fortress balance sheet. Credit quality continued to improve last year while our reserve coverage for nonperforming loans far exceeded the industry average. Our capital ratios remain strong, giving us flexibility in pursuing an aggressive acquisition strategy and in repurchasing common and preferred stock. During 1993 we announced plans to repurchase \$275 million of common stock and \$125 million of preferred stock. In January we announced our intention to call an additional \$159 million of preferred stock. As a result of our successful acquisition integration and strengthened capital position, our debt and preferred stock ratings were upgraded by Standard & Poor's Corp. in August and by Moody's Investors Services in January 1994.

FBS'S GOALS - While our 1993 accomplishments are gratifying, much work lies ahead. We will continue to grow our core businesses, be ever vigilant on cost control and asset quality, and approach acquisitions conservatively as to location and price.

All of these efforts will continue to be guided by a disciplined commitment to shareholder value. We further sharpened our shareholder focus this past year by more closely tying the personal fortunes of our top 180 managers to the success of FBS. We are strongly encouraging these senior managers to own approximately one to five times their salaries in FBS stock within five years. This target for management stock ownership is among the most aggressive in the banking industry.

Achieving our performance objectives will help us realize our vision of becoming one of the nation's best banks. Our strategy for getting there isn't flashy -- we're simply focusing on the basics of our business. Superior management of the fundamentals is what distinguishes the truly great banks from the rest of the industry. We believe it also is the surest way to reward our shareholders.

/s/ John F. Grundhofer

JOHN F. GRUNDHOFER  
Chairman, President and  
Chief Executive Officer  
February 16, 1994

"WE FURTHER SHARPENED OUR SHAREHOLDER FOCUS THIS PAST YEAR BY MORE CLOSELY TYING THE PERSONAL FORTUNES OF OUR TOP 180 MANAGERS TO THE SUCCESS OF FIRST BANK SYSTEM."

FIRST BANK SYSTEM  
PRIORITIES

"WE BELIEVE STICKING TO THE BASICS OF OUR BUSINESS IS THE RIGHT COURSE FOR  
CREATING SHAREHOLDER VALUE"

What distinguishes the nation's best banks from the pack? Superb management of banking fundamentals: core business focus, cost control, asset quality, and disciplined acquisitions. At First Bank System, we believe sticking to the basics of our business is the right course for creating shareholder value. These fundamentals are FBS's priorities for the years ahead.

CORE BUSINESS STRENGTH --> FBS focuses on three core businesses that are the company's traditional strengths: Retail and Community Banking, Commercial Banking, and the Trust and Investment Group. In each of these businesses, our goal is to attain the leading share in the markets we serve.

We already have strong market positions in five of the six states in which we do business. As measured by deposits, we have the lead market shares in the Twin Cities and Denver. This gives us the critical mass to be an efficient, highly profitable retailer of financial services.

Our markets are attractive and healthy. They exceed the U.S. averages for employment growth, housing starts, household growth, and median income. In fact, 12 FBS markets, including Minneapolis/St. Paul and Denver, recently ranked in the top quartile of MONEY magazine's "Best Places to Live." All but one of our locations ranked in the top half.

EFFICIENCY --> One of our long-term goals is to reduce noninterest expenses to just over half of every dollar of revenue. We believe we can improve our efficiency ratio of 59.8 percent -- down from nearly 80 percent four years ago -- to the mid 50s within two years, and ultimately to the low 50s. Most of the improvement to date has resulted from centralizing our back office, standardizing products, and investing in technology.

While we see further benefits from technology, most of our future improvement will come from constantly reengineering our operations to improve productivity, customer service, and our cross-sell ratio.

Another big part of our efficiency efforts is the culture at FBS. Everyone understands the importance of controlling costs. Individual incentives have helped create a new culture in which the pursuit of cost reductions is relentless.

Table entitled, "Recent Acquisitions"

J. P. Morgan Corporate Trust, New York/National, closing in the second quarter of 1994.  
Assets: N/A

First Financial Investors, Inc., Minnesota, closing in the second quarter of 1994.  
Assets: \$200 million.

United Bank of Bismarck, North Dakota, closing the second quarter of 1994.  
Assets: \$123 million.

Boulevard Bancorp, Illinois, closing in the first quarter of 1994. Assets: \$1,600 million.

American Bankshares of Mankato, Minnesota, closing in the first quarter of 1994.

Assets: \$116 million.

Republic Acceptance Corporation, Minnesota, closed in the second quarter of 1993.  
Assets: \$39 million.

Colorado National Bankshares, Inc., Colorado, closed in the second quarter of 1993.  
Assets: \$3,000 million.

U.S. Bancorp Bond Indenture, Washington/Oregon, closed in the first quarter of 1993.  
Assets: N/A

Bank Shares Inc., Minnesota, closed in the fourth quarter of 1992. Assets: \$2,100 million.

Western Capital Investment Corp., Colorado, closed in the fourth quarter of 1992.  
Assets: \$2,500 million.

Table entitled, "FBS Leading Market Shares," based on June 30, 1993 data.

Minnesota, 23 percent deposit share, rank: first.

Twin Cities, 30 percent deposit share, rank: first.

Colorado, 19 percent deposit share, rank: first.

Denver, 21 percent deposit share, rank: first.

Montana, 14 percent deposit share, rank: first.

South Dakota, 5 percent deposit share excluding credit card banks, rank: second.

North Dakota, 9 percent deposit share, rank: third.

ACQUISITION & INTEGRATION --> Our acquisition strategy is to build shareholder value by leveraging existing strengths and further improving our productivity. All seven FBS acquisitions in the past two years have increased shareholder value. All are integrally related to our three core businesses and all strengthened existing market shares.

We've achieved substantial cost reductions quickly. We've realized annualized savings of more than \$100 million from integrating the acquisitions of Bank Shares Inc., Western Capital Investment Corp., and Colorado National Bankshares.

Part of our integration strategy is to create a highly efficient branching system that is convenient for our customers. Our 181 branches have an average of more than \$100 million in deposits. FBS has the third highest deposits per branch among 27 regional banks. Our automated teller machines outnumber our branches by more than four to one, compared to a median of 1.3 times for our peers.

We'll continue to pursue a disciplined acquisition strategy to create shareholder value.

ASSET QUALITY --> FBS has grown its loan portfolio over the past three years while significantly improving asset quality. Our 1.20 percent ratio of nonperforming assets to loans plus other real estate owned is well below the industry average. We also have one of the strongest reserve coverage ratios, at 269 percent of nonperforming loans. Equally important, net charge-offs declined 26 percent last year.

The improvement is the result of a stronger economy and better credit management throughout FBS. In our commercial bank, a disciplined credit culture characterized by individual lender accountability and prudent credit policies and processes has significantly reduced problem loans. Consumer credit quality has been strengthened through more powerful statistical credit evaluation models and aggressive credit line management. Consumer credit control and efficiency improvements include an automated decision-making system and a sophisticated delinquent loan collection system.

CAPITAL STRENGTH --> FBS has one of the highest shareholders' equity-to-assets ratios of the 27 regional banks in our peer group. Our strong capital base enables us to pursue acquisitions while maintaining solid protection for depositors and creditors.

To effectively manage our capital, last year FBS announced \$400 million in common and preferred stock repurchases, including 6.5 million shares related to the acquisition of Boulevard Bancorp. In January FBS announced its intention to call an additional \$159 million of preferred stock.

A more detailed explanation of these priorities and our financial performance is found in Management's Discussion and Analysis starting on page 12.

"WE'VE REALIZED ANNUALIZED SAVINGS OF MORE THAN \$100 MILLION FROM INTEGRATING RECENT ACQUISITIONS."



RETAIL & COMMUNITY  
BANKING

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COMMUNITY BANKING

BUSINESS DESCRIPTION

FBS serves more than 1.3 million consumers and small and middle-market businesses in six states through 181 banking locations, 1,021 automated teller machines, and 24-hour Fastline telephone service. Our core customers -- those with checking accounts -- have an average of 3.2 accounts with FBS.

1993 HIGHLIGHTS

- Integrated operations of all existing and acquired banks. - Created a \$7 billion bank in Colorado, the state's largest. - Strengthened Minnesota and North Dakota presence through acquisitions and announced Illinois entry. - Grew consumer loans 10 percent and business loans 13 percent. - Implemented market segmentation strategy. - Sold \$313 million in mutual funds through our retail bank, including \$103 million in our First American mutual funds.

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MORTGAGE BANKING

BUSINESS DESCRIPTION

FBS Mortgage is one of the largest residential mortgage lender in our six-state region. Home loan origination totaled \$6.8 billion in 1993. At year end, our mortgage servicing portfolio was \$11.3 billion.

1993 HIGHLIGHTS

- Increased home loan origination volume 51 percent over 1992. - Expanded affordable lending activities: FBS provided \$594 million in loans to 8,800 low- and moderate-income families. - Exited the correspondent mortgage loan business. - Reduced our servicing delinquency performance to nearly half the national average. - Cut loan servicing costs to 12 percent below the average for our peer banks. - Developed and tested a new laptop computer loan origination program and continued to develop artificial intelligence underwriting software.

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PAYMENT SYSTEMS

BUSINESS DESCRIPTION

FBS is the largest issuer of Visa Corporate and Procurement Cards, as well as a leading issuer of Visa Business Cards. These products help companies and governments of all sizes manage their purchasing. We also have 1.8 million Visa consumer credit cards outstanding. FBS is the nation's fifth largest processor of Visa and MasterCard transactions, serving approximately 60,000 merchants. Our card products are distributed through more than 2,700 agent banking locations and other outlets. FBS also processes transactions for 1,500 agent and Fastbank automated teller machines (ATMs).

1993 HIGHLIGHTS

- Increased Visa sales to \$6 billion and became the ninth largest Visa card issuer nationally. - Signed more than 100 Corporate Payment Systems accounts, increasing FBS's Fortune 100 relationships to 42 and Fortune 500 relationships to more than 100. - Increased Visa Procurement Card sales volume 91 percent, giving FBS the largest share of this emerging national market. - Increased ATM processing volume 10 percent to 61 million transactions and grew merchant processing volume 36 percent to \$10.2 billion. - In January 1994 we were awarded the WorldPerks Visa Card program from Northwest Airlines.

Graphs illustrate the following information:

Pie chart shows that the Retail and Community Banking Group accounts for 61 percent of FBS's net income.

	1991	1992	1993
Efficiency Ratio* (Percent)	72.4	69.1	63.6
Net Interest Income (in Millions)	741	816	907

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.

**FOCUS ON CONSUMERS: MARKET SEGMENTATION** --> FBS is sharpening its focus on customers through market segmentation. Segmentation is based on the concept that consumers can be grouped by similar behaviors -- in our case, the way they acquire and use financial products and services. We have identified seven categories into which FBS customers are grouped: Affluent, Emerging Affluent, Savings/Planners, Empty Nesters, Basic Banking, Growing Needs, and Mass Market. Every branch strives to meet the needs of the market segments most prevalent in its trade area.

We believe this strategy will make FBS a more powerful marketer. Based on the needs of these segments, branches are designing promotions, determining staffing, identifying merchandising opportunities, and even fine-tuning the layout of our banking offices.

We measure our progress in each branch by its efficiency ratio, revenue per full-time employee, and revenue per square foot. Next year we'll compare the performance of branches targeting the same market segments. The "best practices" of the top branches will be implemented across FBS.

**BUSINESS BANKING: GROWING MARKET SHARE** --> We grew our small and middle-market business loan portfolio 13 percent last year, largely by outselling the competition. We expanded our business banking hubs, which service larger companies, to put more of our bankers closer to the customer. In addition, our Mainstreet Loan Centers now serve every FBS market, providing standardized commercial bank products and 48-hour loan request turnaround for businesses with annual sales under \$1 million. Expanding our capabilities geographically leveraged our main competitive advantages: size, a wide range of business products, and lending expertise.

**INTEGRATION: UNIFYING FBS** --> Low-cost producers will be the banking industry's winners. Last year FBS completed five major systems conversions. FBS now has one set of systems supporting virtually all of its products in every location, a unified communications network, and centralized processing for every bank customer transaction.

Standard products and seamless technology are an excellent foundation for cost control and superior account relationship management. We now have more complete and easily accessible customer data and can more quickly deliver new or enhanced products at attractive prices. We also can more effectively cross-sell our products and services.

In the year ahead, we will continue the integration of Rocky Mountain BankCard System into our credit card operations. Integration has made FBS more productive. That's good for our customers, employees and, ultimately, our shareholders.

**CORPORATE PAYMENT SYSTEMS: A RAPID GROWTH MARKET** --> FBS is the nation's largest issuer of Visa Corporate and Procurement Cards, and a leading issuer of Visa Business Cards. We're a dominant force in business travel planning through marketing agreements with 15 of the nation's 25 largest travel agencies. These agreements have made FBS the payment system of choice for more than 100 Fortune 500 companies.

We see tremendous opportunity for growth. For example, only a fifth of U.S. companies currently use corporate cards. And card issuers have barely scratched the \$300 billion annual market for procurement cards, which are used by select employees to purchase goods and services. FBS is committed to remaining a leader in corporate charge cards. Our goal is to have two million corporate cards and 400,000 procurement cards in circulation by the year 2000.

Graphs illustrate the following information:

(in Millions)	1991	1992	1993
Net Income*	95	133	211
Noninterest Income	318	322	329

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.

COMMERCIAL BANKING

COMMERCIAL LENDING

BUSINESS DESCRIPTION

FBS's Commercial Banking Group takes and manages credit risk and markets competitively priced products to businesses in our markets with annual revenues greater than \$25 million.

1993 HIGHLIGHTS

- Strengthened our position as the leading commercial lender in the Twin Cities, despite reduced demand for larger corporate commercial credit industry-wide.
- Reduced nonperforming assets 44 percent to \$87 million.

MORTGAGE BANKING SERVICES

BUSINESS DESCRIPTION

FBS is among the nation's largest providers of credit and other financial services to mortgage bankers.

1993 HIGHLIGHTS

- Achieved a 60 percent increase in loan commitments.
- Grew our customer base 14 percent.
- Strengthened client relationships by providing cash management and custodial services tailored for the industry; two-thirds of Mortgage Banking Services' customers also use FBS for other financial services.

REAL ESTATE LENDING

BUSINESS DESCRIPTION

FBS provides credit and other financial products and services to select real estate developers for the development, renovation, expansion, acquisition or refinance of their real estate projects.

1993 HIGHLIGHTS

- Assembled a strong team of real estate professionals to provide expertise to our clients.
- Established major relationships with premier developers of regional malls, community centers, and industrial and residential projects.

CASH MANAGEMENT

BUSINESS DESCRIPTION

FBS, one of the region's largest cash management services providers, helps companies achieve effective treasury operations by offering a full range of depository, disbursement, collection, and information services.

1993 HIGHLIGHTS

- Implemented product enhancements that were "firsts" in our markets, including a PC-based batch wire transfer system and image technology in wholesale lockbox processing.
- Became the first bank in our markets to provide on-line availability of ACH Notifications of Change and Return Items.
- Delivered identical products across all FBS markets through centralization of product management and operations.

CORPORATE PRODUCTS

BUSINESS DESCRIPTION

FBS provides value-added services to businesses, including foreign exchange, trade finance, corporate finance, and loan syndication.

1993 HIGHLIGHTS

- Achieved record year in foreign exchange revenue and profitability.
- Expanded correspondent banking relationships in emerging international markets to facilitate our clients' trade flows.
- Successfully underwrote and syndicated several large financings for regional middle-market companies.

Graphs illustrate the following information:

Pie chart shows that the Commercial Banking Group accounts for 28 percent of FBS's net income.

	1991	1992	1993
Efficiency Ratio* (Percent)	39.1	37.4	34.6
Net Interest Income (in Millions)	182	183	212

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.

**COMMERCIAL LENDING: BUILDING RELATIONSHIPS** --> More and more corporations today choose banks for their intellectual as well as their financial capital. Clients expect their bankers to be knowledgeable, creative financial advisors. FBS is committed to becoming the "bank of choice" for middle-market and large corporations in the markets we serve. Our goal is to deliver the highest quality products and services at competitive prices.

We're attracting and retaining the best people, and dedicating ourselves to learning our clients' businesses. We take a proactive approach to meeting customer needs through a broad range of credit and noncredit products and services. These efforts are resulting in more satisfied clients and stronger account relationships.

**TRAINING & TECHNOLOGY: GIVING BANKERS THE RIGHT TOOLS** --> To be the best financial resource for our clients, FBS is investing in its people and in technology. The goal is to enable Relationship Managers to provide the best financial advice by understanding the client's business and the financial markets. We continue to invest in our people through development programs focusing on meeting client needs through innovative credit, corporate finance, and product expertise. Technology also enables us to be more productive. We have a computer network that provides immediate access to client information and quick access to outside information sources. Giving our bankers the right tools has led to better customer service and improved credit quality.

**CASH MANAGEMENT: TECHNOLOGICALLY ADVANCED, SUPERIOR PRODUCTS** --> FBS is one of the region's largest cash management service providers. We have special expertise in retailing. In the Twin Cities, for example, two-thirds of major retailers use our automated central cash vault for deposit processing and cash ordering. Standard product offerings and processes across FBS position us to leverage and expand this customer base throughout our region.

Our Minnesota, Colorado and Montana controlled disbursement points have emerged as among the most effective in the country. We will emphasize enhancements to our electronic products to anticipate changes in niche markets and key industry segments, such as health care. We also will continue to exercise influence at the national level in such organizations as the National Automated Clearing House Association (NACHA) and the Bankers' Electronic Data Interchange (EDI) Council to help shape the future of our nation's payment systems.

Quality products and economies of scale, along with highly skilled people, have made cash management a strong source of fee income and an effective tool for broadening customer relationships.

Graphs illustrate the following information:

(in Millions)	1991	1992	1993
Net Income*	50	76	98
Noninterest Income	56	56	60

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.

TRUST & INVESTMENT  
GROUP

CORPORATE TRUST

BUSINESS DESCRIPTION

FBS is one of the nation's 10 largest providers of trusteeship, paying agency, and custody services to debt issuers. We have 13 offices nationwide and \$115 billion in administered assets.

1993 HIGHLIGHTS

- Announced acquisition of J.P. Morgan & Co.'s domestic corporate trust business. - Completed acquisition of U.S. Bancorp trust offices in Washington and Oregon. - Created a new arbitrage rebate product, a mortgage assignment services product, and a government securities mutual fund. - Expanded Los Angeles office and opened an office in Frederick, Maryland.

INVESTMENT MANAGEMENT

BUSINESS DESCRIPTION

FBS provides asset management services to individuals and institutions through common, collective and mutual funds and individual portfolios. Assets under management: \$22 billion.

1993 HIGHLIGHTS

- Tripled mutual fund assets to \$2.9 billion through new sales and collective fund conversions. - Achieved superior investment performance; most of our common and mutual funds outperformed their market indices. - Introduced three special equity common funds focusing on emerging growth, technology, and health care.

INVESTMENT SERVICES

BUSINESS DESCRIPTION

FBS's retail brokerage company distributes municipal and government bonds, equities, mutual funds, and annuities to correspondent banks, corporations, public agencies, and individuals.

1993 HIGHLIGHTS

- Launched retail bank sales of proprietary mutual funds, attracting more than \$100 million in assets. - Introduced new variable-rate annuity product. - Continued our position as one of Minnesota's largest underwriters and distributors of municipal bonds. - Increased our investment sales force from 12 to 130 people in bank branches across FBS.

PERSONAL TRUST

BUSINESS DESCRIPTION

FBS provides a wide range of investment advisory, administrative, and fiduciary services for individuals, families and charitable institutions.

1993 HIGHLIGHTS

- Completed the integration of CNB and BSI acquisitions. - Redesigned account statements to provide customers with easier-to-read information.

INSTITUTIONAL TRUST

BUSINESS DESCRIPTION

FBS provides trustee, investment management, and custodial services, primarily for employee benefit plans.

1993 HIGHLIGHTS

- Successfully initiated alliance with The Wyatt Co. to provide recordkeeping for large defined contribution plans. - Launched our Diamond Retirement Program, a full-service 401(k) plan product for businesses with 25 to 250 employees. - Converted 100 defined contribution plans representing nearly \$100 million in assets, to the Diamond Retirement Program.

Graphs illustrate the following information:

Pie chart shows that the Trust & Investment Group accounts for 11 percent of FBS's net income.

	1991	1992	1993
Efficiency Ratio* (Percent)	76.8	72.8	69.7

Net Interest Income (in Millions)	18	19	32
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\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.

MANAGED ASSETS: A PLAN FOR GROWTH --> Critical to our success is the ability to grow managed assets. At the core of our business, managed assets provide not only a continuing source of fee income but also the opportunity to expand existing long-term relationships. Our goal is to become the preeminent asset manager in our region. We already have solid personal trust relationships that span generations and institutional trust relationships with small to large corporate retirement plan sponsors and major endowments and foundations. And our retail brokerage company is a leading municipal bond dealer and a key part of the mutual fund distribution system in our retail banks.

Our strategy for growing assets is twofold: focus on existing customers and offer high quality, competitive products. We have an excellent opportunity to better penetrate our base of approximately 1.3 million retail and commercial banking customers. We're also focusing our distribution efforts on deepening our relationships with existing trust customers. To achieve these objectives, we've created referral incentives across FBS and substantially increased our sales force.

Another critical element is offering the right products. Last year we introduced new products and tailored existing products for retail distribution, including our First American mutual funds, a variable-rate annuity, and our Diamond Retirement Program. These and other financial products are purchased on the expectation of superior investment performance and quality service. At FBS, we have a compelling story to tell. Last year, most of our 34 mutual funds and common funds outperformed their benchmark indices, some by significant margins. With \$22 billion in assets under management, we have the size and diversity to provide a range of investment styles to meet the financial objectives of our customers.

In 1994 we will continue to expand our investment products and services through the introduction of six new mutual funds, including an international fund, a technology fund, and two tax-free municipal funds. We also plan to offer a new asset allocation product, as well as to broaden our 401(k) plan product line and seek to expand our distribution channels through acquisitions and alliances.

CORPORATE TRUST: AN INDUSTRY LEADER --> FBS will be one of the nation's five largest providers of bond indenture services following the completion in the second quarter of our previously announced acquisition of J.P. Morgan & Co.'s domestic corporate trust business. The acquisition will increase our corporate trust business by more than 40 percent, adding 650 clients with 3,800 bond issues, and establish a significant New York presence for FBS.

Excluding acquisitions, we grew trust fees 16 percent last year as the result of aggressive marketing and new product introductions. In southern California, for example, we've hired top talent and taken market share from competitors. We also expanded our geographic presence through the acquisition of U.S. Bancorp corporate trust units in Seattle and Portland, Oregon, the expansion of our Los Angeles office, and the opening of a new office in Frederick, Maryland.

The market for corporate trust services is consolidating and FBS is committed to growing its already large market share. We have the economies of scale required for strong profitability, and we have invested in the technology needed for continued delivery of superior products. In 1994 we will introduce a new bondholder recordkeeping system. We will continue to expand our sales force and to develop derivative products for targeted market niches.

Graphs illustrate the following information:

(in Millions)	1991	1992	1993
Net Income*	20	28	40
Noninterest Income	124	157	181

\*Before merger-related charges and/or the cumulative effect of accounting changes in 1992 and 1993.



EARNINGS SUMMARY --> First Bank System, Inc. (the "Company") reported net earnings in 1993 of \$298.0 million (\$2.39 per share). Net income in 1993 included merger-related charges of \$50.0 million (\$0.44 per share), on an after-tax basis, recorded in connection with the acquisition of Colorado National Bankshares, Inc. ("CNB"). Net income for 1992 of \$311.8 million (\$2.67 per share) included merger-related charges of \$81.8 million (\$0.78 per share), on an after-tax basis, related to the acquisition of Western Capital Investment Corporation ("WCIC") and Bank Shares Incorporated ("BSI"), in addition to \$157.3 million of income related to the cumulative effect of changes in accounting principles. Net income of \$207.1 million was reported in 1991.

Excluding merger-related charges, 1993 income totaled \$348.0 million (\$2.83 per share), an increase of \$111.7 million, or 47.3 percent, compared with 1992 income of \$236.3 million (\$1.96 per share), before merger-related charges and cumulative effect of accounting changes.

Net interest income on a taxable-equivalent basis for 1993 increased \$132.8 million, or 13.0 percent, from the prior year. Net interest margin on a taxable-equivalent basis increased to 5.07 percent, up from 4.85 percent in the prior year. Net interest income improved during the past year as a result of increases in average earning assets of \$1.7 billion, or 8.2 percent, and average noninterest-bearing deposits of \$1.6 billion, or 33.4 percent.

The provision for credit losses was \$125.2 million in 1993 compared with provisions of \$183.4 million in 1992 and \$202.2 million in 1991. The reduction in the provision was due to improved credit quality during 1993 and a merger-related provision for credit losses of \$13.6 million included in the 1992 amount.

Noninterest income was \$569.6 million in 1993, compared with \$535.7 million in 1992, an increase of \$33.9 million, or 6.3 percent. Noninterest income was \$497.7 million in 1991. Trust fees, credit card fees, and service charges increased \$45.4 million, or 12.9 percent, from 1992. From 1991 to 1992, these fees increased by \$46.0 million, or 15.0 percent.

Total noninterest expense in 1993 was \$1,100.5 million compared to \$1,114.3 in 1992. Merger-related charges of \$72.2 million relating to the CNB acquisition were recorded in the second quarter of 1993. The charges relate to reorganization and restructuring costs, system conversions, customer communications, closing of redundant facilities, and other consolidation costs. Included in noninterest expense for 1992 were similar merger-related charges of \$110.4 million associated with the acquisitions of WCIC and BSI. Excluding merger-related charges, noninterest expense for 1993 was \$1,028.3 million, an increase of \$24.4 million, or 2.4 percent, over 1992.

The efficiency ratio, the measure of operating expenses to net revenue, improved to 59.8 percent in 1993 from 64.7 percent in 1992, excluding merger-related charges.

Return on average common equity decreased from 16.4 percent in 1992 to 13.8 percent in 1993 and return on average assets decreased from 1.32 percent to 1.17 percent over the same period. Excluding merger-related charges and the cumulative effect of accounting changes, return on average common equity increased from 12.0 percent in 1992 to 16.4 percent in 1993 and return on average assets increased from 1.00 percent to 1.36 percent for the same periods.

Nonperforming assets at December 31, 1993, totaled \$226.0 million, down \$186.1 million, or 45.2 percent, from the total at December 31, 1992. Of this decrease, \$90.8 million related to a decrease in other real estate, principally due to sales of properties. The ratio of the allowance for credit losses to nonperforming loans was 268.5 percent at December 31, 1993, compared with 179.1 percent at December 31, 1992.

Results for 1993 and 1992 have been restated to reflect the acquisition of CNB, a \$3.0 billion bank holding company, on May 28, 1993, which was accounted for using the pooling-of-interests method. The Company's results for 1992 also were restated to give effect to the December 18, 1992, acquisition of WCIC, a \$2.5 billion bank holding company, which was accounted for using the pooling-of-interests method. Results for 1993 include the results of BSI, a \$2.1 billion bank holding company, which was acquired on December 31, 1992. The BSI acquisition was accounted for using the purchase method, and, accordingly, had no effect on 1992 earnings.

TABLE 1 --&gt; SELECTED FINANCIAL DATA

(Dollars in Millions, Except Per Share Amounts)

	1993	1992	1991	1990	1989
<b>CONDENSED INCOME STATEMENT:</b>					
Net interest income (taxable-equivalent basis)	\$1,150.6	\$1,017.8	\$ 941.2	\$ 872.7	\$ 898.8
Provision for credit losses	125.2	183.4	202.2	215.4	335.8
Net interest income after provision for credit losses	1,025.4	834.4	739.0	657.3	563.0
Investment securities gains	.3	1.9	8.9	3.6	17.6
Other noninterest income	569.3	533.8	488.8	434.0	467.5
Merger-related charges (including \$26.4 related to ORE in 1992)	72.2	110.4	-	-	-
Other noninterest expense	1,028.3	1,003.9	969.3	981.0	1,091.1
Income (loss) before income taxes and cumulative effect of changes in accounting principles	494.5	255.8	267.4	113.9	(43.0)
Taxable-equivalent adjustment	17.7	22.7	34.4	48.1	63.6
Income taxes (credit)	178.8	78.6	25.9	8.5	(19.8)
Income (loss) before cumulative effect of changes in accounting principles	298.0	154.5	207.1	57.3	(86.8)
Cumulative effect of changes in accounting principles	-	157.3	-	-	-
Net income (loss)	\$ 298.0	\$ 311.8	\$ 207.1	\$ 57.3	\$ (86.8)
Return on average assets	1.17%	1.32%	0.90%	0.22%	(0.30)%
Return on average common equity	13.8	16.4	13.1	2.7	(7.9)
Net interest margin	5.07	4.85	4.50	3.70	3.45
Efficiency ratio	64.0	71.8	67.8	75.1	79.9
Efficiency ratio, excluding merger-related charges	59.8	64.7	67.8	75.1	79.9
<b>PER SHARE DATA:</b>					
Primary income before cumulative effect of accounting changes	\$ 2.39	\$ 1.18	\$ 1.79	\$ .36	\$ (1.23)
Cumulative effect of accounting changes	-	1.49	-	-	-
Primary net income (loss)	\$ 2.39	\$ 2.67	\$ 1.79	\$ .36	\$ (1.23)
Fully diluted income before cumulative effect of accounting changes	\$ 2.38	\$ 1.21	\$ 1.78	\$ .36	\$ (1.23)
Cumulative effect of accounting changes	-	1.43	-	-	-
Fully diluted net income (loss)	\$ 2.38	\$ 2.64	\$ 1.78	\$ .36	\$ (1.23)
Common dividends paid*	\$ 1.00	\$ .88	\$ .82	\$ .82	\$ 1.44
<b>AVERAGE BALANCE SHEET DATA:</b>					
Total loans	\$ 17,756	\$ 16,257	\$ 16,341	\$ 18,104	\$ 20,158
Total earning assets	22,695	20,983	20,916	23,597	26,045
Total assets	25,575	23,592	23,075	25,856	28,609
Total deposits	20,347	18,774	18,215	19,564	20,615
Long-term debt	913	927	1,214	1,652	1,797
Common equity	1,957	1,720	1,402	1,246	1,342
Total shareholders' equity	2,305	2,099	1,684	1,510	1,573
<b>YEAR-END BALANCE SHEET DATA:</b>					
Total loans	\$ 18,779	\$ 17,076	\$ 16,365	\$ 16,829	\$ 19,546
Total assets	26,385	26,625	23,851	24,804	27,229
Total deposits	21,031	21,188	19,145	19,378	20,436
Long-term debt	1,015	822	948	1,506	1,733
Common equity	1,979	1,939	1,474	1,336	1,176
Total shareholders' equity	2,245	2,318	1,852	1,600	1,440

\* DIVIDENDS PER SHARE HAVE NOT BEEN RESTATED FOR THE WCIC OR CNB MERGERS. CNB PAID COMMON DIVIDENDS OF \$3.2 MILLION IN 1992 (\$.28 PER CNB SHARE), AND \$1.8 MILLION IN 1991, 1990, AND 1989 (\$.16 PER CNB SHARE). WCIC DID NOT PAY DIVIDENDS IN THE YEARS SHOWN.

In 1992, the Company adopted Statement of Financial Accounting Standards No. ("SFAS") 109, "Accounting for Income Taxes." The cumulative effect of this accounting change as of January 1, 1992, was \$188.9 million. The Company also adopted SFAS 106, "Employer's Accounting for Postretirement Benefits Other than Pensions," which resulted in a cumulative effect of accounting change of \$31.6 million as of January 1, 1992. For further information on accounting changes, see Note B of Notes to Consolidated Financial Statements on page 46.

#### DEVELOPMENTS DURING 1993

The Company's goals for 1993 were to complete the integration of recent acquisitions in order to maximize their earnings potential, to grow the Company's three core businesses, and to maintain a fortress balance sheet. As discussed below, significant progress was made in 1993 to accomplish these objectives.

On May 28, 1993, the Company completed the acquisition of CNB, formerly the largest independent commercial bank holding company in Colorado, with \$3.0 billion in assets, \$2.5 billion in deposits and \$271 million in common equity, resulting in the issuance of approximately 20.6 million shares. As a result, the Company now has the leading market share in Colorado. The transaction was accounted for using the pooling-of-interests method. At closing, the Company recorded merger and restructuring charges totaling \$72.2 million (\$50.0 million on an after-tax basis).

The integrations of CNB, WCIC and BSI were substantially completed in 1993. Annualized cost savings due to system conversions, centralization and consolidation of operations, and related personnel reductions aggregated more than \$100 million in the fourth quarter of 1993. Pro forma for the BSI acquisition, average full-time equivalent employees were reduced by 9 percent.

Reflecting the success of the Company's integration efforts, consistent increases in quarterly earnings, excluding merger-related charges, were achieved in 1993, with net income growing 48 percent from \$64.7 million in the fourth quarter of 1992 to \$95.9 million in the fourth quarter of 1993.

During 1993, the Company announced agreements to purchase three institutions in markets in which the Company has an existing presence, serving to strengthen the Company's retail banking market shares in these communities. American Bancshares of Mankato, with approximately \$116 million in assets, is the holding company for American National Bank, located in Mankato, Minnesota. First Financial Investors, Inc., with approximately \$200 million in assets, is the holding company for St. Louis Bank for Savings, FSB, located in Duluth, Minnesota. United Bank of Bismarck, with approximately \$123 million in assets is located in Bismarck, North Dakota. The American Bancshares of Mankato acquisition is expected to close in the first quarter of 1994, while the First Financial Investors, Inc. and United Bank of Bismarck acquisitions are expected to close in the second quarter of 1994.

Also in 1993, the Company announced its intention to enter the attractive Chicago market through the acquisition of Boulevard Bancorp, Inc., a commercial bank holding company with \$1.6 billion in assets, \$1.2 billion in deposits, and \$114 million in shareholders' equity. The Company expects to issue approximately 6.5 million common shares for Boulevard's outstanding common stock and existing stock options and warrants. The acquisition will be accounted for under the purchase method of accounting and is expected to close in the first quarter of 1994.

Finally, in January 1994, the Company announced that it had signed an agreement to acquire the domestic corporate trust business of J. P. Morgan & Co., Incorporated. This business unit provides trust services for approximately 650 clients with 3,800 bond issues in the areas of municipal, revenue, housing, and corporate bond indenture trusteeships.

Critical to future profitability and growth, the Company continued to improve asset quality and coverage ratios while maintaining a strong ratio of common equity to total assets.

The ratio of nonperforming assets to total loans plus other real estate improved to 1.20 percent at December 31, 1993, compared with 2.39 percent at December 31, 1992, and 3.31 percent at December 31, 1991. The allowance for credit losses increased to 268.5 percent of nonperforming loans at December 31, 1993, compared with 179.1 percent at December 31, 1992, and 141.6 percent at December 31, 1991.

The ratio of common equity to total assets increased slightly at December 31, 1993, to 7.5 percent from 7.3 percent at December 31, 1992. The Company's strong capital position has enabled it to announce several stock repurchase programs during 1993. In connection with the Boulevard acquisition, the Company plans to buy back common shares approximately equal to the number of common shares to be issued to effect the transaction. The repurchase of these shares began in October 1993. As of December 31, 1993, approximately 3.9 million shares with a cost of \$121.4 million have been repurchased.

In January 1993, the Company announced a \$75 million common stock repurchase program. Repurchased shares were to replace a portion of the shares issued in connection with the BSI acquisition, to provide for issuances under the Employee Stock Purchase and the Dividend Reinvestment Plans, and to be used for other corporate purposes. As of December 31, 1993, 2.3 million shares, with a cost of \$65.7 million, had been repurchased.

In September 1993, the Company announced plans to repurchase \$125 million of its preferred stock. As part of this program, the \$100 million Series 1983A Adjustable Rate Cumulative Preferred Stock was redeemed. An additional \$15.2 million of Preferred Stock Series 1991A and 1989B has been repurchased through December 31, 1993. The remaining \$9.8 million of authorized repurchases may be effected from time to time.

On January 19, 1994, the Board of Directors authorized the redemption of \$159.3 million of the Company's preferred stock, consisting of \$89 million of Preferred Stock Series 1989A and \$70.3 million of Preferred Stock Series 1989B.

#### LINE OF BUSINESS FINANCIAL REVIEW

Each of the Company's three business lines - Retail and Community Banking, Commercial Banking, and the Trust and Investment Group - contributed to the strong financial performance in 1993. Compared to 1992 results, all achieved earnings increases of more than 25 percent and significant productivity improvements, before merger-related expenses, as measured by their efficiency ratios.

TABLE 2 --> LINE OF BUSINESS FINANCIAL PERFORMANCE

(Dollars in Millions)	Retail and Community Banking		Commercial Banking		Trust and Investment Group		Consolidated Company	
	1993	1992	1993	1992	1993	1992	1993	1992
<b>CONDENSED INCOME STATEMENT:</b>								
Net interest income (taxable-equivalent basis) . . . . .	\$ 906.7	\$ 815.7	\$ 212.3	\$ 183.3	\$ 31.6	\$ 18.8	\$1,150.6	\$1,017.8
Provision for credit losses* . . . . .	106.4	137.6	18.8	28.6	-	3.6	125.2	169.8
Noninterest income . . . . .	328.5	322.1	60.2	56.3	180.9	157.3	569.6	535.7
Noninterest expense* . . . . .	785.9	786.1	94.3	89.6	148.1	128.2	1,028.3	1,003.9
Income before income taxes*. . . . .	342.9	214.1	159.4	121.4	64.4	44.3	566.7	379.8
Income taxes and taxable-equivalent adjustment . . . . .	132.3	80.8	61.5	45.9	24.9	16.8	218.7	143.5
Income before cumulative effect of changes in accounting principles and merger-related charges . . . . .	\$ 210.6	\$ 133.3	\$ 97.9	\$ 75.5	\$ 39.5	\$ 27.5	348.0	236.3
Merger-related charges (after tax) . . . . .							(50.0)	(81.8)
Cumulative effect of accounting changes . . . . .							-	157.3
Net income . . . . .							\$ 298.0	\$ 311.8
Return on average assets*. . . . .	1.13%	0.78%	1.58%	1.25%	**	**	1.36%	1.00%
Return on average common equity* . . . . .	15.2	11.1	22.5	17.8	29.5%	27.8%	16.4	12.0
Efficiency ratio*. . . . .	63.6	69.1	34.6	37.4	69.7	72.8	59.8	64.7
<b>AVERAGE BALANCE SHEET DATA:</b>								
Total commercial loans . . . . .	\$ 4,784	\$ 4,233	\$ 4,545	\$ 4,498	\$ -	\$ -	\$ 9,329	\$ 8,731
Credit card loans . . . . .	1,733	1,709	-	-	-	-	1,733	1,709
Residential mortgage loans . . . . .	3,505	2,851	-	-	-	-	3,505	2,851
Other consumer loans . . . . .	3,189	2,966	-	-	-	-	3,189	2,966
Total consumer loans . . . . .	8,427	7,526	-	-	-	-	8,427	7,526
Total assets . . . . .	18,615	17,015	6,209	6,055	751	522	25,575	23,592
Deposits . . . . .	16,748	16,121	2,682	1,962	917	691	20,347	18,774
Common equity. . . . .	1,388	1,197	435	424	134	99	1,957	1,720

\* EXCLUDING MERGER-RELATED CHARGES AND THE CUMULATIVE EFFECT OF ACCOUNTING CHANGES

\*\* NOT MEANINGFUL

NOTE: PREFERRED DIVIDENDS ARE NOT ALLOCATED TO THE BUSINESS LINES.

Business line results are derived from the Company's business unit profitability reporting system which specifically attributes most assets, deposits and income statement items to a business line. The Company's internal Funds Transfer Pricing system allocates a standard cost of funds used or credit for funds provided to all assets and liabilities using a matched funding concept. Expenses which directly support business line operations are allocated based on a standard unit cost and actual volume measurements. Expenses which indirectly support the business line operations as well as those which primarily support the holding company are allocated based on the ratio of the business line's noninterest expense to total noninterest expense. Income taxes have been calculated based upon the Company's consolidated effective tax rate.

Capital is allocated within the business unit profitability system based upon credit, operational and business risks. The asset and liability components of the balance sheet are assigned risk factors ranging from .50 percent for deposits to 100 percent for goodwill. Asset components subject to credit risk are assigned risk factors based upon historic loss experience after taking into consideration changes in business practice which may introduce more or less risk into the portfolio. Certain lines of business, such as the Trust and Investment Group, which have no significant balance sheet components, are assigned capital after taking into consideration operational risk, capital levels of independent organizations operating similar businesses and regulatory minimums.

RETAIL AND COMMUNITY BANKING --> Retail and Community Banking, which includes consumer, small and middle market business banking services, residential mortgage lending, and consumer and corporate credit card and payment systems processing, achieved strong revenue growth while containing costs. Net income increased 58.0 percent to \$210.6 million in 1993. Return on assets increased to 1.13 percent from .78 percent in 1992. Return on equity increased to 15.2 percent from 11.1 percent for the previous year.

Net interest income increased \$91.0 million, or 11.2 percent, from 1992 while fee-based noninterest income increased \$6.4 million, or 2.0 percent. The increases are attributable to strong home equity loan promotions, aggressive small and middle market business lending, and growth in the mutual funds and Corporate Payment System products, partially offset by net charges of \$28 million related to loan servicing assets at FBS Mortgage Corporation. Compared to 1992, the provision for credit losses decreased \$31.2 million, or 22.7 percent to \$106.4 million in 1993, reflecting improved credit quality.

Noninterest expense was \$785.9 million in 1993 compared with \$786.1 million in 1992. The efficiency ratio improved to 63.6 percent in 1993 from 69.1 percent in 1992.

COMMERCIAL BANKING --> Commercial Banking, which provides lending, cash management, and other financial services to middle market, large corporate and mortgage banking companies, contributed net earnings of \$97.9 million in 1993, a 29.7 percent increase over 1992. Return on assets rose to 1.58 percent from 1.25 percent in 1992. Similarly, return on equity increased to 22.5 percent in 1993 from 17.8 percent in the previous year.

Net interest income increased to \$212.3 million in 1993 from \$183.3 million in 1992 while noninterest income increased 6.9 percent to \$60.2 million in 1993, reflecting increased secured credit financings to mortgage banking firms accompanied by increases in noninterest-bearing deposits. The provision for credit losses declined 34.3 percent to \$18.8 million from \$28.6 million in 1992, reflecting improved credit quality.

Noninterest expense increased to \$94.3 million in 1993 from \$89.6 million in 1992 due to increased personnel expense associated with the BSI acquisition. The efficiency ratio improved to 34.6 percent in 1993 from 37.4 percent in 1992.

TRUST AND INVESTMENT GROUP --> The Trust and Investment Group, which includes personal, institutional and corporate trust services, investment management services, and a full-service brokerage company, reported net income of \$39.5 million in 1993, a 43.6 percent increase over 1992. The return on average equity improved to 29.5 percent in 1993 from 27.8 percent in 1992. Much of the gain resulted from stronger noninterest income, which was \$180.9 million for the year, up 15.0 percent over 1992. Trust fees for 1993 reflect income from BSI and the corporate trust business units purchased from U.S. Bancorp in March 1993 and Bankers Trust Company of California in July 1992. Assets under management totaled \$21.6 billion at year-end 1993, up from \$19.1 billion at the previous year-end. Net interest income increased 68.1 percent to \$31.6 million for the year reflecting an increase in average deposits.

Noninterest expense increased to \$148.1 million in 1993 from \$128.2 million in 1992 reflecting costs associated with the BSI, U.S. Bancorp and Bankers Trust Company of California acquisitions; however, the efficiency ratio improved to 69.7 percent in 1993 from 72.8 percent in 1992.

#### BALANCE SHEET SUMMARY

Total assets at December 31, 1993, were \$26.4 billion, essentially unchanged from the \$26.6 billion at the end of 1992.

Total loans increased \$1.7 billion, or 10.0 percent, to \$18.8 billion at December 31, 1993. The largest increase was in the financial institutions portfolio which increased \$872 million, or 77.0 percent, to \$2.0 billion at year-end 1993 from \$1.1 billion at December 31, 1992. The increase resulted from the cyclical activity in the Company's secured loans to mortgage banking firms, including a \$700 million low margin extension of credit which is fully secured by short-term U.S. Treasury securities and which is expected to be outstanding through the third quarter of 1994.

Total deposits at December 31, 1993, remained relatively constant at \$21.0 billion compared with \$21.2 billion at December 31, 1992. However, noninterest-bearing deposits at December 31, 1993, increased \$1.5 billion, or 24.6 percent, primarily due to increased escrow balances related to the secured lending to mortgage banking firms discussed above. Offsetting this increase, total interest-bearing deposits decreased \$1.6 billion, or 10.8 percent, from the previous year-end primarily due to a \$1.3 billion, or 22.7 percent, decline in savings certificates.

The level of other sources of short-term funds, including federal funds purchased, securities sold under agreements to repurchase and other short-term funds borrowed, decreased \$116 million, or 8.0 percent, to \$1.3 billion, from the end of 1992 to the end of 1993. Long-term debt increased 23.5 percent to \$1.0 billion over the same time period due to three \$100 million subordinated debt issuances. The Company's funding requirements are met with customer deposits, short-term funds, and long-term debt. Since 1991 funding from the Company's operating region has represented over 90 percent of the Company's total funding. The relative stability and lower cost of regional funding versus national wholesale funding have contributed to the Company's strengthened balance sheet and improved profitability. For further information regarding the Company's funding, see the Liquidity Management and Balance Sheet Analysis sections on pages 36 and 37.

#### CAPITAL MANAGEMENT

The Company's capital position has remained strong over the past three years, as indicated by Table 3 on page 18. The capital levels reflect earnings retention partially reduced by the repurchases of \$115.2 million of preferred stock and \$187.1 million of common stock. See the Developments During 1993 section starting on page 14 for further information on the stock repurchases.

At December 31, 1993, total shareholders' equity was \$2.245 billion, or 8.5 percent of assets, compared with 8.7 percent at year-end 1992 and 7.8 percent at year-end 1991.

TABLE 3 --&gt; CAPITAL RATIOS

At December 31 (Dollars in Millions)	1993	1992	1991
Common equity . . . . .	\$1,979	\$1,939	\$1,474
As a percent of assets. . . . .	7.5%	7.3%	6.2%
Tangible common equity* . . . . .	\$1,811	\$1,764	\$1,357
As a percent of assets. . . . .	6.9%	6.7%	5.7%
Total shareholders' equity. . . . .	\$2,245	\$2,318	\$1,853
As a percent of assets. . . . .	8.5%**	8.7%	7.8%
Tier 1 capital. . . . .	\$1,971	\$2,008	\$1,698
As a percent of risk-adjusted assets. . . . .	9.2%**	9.5%	8.3%
Total risk-based capital . . . . .	\$2,863	\$2,669	\$2,308
As a percent of risk-adjusted assets. . . . .	13.3%**	12.6%	11.3%
Leverage ratio. . . . .	7.6%**	7.8	7.3

\*DEFINED AS COMMON EQUITY LESS GOODWILL.

\*\*ON A PRO FORMA BASIS REFLECTING THE ANNOUNCED CALL OF \$159.3 MILLION OF PREFERRED STOCK TO BEGIN APRIL 1, 1994, TOTAL SHAREHOLDERS' EQUITY RATIO IS 7.9%, TIER 1 CAPITAL RATIO IS 8.4%, TOTAL RISK-BASED CAPITAL RATIO IS 12.6%, AND THE LEVERAGE RATIO IS 7.0%.

Common shareholders' equity at December 31, 1993, was \$1.979 billion, or \$18.09 per share, compared with \$1.939 billion, or \$17.09 per share, at year-end 1992 and \$1.474 billion, or \$14.41 per share, at year-end 1991. The common equity-to-assets ratio increased 20 basis points from year-end 1992 to 7.5 percent at December 31, 1993. The common equity-to-assets ratio increased 110 basis points to 7.3 percent at year-end 1992 from 6.2 percent at year-end 1991.

The Company's risk-based capital ratios, which take into account the different credit risks of its various assets, reflect the Company's capital strength. Tier 1 and total risk-based capital ratios were 9.2 percent and 13.3 percent, respectively, on December 31, 1993, compared with 9.5 percent and 12.6 percent at December 31, 1992, and 8.3 percent and 11.3 percent at December 31, 1991. The decrease in the Tier 1 ratio from 1992 to 1993 was due to the recent preferred stock and common stock repurchases discussed in the Developments During 1993 section starting on page 14. The increase in the total risk-based capital ratio was the result of \$300 million of subordinated note issuances in 1993 partially offset by the stock repurchases. The improvement from 1991 occurred as a result of earnings retention, including the equity capital created by the adoption of SFAS 109, the issuance of \$125 million of 12-year subordinated notes in 1992 and the issuance in late 1991, net of subsequent repurchases, of \$104 million of Convertible Preferred Stock. As required by the regulatory agencies, equity capital of \$34 million created by the adoption of SFAS 115 was deducted from the risk-based capital calculations at December 31, 1993, and equity capital created by the adoption of SFAS 109 was subject to limitations for inclusion in risk-based capital at December 31, 1992. For further information on accounting changes, see Note B of Notes to Consolidated Financial Statements on page 46.

At December 31, 1993, the Company's leverage ratio, the ratio of Tier 1 capital to total quarterly average assets, was 7.6 percent compared with 7.8 percent and 7.3 percent at December 31, 1992, and 1991, respectively. BSI quarterly average assets were included in the computation of the December 31, 1992, ratio for comparative purposes.

Under the Federal Deposit Insurance Corporation Improvement Act, a bank is typically defined as "well capitalized" if it maintains a Tier 1 capital ratio of at least 6.0 percent, a total risk-based capital ratio of at least 10.0 percent and a leverage ratio of at least 5.0 percent. Generally, it is the Company's intention to maintain sufficient capital in each of its bank subsidiaries to permit them to maintain a "well capitalized" designation. As shown by Table 4 on page 19, all of the Company's bank subsidiaries met the "well capitalized" designation at December 31, 1993.

TABLE 4 --&gt; BANK SUBSIDIARY CAPITAL RATIOS

AT DECEMBER 31, 1993

(Dollars in Millions)	Tier 1 Capital	Total Risk-based Capital	Leverage	Total Assets
<b>REGULATORY CAPITAL REQUIREMENTS:</b>				
Minimum . . . . .	4.0%	8.0%	3.0%	
Well-capitalized. . . . .	6.0	10.0	5.0	
<b>BANK SUBSIDIARIES:</b>				
First Bank National Association (Minnesota) . . . . .	8.6	11.4	7.3	\$15,803
Colorado National Bank. . . . .	13.2	15.3	8.4	7,164
First Bank Montana, National Association. . . . .	9.5	11.5	8.0	1,302
First Bank (N.A.) (Wisconsin) . . . . .	7.7	10.3	7.7	1,135
First Bank of South Dakota (National Association) . . . . .	7.7	12.5	7.4	1,024
First Bank of North Dakota, National Association. . . . .	8.4	11.8	7.6	814
Colorado National Bank Aspen. . . . .	19.3	20.6	12.1	64
First Bank Washington . . . . .	21.0	22.3	10.3	59
First National Bank of East Grand Forks . . . . .	14.0	16.7	8.8	47

NOTE: THESE BALANCES AND RATIOS WERE PREPARED IN ACCORDANCE WITH REGULATORY ACCOUNTING PRINCIPLES AS DISCLOSED IN THE BANKS' CALL REPORTS.

During 1993, total dividends on common stock were \$109.7 million compared with \$73.1 million in 1992 and \$65.6 million in 1991. On a per share basis, dividends paid to common shareholders totaled \$1.00 in 1993, \$.88 in 1992, and \$.82 in 1991. The quarterly dividend paid to common shareholders was increased in the second quarter of 1992 from the previous level of \$.205 per share to \$.225 per share. In the first quarter of 1993, the quarterly dividend on common shares was increased to \$.25 per share.

The primary sources of funds for the dividends paid by the Company to its shareholders are dividends received from its bank and nonbank subsidiaries. Payment of dividends to the Company by its subsidiary banks is subject to ongoing review by banking regulators and to various statutory limitations. For further information, see Note Q of Notes to Consolidated Financial Statements on page 67.

## STATEMENT OF INCOME ANALYSIS

**NET INTEREST INCOME** - Net interest income on a taxable-equivalent basis was \$1,150.6 million in 1993 compared with \$1,017.8 million in 1992 and \$941.2 million in 1991. The improvement in net interest income from 1992 reflects increases in average earning assets of \$1.7 billion, or 8.2 percent, and average noninterest-bearing deposits of \$1.6 billion, or 33.4 percent. The increases in earning assets and noninterest bearing deposits were largely a result of the BSI acquisition, higher production in residential mortgage banking and increases in secured loans to mortgage banking firms. The improvement in net interest income from 1991 to 1992 reflects a change in the mix of the Company's loan portfolio towards higher-yielding consumer loans and an increase in average core deposits, including an increase in average noninterest-bearing deposits of \$.9 billion, or 24.0 percent. The decline in nonperforming assets also contributed to the growth in net interest income in both years.



TABLE 5 --&gt; ANALYSIS OF NET INTEREST INCOME

(Dollars in Millions)	1993	1992	1991
Net interest income (taxable-equivalent basis) . . . . .	\$1,150.6	\$1,017.8	\$ 941.2
Average balances of earning assets supported by:			
Interest-bearing liabilities . . . . .	\$ 16,114	\$ 15,997	\$16,934
Noninterest-bearing liabilities . . . . .	6,581	4,986	3,982
Total earning assets . . . . .	\$ 22,695	\$ 20,983	\$20,916
Average yields and weighted average rates (taxable-equivalent basis):			
Earning assets yield . . . . .	7.40%	8.12%	9.54%
Rate paid on interest-bearing liabilities . . . . .	3.28	4.29	6.23
Gross interest margin . . . . .	4.12%	3.83%	3.31%
Net interest margin . . . . .	5.07%	4.85%	4.50%
Net interest margin without taxable-equivalent increments . .	4.99%	4.74%	4.34%

The net interest margin, on a taxable-equivalent basis, was 5.07 percent in 1993, an increase of 22 basis points from 4.85 percent in 1992 and 57 basis points from 4.50 percent in 1991. The improvement in net interest margin over the last two years can be attributed to two factors having approximately equal effects on the Company's ratios. The Company's balance sheet mix has changed, including a decrease in lower yielding short-term investments and a shift in the loan portfolio mix toward consumer loans, as a result of the BSI acquisition and promotional campaigns for the Company's home equity product. In addition, cyclical factors have resulted in lower interest rates, increasing the level of noninterest-bearing deposits and allowing for wider spreads between prime rates and short-term funding costs. If spreads between prime rates and funding costs were to decline, the Company's net interest margin would contract. For example, if the prime rate were to drop by 50 basis points without a corresponding decrease in funding costs, the Company's net interest income would be expected to decline by approximately \$35 million, or 3.0 percent, on an annual basis, assuming no change in earning asset levels.

TABLE 6 --&gt; CHANGES IN RATE AND VOLUME

(In Millions)	1993 COMPARED WITH 1992			1992 COMPARED WITH 1991		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Increase (decrease) in:						
Interest income:						
Loans . . . . .	\$126.0	\$(151.5)	\$( 25.5)	\$( 8.1)	\$(205.5)	\$(213.6)
Taxable securities . . . . .	59.2	(27.4)	31.8	6.7	(42.5)	(35.8)
Nontaxable securities . . . . .	3.2	(.3)	2.9	(10.6)	1.2	(9.4)
Federal funds sold and resale agreements . . . . .	(16.8)	(5.7)	(22.5)	(2.7)	(34.1)	(36.8)
Other . . . . .	(10.2)	(1.0)	(11.2)	10.0	(6.8)	3.2
Total . . . . .	161.4	(185.9)	(24.5)	(4.7)	(287.7)	(292.4)
Interest expense:						
Savings deposits and time deposits less than \$100,000 . .	9.2	(123.9)	(114.7)	28.2	(254.5)	(226.3)
Time deposits over \$100,000 . .	(17.6)	(12.7)	(30.3)	(57.1)	(20.7)	(77.8)
Short-term borrowings . . . . .	7.1	(7.7)	(.6)	(14.8)	(15.9)	(30.7)
Long-term debt . . . . .	(1.0)	(10.7)	(11.7)	(21.7)	(12.5)	(34.2)
Total . . . . .	(2.3)	(155.0)	(157.3)	(65.4)	(303.6)	(369.0)
Increase (decrease) in net interest income . . . . .	\$163.7	\$( 30.9)	\$ 132.8	\$ 60.7	\$ 15.9	\$ 76.6

THIS TABLE SHOWS THE COMPONENTS OF THE CHANGE IN NET INTEREST INCOME BY VOLUME AND RATE ON A TAXABLE-EQUIVALENT BASIS. THE EFFECT OF CHANGES IN RATES ON VOLUME CHANGES IS ALLOCATED BASED ON THE PERCENTAGE RELATIONSHIP OF CHANGES IN VOLUME AND CHANGES IN RATE. THIS TABLE DOES NOT TAKE INTO ACCOUNT THE LEVEL OF NONINTEREST-BEARING FUNDING, NOR DOES IT FULLY REFLECT CHANGES IN THE MIX OF ASSETS AND LIABILITIES.

PROVISION FOR CREDIT LOSSES --> The provision for credit losses was \$125.2 million in 1993, down \$58.2 million from the provision of \$183.4 million in 1992 and down \$77.0 million from the provision of \$202.2 million in 1991. The decrease in the provision is directly related to improved credit quality. Nonperforming assets declined from \$412.1 million at December 31, 1992, to \$226.0 million at December 31, 1993. Net charge-offs were \$150.0 million in 1993, down from \$203.1 million in 1992 and \$242.3 million in 1991. Included in the 1992 provision for credit losses is a merger-related provision of \$13.6 million related principally to the Company's valuation of WCIC's \$70 million mobile home loan portfolio.

The allowance for credit losses was \$423.2 million at December 31, 1993, compared with \$448.0 million at December 31, 1992, and \$426.9 million at December 31, 1991. Reserve coverage remained strong as the ratio of the allowance for credit losses to nonperforming loans increased to 268.5 percent at year-end 1993, compared with 179.1 percent and 141.6 percent at year-end 1992 and 1991, respectively. Refer to "Credit Management" on page 25 for additional information on the Company's credit quality.

NONINTEREST INCOME --> Noninterest income was \$569.6 million in 1993, compared with \$535.7 million in 1992, an increase of \$33.9 million, or 6.3 percent. Noninterest income was \$497.7 million in 1991. Trust fees, credit card fees, and service charges increased \$45.4 million, or 12.9 percent, from 1992. From 1991 to 1992, these fees increased by \$46.0 million, or 15.0 percent.

Trust fees in 1993 were \$146.1 million, up \$18.3 million, or 14.3 percent, from \$127.8 million in 1992. Trust fees for 1993 reflect income from BSI and the corporate trust business units purchased from U.S. Bancorp in March of 1993, and Bankers Trust Company of California in July of 1992. Trust fees in 1992 increased \$12.3 million, or 10.6 percent, from \$115.5 million in 1991. The increase in trust fees from 1991 reflects the Bankers Trust Company of California acquisition as well as a new pricing structure that was introduced in the third quarter of 1991. Trust assets under management were \$21.6 billion at December 31, 1993, compared with \$19.1 billion in 1992 and \$16.7 billion in 1991.

Credit card fees were up \$20.2 million, or 17.3 percent, from \$116.9 million in 1992. Credit card fees totaled \$94.4 million in 1991. Most of the 1993 increase in credit card fees is attributable to increased volumes for the Company's Corporate Card product. In 1992, the increase was due to increased volume including fees from portfolios acquired in the second half of 1991.

Service charges on deposit accounts increased to \$115.3 million in 1993 from \$108.4 million in 1992 and \$97.2 million in 1991. The increase during 1993 reflects further product standardization and full integration of acquisitions while 1992's increase reflects a reduction in fee waivers, changes in deposit mix, product standardization, and rate increases.

Insurance commissions were \$20.9 million in 1993 compared with \$27.3 million in 1992 and \$27.2 million in 1991. In December 1992, the Company sold its Montana insurance agencies, and during the first quarter of 1993, the Company sold its Twin Cities insurance agency. Gains on sales of the insurance agencies were not significant. As part of its ongoing analysis of its business lines, the Company concluded that it would be more successful in creating value for its shareholders by focusing its retail and community banking efforts on other opportunities.

Trading account profits were \$10.1 million in 1993, down slightly from \$10.5 million in 1992 and \$10.2 million in 1991. Sales of investment securities resulted in net gains of \$.3 million in 1993, \$1.9 million in 1992 and \$8.9 million in 1991.

TABLE 7 --> NONINTEREST INCOME

(Dollars in Millions)	1993	1992	1991
Trust fees . . . . .	\$146.1	\$127.8	\$115.5
Credit card fees . . . . .	137.1	116.9	94.4
Services charges on deposit accounts . . . . .	115.3	108.4	97.2
Insurance commissions . . . . .	20.9	27.3	27.2
Trading account profits and commissions . . . . .	10.1	10.5	10.2
Investment securities gains . . . . .	.3	1.9	8.9
Other . . . . .	139.8	142.9	144.3
Total noninterest income . . . . .	\$569.6	\$535.7	\$497.7

Other noninterest income decreased from \$142.9 million in 1992 to \$139.8 million in 1993, or 2.2 percent. The decline reflects approximately \$28 million in net charges related to the accelerated amortization of mortgage loan servicing rights due to prepayments in the Company's mortgage servicing portfolio, partially offset by \$11 million in one-time gains from the sale of assets. The Company reviews the valuation of its mortgage servicing rights assets quarterly. The valuation incorporates current dealer expectations of mortgage prepayment speeds. At December 31, 1993, the Company's mortgage servicing related assets consisted of \$52.7 million of purchased mortgage servicing rights and \$17.2 million of excess service fee receivables. Other noninterest income totaled \$144.3 million in 1991. Nonrecurring items totaling \$10.0 million were recorded by WCIC in 1991, including a \$2.5 million IRS recovery and a \$7.5 million reversal of a legal judgment.

NONINTEREST EXPENSE --> Noninterest expense was \$1,100.5 million, a decrease of \$13.8 million, or 1.2 percent, from 1992. Included in 1993 noninterest expense are merger, integration and restructuring charges totaling \$72.2 million relating to the CNB acquisition. Noninterest expense in 1992 included merger-related charges of \$110.4 million associated with the acquisition of WCIC and BSI. These accruals were made to reflect the Company's intent to dispose of problem assets and to provide for anticipated reorganization and restructuring costs.

Excluding the effects of the merger-related provisions, noninterest expense for the year increased \$24.4 million, or 2.4 percent, from \$1,003.9 million to \$1,028.3 million. Noninterest expense totaled \$969.3 million in 1991. Excluding merger-related charges, the efficiency ratio, as shown in Table 8 below, improved to 59.8 percent in 1993 from 64.7 percent in 1992 and 67.8 percent in 1991.

TABLE 8 --> NONINTEREST EXPENSE

(Dollars in Millions, Except Per Employee Data)	1993	1992	1991
Salaries . . . . .	\$ 389.1	\$ 388.7	\$ 371.7
Employee benefits . . . . .	86.3	85.5	79.3
Total personnel expense . . . . .	475.4	474.2	451.0
Net occupancy . . . . .	93.4	87.9	84.0
Furniture and equipment . . . . .	72.7	67.2	64.8
FDIC insurance . . . . .	46.4	42.2	38.5
Professional services . . . . .	36.7	38.7	37.8
Amortization of goodwill and other intangible assets . . . . .	30.6	25.2	21.6
Other personnel costs . . . . .	27.5	20.2	17.8
Data processing . . . . .	27.0	28.3	28.3
Printing, stationery and supplies . . . . .	21.9	21.0	21.1
Advertising . . . . .	20.5	20.0	21.8
Postage . . . . .	19.4	19.1	18.1
Telephone . . . . .	18.7	16.5	14.3
Other real estate (includes \$26.4 merger-related charge in 1992) . . . . .	2.2	41.2	29.9
Merger, integration and restructuring . . . . .	72.2	84.0	-
Other . . . . .	135.9	128.6	120.3
Total noninterest expense . . . . .	\$1,100.5	\$1,114.3	\$ 969.3
Efficiency ratio* . . . . .	64.0%	71.8%	67.8%
Efficiency ratio, excluding merger-related charges . . . . .	59.8	64.7	67.8
Average number of full-time equivalent employees** . . . . .	12,300	12,553	12,742
Personnel expense per employee . . . . .	\$ 38,650	\$ 37,776	\$ 35,395

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

\*\* 950 FULL-TIME EQUIVALENT EMPLOYEES RELATED TO THE BSI ACQUISITION WERE ADDED ON DECEMBER 31, 1992.

Noninterest expense in 1993 increased due to the December 31, 1992, acquisition of BSI, which was accounted for under the purchase method of accounting. Compared with noninterest expense for 1992, including the operations of BSI on a pro forma basis and excluding merger-related charges, noninterest expense for 1993 declined \$76.7 million, or 6.9 percent. This decline reflects the successful integration of recent acquisitions. The systems of CNB were converted in July of 1993; the WCIC and BSI conversions were completed in March and May of 1993, respectively. The Company now has one set of systems supporting virtually all of its products in every location, a unified communications network, and centralized processing for every customer transaction. The increase in expenses in 1992 from 1991 levels reflects additional operating costs due to the acquisition of Siouxcland Bank Holding Company in June 1992, First Trust California in July 1992 and several acquisitions completed in the last half of 1991, as well as expenses related to a new headquarters building.

Salaries and employee benefits expenses in 1993 were \$475.4 million, up only slightly from 1992's expense of \$474.2 million. Including BSI on a pro forma basis in 1992, salaries and benefits expense in 1993 decreased \$36.3 million, or 7.1 percent. In 1991, salaries and employee benefits expenses were \$451.0 million. The increase in salaries and employee benefits expenses of \$23.2 million from 1991 to 1992 was due in large part to the mid-year 1992 acquisitions and to higher personnel costs at CNB, including \$3.6 million of severance.

Net occupancy and furniture and equipment expenses totaling \$166.1 million in 1993 increased \$11.0 million, or 7.1 percent, from 1992. This increase included costs associated with acquisitions and recent investments in technology. In 1992, net occupancy and furniture and equipment expenses increased \$6.3 million, or 4.2 percent, from \$148.8 million in 1991 primarily due to costs related to the Company's move to a new headquarters building.

FDIC insurance premiums totaled \$46.4 million for the year ended December 31, 1993, compared with \$42.2 million and \$38.5 million for the years ended December 31, 1992, and 1991, respectively. The increase in premiums of \$4.2 million, or 10.0 percent, during 1993 resulted from generally higher deposit levels, including the BSI acquisition. FDIC insurance premiums increased \$3.7 million during 1992 primarily due to the 1991 increase in the rate charged on deposits and higher deposit levels. In 1993, the FDIC adopted a risk-based assessment system to replace the previous flat-rate system. Under this system, substantially all of the Company's deposits were subject to the lowest rate, \$.23 per \$100 of domestic deposits, at year-end 1993.

Professional services expenses in 1993 were \$36.7 million, down slightly from \$38.7 million in 1992 and \$37.8 million in 1991. Included in professional services expense is the cost of examinations by the Office of the Comptroller of the Currency which increased during 1993.

The 1993 increase in amortization of goodwill and other intangible assets of \$5.4 million was primarily attributable to the additional goodwill and intangible assets resulting from the BSI and the corporate trust unit acquisitions. Other personnel costs increased \$7.3 million, or 36.1 percent, primarily due to the increased use of temporary labor during the integration of various acquisitions. During 1992, other personnel costs increased \$2.4 million as a result of mid-year 1992 acquisitions.

Other real estate ("ORE") expense totaled \$2.2 million in 1993 down significantly from \$41.2 million in 1992 and \$29.9 million in 1991, primarily due to lower levels of ORE and the absence of one-time charges related to acquisitions. Included in the 1992 ORE expense was a merger-related charge of \$26.4 million resulting from the Company's change in estimate in the value of ORE owned by WCIC, based on the Company's intention to dispose of the assets in an accelerated manner relative to WCIC's previous actions.

Merger-related charges of \$72.2 million relating to the CNB acquisition were recorded in 1993. The charges, including \$29.7 million in conversion and customer communications costs, \$22.8 million in severance, \$14.3 million in premises and equipment write-downs, and \$5.4 million in other restructuring costs, relate to the closing of redundant facilities and consolidation of operations. Merger-related charges of \$84.0 million relating primarily to the acquisition of WCIC were recorded in 1992. The charges included \$31.2 million in premises and equipment write-downs, \$12.6 million in securities and interest rate swap write-downs, and \$40.2 million in severance, system conversions, and customer communications costs.

INCOME TAX EXPENSE --> The provision for income taxes was \$178.8 million in 1993 compared with \$78.6 million in 1992 and \$25.9 million in 1991. The increase in 1993 compared to 1992 was primarily a result of the higher level of taxable income along with a continued decline in tax-exempt interest income. The Omnibus Budget Reconciliation Act of 1993 was signed into law during the year and, among other changes, required a one percent increase in the corporate income tax rate effective January 1, 1993. The provision for 1993 reflects this increase, offset by the favorable effect of recording the related increase in deferred tax assets. The net effect on the annual provision for income taxes was not significant. The increase in the 1992 income tax provision compared to 1991 was attributable to the Company's adoption of SFAS 109, "Accounting for Income Taxes," in 1992. As required by the Statement, the Company recorded deferred tax assets related to the unrecognized benefit of income tax carryforwards. Years prior to 1992 were not restated, and the 1991 provision included the recognition of tax benefits of \$36.7 million, resulting from the use of operating loss carryforwards.

At December 31, 1993, the Company's net deferred tax asset was \$160.0 million, net of valuation allowances of \$19.6 million, compared with a net deferred tax asset of \$224.0 million, net of valuation allowances of \$20.1 million, at December 31, 1992. Realization of this asset over time is dependent upon the Company generating earnings in future periods. In determining that realization of the asset was more likely than not, the Company gave consideration to a number of factors, including its recent earnings history, its expectations for earnings in the future and, where applicable, the expiration dates associated with tax carryforwards. For further information on income taxes, refer to Note L on page 58.

#### ACCOUNTING CHANGES

The Company adopted the provisions of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," as of December 31, 1993. SFAS 115 requires that investments in debt securities and equity securities with readily determinable fair values be classified into three categories which then establishes the appropriate accounting treatment. The accounting for two of the categories, trading securities and held-to-maturity securities, is essentially the same as prior practice. The new category, available-for-sale securities, is accounted for at fair value with unrealized holding gains or losses reported in shareholders' equity. At December 31, 1993, the Company's entire \$3.3 billion investment portfolio has been classified as available for sale. As a result, the net unrealized gain associated with these securities of \$34.0 million, net of tax, has been included in shareholders' equity.

The Company adopted SFAS 112, "Employers' Accounting for Postemployment Benefits," in 1993. This Statement requires accrual of costs associated with postemployment benefits (principally disability-related benefits) provided to former or inactive employees after employment but before retirement if certain conditions are met. The effect of adopting SFAS 112 was insignificant to the Company's financial statements.

In 1992, in addition to the adoption of SFAS 109 as discussed above, the Company adopted SFAS 106, "Employer's Accounting for Postretirement Benefits Other than Pensions." This Statement requires the accrual of costs associated with postretirement benefits, and permits either immediate recognition of the accumulated obligation or amortization of the obligation over a 20-year period. The Company elected the immediate recognition method and the accrual of the accumulated obligation as of January 1, 1992, of \$31.6 million, net of related tax benefits of \$20.5 million, is reported as a cumulative effect of change in accounting principle.

The Company has not yet adopted SFAS 114, "Accounting by Creditors for Impairment of a Loan." This Statement requires creditors to establish a valuation allowance when it is probable that all the principal and interest due under the contractual terms of a loan will not be collected. The impairment is measured based on the present value of expected future cash flows based on the effective interest rate of the loan, observable market price or fair value of a collateral dependent loan. This differs from the Company's current policy in that it requires establishing a valuation allowance for uncollectible interest in addition to the uncollectible principal amounts of impaired loans. The adoption of the Statement is required for fiscal years beginning after December 15, 1994. The adoption of SFAS 114 is not expected to have a material effect on the Company. For further information on accounting changes, see Note B on page 46.

OVERALL RISK PROFILE --> Managing risk is an essential part of the operation of a financial services institution. The most prominent risk exposures are credit quality, interest rate sensitivity, and liquidity risk. Credit quality risk involves the risk of either not collecting interest when it is due or not receiving the principal balance of the loan or investment when it matures or otherwise is due. Interest rate sensitivity risk is the risk of reduced net interest income because of differences in the repricing characteristics of assets and liabilities, as well as the change in the market value of assets and liabilities as interest rates fluctuate. Liquidity risk is the risk that the Company will not be able to fund its obligations and is largely a function of how effectively the Company manages its other risks.

CREDIT MANAGEMENT --> Continued progress has been made during 1993 in achieving the Company's credit quality objectives. Nonperforming assets declined during 1993, reflecting many factors including the Company's efforts to promptly resolve problem assets, the reduced risk profile of the loan portfolio, and improved economic conditions in the Company's lending area. The ratio of nonperforming assets to loans plus Other Real Estate declined from 2.39 percent at year-end 1992 to 1.20 percent at year-end 1993. The risk reduction in the portfolio reflects the Company's focus on middle market lending in its region and a shift toward more consumer lending. Consistent with the Company's strategy, middle market and consumer loan portfolios were enhanced by the acquisitions made during 1993 and 1992. The ratio of the allowance for credit losses to nonperforming loans increased to 268.5 percent, providing strong reserve coverage. This coverage ratio was 179.1 percent at year-end 1992 and 141.6 percent at year-end 1991.

In evaluating credit risk, the Company takes into consideration the composition of its loan portfolio, its level of allowance coverage, macroeconomic concerns such as the level of debt outstanding in the public and private sectors, the effects of domestic and international economic conditions, regional economic conditions, and other issues.

The Company operates principally in Minnesota, Colorado, Montana, Wisconsin, North Dakota and South Dakota. Most economic indicators in the Company's operating regions compare favorably with national indicators. Approximately 60 percent of the Company's loan portfolio consists of extensions of credit to companies and consumers in Minnesota and Colorado. According to federal and state government agencies, unemployment rates in Minnesota and Colorado were 4.4 percent and 4.1 percent, respectively, compared to the national unemployment rate of 6.4 percent at December 31, 1993. Nationally, retail sales improved by 6.1 percent during 1993 while Minnesota and Colorado experienced retail sales increases of 11.4 percent and 11.5 percent, respectively. At September 30, 1993, the national foreclosure rate was 1.01 percent compared with .70 percent in Minnesota and .47 percent in Colorado.

The Company's credit management process includes centralized credit policy and administration functions and standardized underwriting criteria for specialized lending categories, such as mortgage banking, real estate construction, and consumer credit. The Company's credit management process is supported by regular examinations conducted by the credit administration function. Large loans and all loans experiencing deterioration of credit quality are reviewed quarterly by management. A standardized credit scoring system is used to assess consumer credit risks and to price consumer products relative to their assigned risk rating.

The Company engages in various non-lending activities which may give rise to credit risk, including interest rate swap contracts, foreign exchange transactions for the benefit of customers, and the processing of credit card transactions for merchants' activities. These activities are subject to the same credit review, analysis and approval processes as those applied to commercial loans. For additional information on the Company's interest rate swap positions see "Interest Rate Risk Management" on page 33.

LOAN PORTFOLIO REVIEW --> One of the ways the Company manages its credit risk is by ensuring that its loan portfolio is diversified by industry classification, size and type of loan. Table 9 below shows the Company's loan distribution at the end of each of the last five years.

The increase in the Company's loan portfolio of \$1.7 billion, or 10.0 percent, from year-end 1992 to year-end 1993 can be attributed to the commercial, financial institutions and home equity and second mortgage portfolios. The loan portfolio increased 4.3 percent from 1991 to 1992 due to the acquisition of BSI.

COMMERCIAL --> Commercial loans account for 31.2 percent of total loans at December 31, 1993, compared with 31.0 percent and 33.5 percent at year-end 1992 and 1991, respectively. Commercial loans totaled \$5.9 billion at year-end 1993, up from \$5.3 billion and \$5.5 billion at year-end 1992 and 1991, respectively. The increase in commercial loans includes growth in the Corporate Payment System program which issues Visa Corporate, Business and Procurement cards to businesses, and in small and middle market business lending.

Within the commercial category, several industry groups are represented. Service industries, including both business and consumer services, totaled 32 percent of the portfolio. Consumer product manufacturers totaled 27 percent and wholesalers totaled 20 percent of amounts outstanding at December 31, 1993.

The geographical distribution of the commercial portfolio is concentrated in the Company's operating region, with approximately 80 percent of amounts outstanding to borrowers located in Minnesota, Colorado, Wisconsin, Montana, North Dakota, and South Dakota.

TABLE 9 --> LOAN PORTFOLIO DISTRIBUTION

At December 31 (Dollars in Millions)	1993		1992		1991		1990		1989	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
<b>COMMERCIAL:</b>										
Commercial . . . . .	\$ 5,856	31.2%	\$ 5,288	31.0%	\$ 5,478	33.5%	\$ 6,432	38.2%	\$ 7,864	40.3%
Financial institutions . . . . .	2,004	10.7	1,132	6.6	1,001	6.1	568	3.4	582	3.0
Real estate:										
Commercial mortgage . . . . .	1,495	8.0	1,539	9.0	1,445	8.8	1,438	8.5	1,376	7.0
Construction . . . . .	231	1.2	234	1.4	295	1.8	358	2.1	559	2.9
HLTs . . . . .	183	1.0	284	1.7	334	2.0	577	3.4	1,102	5.6
Agricultural . . . . .	123	.6	131	.8	138	.9	170	1.0	193	1.0
Lease financing . . . . .	197	1.0	256	1.5	226	1.4	296	1.8	363	1.9
Total commercial . . . . .	10,089	53.7	8,864	52.0	8,917	54.5	9,839	58.4	12,039	61.7
<b>CONSUMER:</b>										
Residential mortgage . . . . .	2,422	12.9	2,568	15.0	2,006	12.3	1,967	11.7	2,827	14.4
Residential mortgage held for sale . . . . .	1,088	5.8	705	4.1	758	4.6	643	3.8	557	2.8
Home equity and second mortgage* . . . . .	1,755	9.3	1,362	8.0	992	6.1	884	5.3	524	2.7
Credit card . . . . .	1,757	9.4	1,782	10.5	1,709	10.4	1,232	7.3	1,139	5.8
Revolving credit . . . . .	690	3.7	600	3.5	573	3.5	350	2.1	254	1.3
Automobile . . . . .	342	1.8	519	3.0	726	4.4	1,124	6.7	1,383	7.1
Installment . . . . .	376	2.0	430	2.5	444	2.7	572	3.4	630	3.2
Student loans held for sale . . . . .	260	1.4	246	1.4	240	1.5	218	1.3	193	1.0
Total consumer . . . . .	8,690	46.3	8,212	48.0	7,448	45.5	6,990	41.6	7,507	38.3
Total loans . . . . .	\$18,779	100.0%	\$17,076	100.0%	\$16,365	100.0%	\$16,829	100.0%	\$19,546	100.0%

\*BALANCE OF SECOND MORTGAGES INCLUDED IN RESIDENTIAL MORTGAGES AT DECEMBER 31, 1989.

At December 31, 1993, commercial loans totaling \$35.1 million were included in nonperforming assets, down \$42.4 million, or 54.7 percent, from a year ago. Net charge-offs of commercial loans were \$10.6 million in 1993, or .29 percent of the average outstanding balance, declining from \$22.2 million, or .84 percent of the average outstanding balance, in 1992.

**FINANCIAL INSTITUTIONS** --> The portfolio of loans to financial institutions totaled \$2.0 billion at December 31, 1993, compared with \$1.1 billion at December 31, 1992, and \$1.0 billion at December 31, 1991. The increases are primarily attributable to a \$700 million low margin extension of credit to one mortgage banking customer, which is fully secured by short-term U.S. Treasury securities, and which is expected to be outstanding through the third quarter of 1994. In addition, other cyclical activity in the Company's secured loans to mortgage banking firms has increased.

The financial institutions group provides financing to customer institutions headquartered throughout the United States. Many of these institutions originate residential mortgages on a national basis. The Company primarily secures these loans with first liens on single family residences.

At December 31, 1993, loans to financial institutions totaling \$9 million were included in nonperforming assets, down \$2.4 million, or 72.7 percent, from a year ago. In 1993 net recoveries on loans to financial institutions were \$5 million. In 1992, there were no charge-offs or recoveries while in 1991, there were \$2.0 million in net charge-offs.

**COMMERCIAL REAL ESTATE LENDING** --> The Company's portfolio of commercial real estate mortgages and construction loans totaled \$1.7 billion at December 31, 1993, compared with \$1.8 billion at December 31, 1992.

Commercial mortgages outstanding were \$1.5 billion at December 31, 1993, and 1992. Real estate construction loans outstanding at December 31, 1993, totaled \$231 million compared with \$234 million from year-end 1992. The Company maintains the real estate construction loan designation until the project is producing sufficient cash flow to service traditional mortgage financing, at which time the loan is transferred to the commercial mortgage portfolio. Approximately \$21 million of construction loans were transferred to the commercial mortgage portfolio in 1993.

The Company's commercial real estate mortgages and construction loans had combined unfunded commitments of \$206 million at December 31, 1993, and \$145 million at December 31, 1992. At year-end 1993, tax-exempt industrial development loans and commitments totaling \$218 million and standby letters of credit totaling \$301 million were secured by real estate interests. At year-end 1992, these exposures totaled \$320 million and \$279 million, respectively. Table 10 on page 28 shows the breakdown of commercial real estate exposures by property type and geographic location.

Approximately 70 percent of Company's real estate exposures either are not dependent upon real estate for debt service (i.e., owner-occupied properties) or are secured by properties with positive cash flows.

Commercial real estate loans of \$39.1 million are included in nonperforming assets at December 31, 1993, compared with \$67.8 million at December 31, 1992. Total real estate loans (including other real estate-owned) on nonperforming status declined to \$106.5 million at year-end 1993 from \$226.0 million a year ago.

During 1993, net charge-offs of commercial real estate loans totaled \$44.3 million, or 2.58 percent of the average balance outstanding, which was comparable to the \$43.9 million of net charge-offs, or 2.49 percent of the average balance outstanding, in 1992.



TABLE 10 --&gt; COMMERCIAL REAL ESTATE EXPOSURE BY PROPERTY TYPE AND GEOGRAPHY

PROPERTY TYPE	Percentage of Total at December 31	
	1993	1992
Mixed-use office. . . . .	18.0%	15.0%
Retail. . . . .	15.0	14.8
Office building. . . . .	14.6	17.0
Multi-family. . . . .	11.3	18.0
Hotel/motel. . . . .	6.0	4.8
Single-family residential. . . . .	5.4	1.9
Land. . . . .	2.5	2.2
Other, primarily owner-occupied. . . . .	27.2	26.3
	100.0%	100.0%
-----		
GEOGRAPHY		
Minnesota. . . . .	32.5%	37.3%
Colorado. . . . .	28.0	23.1
Wisconsin. . . . .	12.8	10.2
Montana, North Dakota and South Dakota. . . . .	11.8	10.6
	85.1	81.2
Total FBS region. . . . .		
Other Midwest. . . . .	4.5	7.0
West. . . . .	3.7	4.0
Southwest. . . . .	3.5	3.9
Southeast. . . . .	3.0	3.4
Mid-Atlantic. . . . .	.2	.5
	100.0%	100.0%
-----		

Other real estate-owned totaled \$67.4 million at December 31, 1993. These properties are valued at estimated market value, and year-end 1993 book value represents approximately 40 percent of the aggregate original investment. Of total real estate-owned at December 31, 1993, 28 percent was located in Colorado, 21 percent was located in Minnesota, and 14 percent was located in Wisconsin. At December 31, 1993, other real estate-owned was comprised of various property types including office building (29 percent), other commercial real estate (28 percent), and single-family residential (18 percent). In-substance foreclosures make up approximately 50 percent of the other real estate-owned balance at year-end 1993. In-substance foreclosures are properties held as collateral over which the Company possesses economic control, due to the borrower's inability to repay the related loan or rebuild equity in the property. The Company does not possess legal title to these properties.

The Company also finances the operations of real estate developers and other entities with operations related to real estate. These loans are not secured directly by real estate and are subject to terms and conditions similar to commercial loans. These loans are included in the commercial category and totaled \$286 million at December 31, 1993, and \$289 million at December 31, 1992.

HIGHLY LEVERAGED TRANSACTIONS --> The Company's exposure to commercial loans involving the buyout, recapitalization or acquisition of an existing business, called highly leveraged transactions ("HLTs"), continues to diminish. At December 31, 1993, the Company had HLT outstandings totaling \$183 million and was committed under definitive agreements to lend an additional amount of approximately \$50 million. This exposure has decreased approximately 37.9 percent from a year ago and 58.0 percent from two years ago. Total exposure was \$375 million at December 31, 1992, and \$555 million at December 31, 1991.

At December 31, 1993, HLT outstandings totaling \$20.1 million were included in nonperforming assets, down significantly from \$64.4 million at December 31, 1992. The decrease consisted primarily of one credit totaling \$37.5 million which was paid in full in 1993. Net charge-offs of HLTs totaled \$5.6 million during 1993, down from \$24.0 million in 1992.

CONSUMER LENDING --> Consistent with the Company's strategy, growth in retail lending is of continuing importance to the Company. Consumer loan outstandings were \$8.7 billion at December 31, 1993, up from \$8.2 billion at year-end 1992 and \$7.4 billion at year-end 1991. This increase occurred primarily in residential mortgages held for sale and home equity loans, offset partially by declines in residential mortgages and auto loans. Credit card loans remained relatively constant at \$1.8 billion.

Consumer lending is based primarily in the Company's operating region of Minnesota, Colorado, Montana, North Dakota, South Dakota, and Wisconsin. Of total consumer balances outstanding, approximately 70 percent are to customers located in the Company's operating region. See page 25 for a discussion of the general economic conditions within the Company's operating region.

The relatively low interest rate environment in 1993 resulted in increased activity in the Company's residential mortgage loan portfolio. Residential mortgage outstandings decreased \$146 million, or 5.7 percent, to \$2.4 billion, reflecting prepayments related to refinancings at lower interest rates. Residential mortgages held for sale increased \$383 million, or 54.3 percent, due to increased loan production. Loan production was approximately \$6.8 billion in 1993, a 51 percent increase over 1992. Included in 1993 loan production was \$3.1 billion related to purchases of loans from correspondents. The Company recently announced its decision to exit this market, and as a result, 1994 loan production is expected to decline. The effect of this decision on net income is not expected to be material. The \$393 million increase in home equity and second mortgage outstandings during 1993 reflects growth due to successful promotional campaigns.

The credit card portfolio remained relatively constant at \$1.8 billion at year-end 1993 and 1992. Revolving credit loans increased 15 percent to \$690 million at December 31, 1993, primarily due to the growth achieved through direct mail marketing. During 1993, automobile loans decreased \$177 million, or 34.1 percent, to \$342 million and installment loans decreased \$54 million, or 12.6 percent, to \$376 million. The decreases reflect a shift in the loan mix to home equity and second mortgages which have certain tax advantages for consumers. At December 31, 1993, student loans totaled \$260 million, up slightly from the prior year. Table 9 on page 26 shows the breakdown of the Company's consumer loan portfolio by type of loan.

Consumer loans 30 days or more past due were 2.3 percent of the total consumer portfolio at December 31, 1993, compared with 2.1 percent at December 31, 1992. Consumer loans 90 days or more past due at December 31, 1993, totaled 1.0 percent of the total consumer loan portfolio, compared to .7 percent at December 31, 1992. The increases were due to the purchase of \$24.0 million, or .3 percent of the total consumer portfolio, of delinquent residential mortgages in connection with a sale of mortgage loan servicing rights. These loans are supported by government-sponsored mortgage insurance.

Net charge-offs of consumer loans decreased \$27.4 million to \$86.1 million during 1993. The decrease is due primarily to a decrease of credit card net charge-offs of \$15.6 million for the year ended 1993. Credit card net charge-offs as a percent of average outstandings decreased during 1993 to 3.57 percent from 4.53 percent in 1992 and 4.17 percent in 1991. The Company acquired portfolios totaling \$395 million in 1991 which generally had higher credit loss experience than the Company's pre-existing portfolio. As these portfolios have been integrated into the Company's credit processes, their performance has improved.

ANALYSIS AND ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES --> The allowance for credit losses is maintained to provide for credit losses inherent in the Company's loan portfolio and related off-balance sheet commitments. The allowance is increased by the provision for credit losses and decreased by net charge-offs. Management has determined that the allowance for credit losses is adequate based on a continuing evaluation of the loan portfolio and off-balance sheet commitments, economic conditions and expectations, historical experience, and the risk evaluation of individual credits. Although the recent trend of slow steady economic growth may contribute to the continued improvement in the credit portfolio, prolonged stagnation or reversals in the economy could cause an increase in the required level of the allowance for credit losses.

TABLE 11 --> SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

(Dollars in Millions)	1993	1992	1991	1990	1989
Balance at beginning of period . . . . .	\$448.0	\$426.9	\$454.0	\$480.0	\$506.3
<b>CHARGE-OFFS:</b>					
<b>Commercial:</b>					
Commercial . . . . .	40.1	56.6	89.4	92.7	220.1
Financial institutions . . . . .	6.5	-	2.0	3.0	17.1
<b>Real estate:</b>					
Commercial mortgage . . . . .	55.5	45.6	72.0	66.3	49.4
Construction . . . . .	.4	6.1	6.3	32.0	30.8
HLTs . . . . .	8.0	27.0	11.5	15.9	36.8
Agricultural . . . . .	.3	.6	1.9	2.0	.8
Lease financing . . . . .	5.1	1.6	2.0	2.1	1.0
Total commercial . . . . .	115.9	137.5	185.1	214.0	356.0
<b>Consumer:</b>					
Residential mortgage . . . . .	1.9	5.1	5.1	6.9	8.0
Credit card . . . . .	71.6	85.5	68.4	43.7	29.8
Other . . . . .	35.6	45.6	47.1	37.2	29.0
Total consumer . . . . .	109.1	136.2	120.6	87.8	66.8
Total . . . . .	225.0	273.7	305.7	301.8	422.8
<b>RECOVERIES:</b>					
<b>Commercial:</b>					
Commercial . . . . .	29.5	34.4	25.5	28.0	21.1
Financial institutions . . . . .	7.0	-	-	.7	3.5
<b>Real estate:</b>					
Commercial mortgage . . . . .	10.3	5.9	11.7	4.2	3.4
Construction . . . . .	1.3	1.9	1.2	4.7	9.2
HLTs . . . . .	2.4	3.0	5.3	3.1	-
Agricultural . . . . .	.9	.8	1.0	2.1	3.2
Lease financing . . . . .	.6	1.9	1.1	.3	.6
Total commercial . . . . .	52.0	47.9	45.8	43.1	41.0
<b>Consumer:</b>					
Residential mortgage . . . . .	1.4	2.1	1.6	2.0	1.2
Credit card . . . . .	9.7	8.0	6.0	4.3	2.1
Other . . . . .	11.9	12.6	10.0	10.5	8.4
Total consumer . . . . .	23.0	22.7	17.6	16.8	11.7
Total . . . . .	75.0	70.6	63.4	59.9	52.7
<b>NET CHARGE-OFFS:</b>					
<b>Commercial:</b>					
Commercial . . . . .	10.6	22.2	63.9	64.7	199.0
Financial institutions . . . . .	(.5)	-	2.0	2.3	13.6
<b>Real estate:</b>					
Commercial mortgage . . . . .	45.2	39.7	60.3	62.1	46.0
Construction . . . . .	(.9)	4.2	5.1	27.3	21.6
HLTs . . . . .	5.6	24.0	6.2	12.8	36.8
Agricultural . . . . .	(.6)	(.2)	.9	(.1)	(2.4)
Lease financing . . . . .	4.5	(.3)	.9	1.8	.4
Total commercial . . . . .	63.9	89.6	139.3	170.9	315.0
<b>Consumer:</b>					
Residential mortgage . . . . .	.5	3.0	3.5	4.9	6.8
Credit card . . . . .	61.9	77.5	62.4	39.4	27.7
Other . . . . .	23.7	33.0	37.1	26.7	20.6
Total consumer . . . . .	86.1	113.5	103.0	71.0	55.1
Total . . . . .	150.0	203.1	242.3	241.9	370.1
Provision charged to operating expense . . . . .	125.2	183.4	202.2	215.4	335.8
Additions related to acquisitions . . . . .	-	40.8	13.0	.5	8.0
Balance at end of period . . . . .	\$423.2	\$448.0	\$426.9	\$454.0	\$480.0
Allowance as a percentage of period-end loans . . . . .	2.25%	2.62%	2.61%	2.70%	2.46%
Allowance as a percentage of nonperforming loans . . . . .	268.5	179.1	141.6	103.7	108.5

At December 31, 1993, the allowance for credit losses was \$423.2 million, or 2.25 percent of loans. This compares with an allowance of \$448.0 million, or 2.62 percent of loans, at year-end 1992 and \$426.9 million, or 2.61 percent of loans, at December 31, 1991. The allowance increased to 268.5 percent of nonperforming loans at December 31, 1993, compared with 179.1 percent at December 31, 1992, and 141.6 percent at December 31, 1991.

Components of the allowance have been allocated to certain industry sectors based on management's assessment of the relative risk characteristics of the loan portfolio. Table 12 below shows the allocation of the allowance for credit losses by loan category. Commercial allocations are based on a quarterly review of individual loans outstanding and binding commitments to lend, including standby letters of credit, that have been identified by management as having higher than normal risk of collection. Consumer allocations are based on an analysis of historical and expected delinquency and charge-off statistics. The increase in the allocation for other consumer loans in 1992 was related to the mobile home portfolio acquired as part of the WCIC acquisition.

Management reviews the adequacy of the allowance each quarter based on the status of problem loans and related off-balance sheet commitments, recent loss experience and other pertinent factors, including current and anticipated economic conditions. As a result of these assessments, management determines whether an additional allowance above specified allocations should be provided for the inherent loss in loans concentrated in certain industries.

The unallocated allowance increased to \$254.9 million at year-end 1993 from \$202.7 million and \$150.1 million at December 31, 1992, and 1991, respectively. Generally, the increase in the unallocated allowance over the past two years reflects the trend of improving credit quality in the portfolio. Although the allocation of the allowance is an important tool in credit management, the entire allowance for credit losses is available for the entire loan portfolio.

TABLE 12 --> ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES

(Dollars in Millions)	Allocation Amount At December 31					Allocation as a Percent of Loans Outstanding				
	1993	1992	1991	1990	1989	1993	1992	1991	1990	1989
<b>COMMERCIAL:</b>										
Commercial, financial institutions and lease financing . . . . .	\$ 70.2	\$ 82.5	\$101.4	\$132.3	\$125.0	.87%	1.24%	1.51%	1.81%	1.42%
Real Estate:										
Commercial mortgage . . . . .	36.8	52.8	77.2	127.5	50.1	2.46	3.43	5.34	8.87	3.64
Construction . . . . .	1.0	7.3	5.3	3.6	12.4	.43	3.12	1.80	1.01	2.22
HLTs . . . . .	9.0	21.8	23.1	31.5	52.0	4.92	7.68	6.92	5.46	4.72
Agricultural . . . . .	.6	1.2	1.2	1.6	1.7	.49	.92	.87	.94	.88
Total commercial . . . . .	117.6	165.6	208.2	296.5	241.2	1.17	1.87	2.33	3.01	2.00
<b>CONSUMER:</b>										
Residential mortgage . . . . .	11.9	13.0	13.9	12.1	7.6	.34	.40	.50	.46	.22
Credit card . . . . .	22.0	38.9	39.7	31.0	23.0	1.25	2.18	2.32	2.52	2.02
Other . . . . .	16.8	27.8	15.0	24.1	15.2	.49	.88	.50	.77	.51
Total consumer . . . . .	50.7	79.7	68.6	67.2	45.8	.58	.97	.92	.96	.61
Total allocated . . . . .	168.3	245.3	276.8	363.7	287.0	.90	1.44	1.69	2.16	1.47
Unallocated portion . . . . .	254.9	202.7	150.1	90.3	193.0	1.36	1.18	.92	.54	.99
Total allowance . . . . .	\$423.2	\$448.0	\$426.9	\$454.0	\$480.0	2.25%	2.62%	2.61%	2.70%	2.46%

ANALYSIS OF NET LOAN CHARGE-OFFS --> As shown in Table 11 on page 30, net loan charge-offs decreased \$53.1 million to \$150.0 million from the \$203.1 million reported in 1992 primarily due to decreases in commercial, HLT, and consumer net charge-offs. Net charge-offs were \$242.3 million in 1991. Net charge-offs as a percentage of average loans outstanding by industry are shown in Table 13 below.

The 1993 net charge-offs reflect gross charge-offs of \$225.0 million offset by \$75.0 million of recoveries of previously charged-off loans.

TABLE 13 --> NET CHARGE-OFFS AS A PERCENTAGE OF AVERAGE LOANS OUTSTANDING BY INDUSTRY

	1993	1992	1991	1990	1989
-----					
COMMERCIAL:					
Commercial . . . . .	.29%	.84%	1.11%	.98%	2.33%
Financial institutions . . .	(.03)	-	.28	.41	5.02
Real Estate:					
Commercial mortgage . . .	2.99	2.64	4.34	4.84	3.74
Construction . . . . .	(.43)	1.63	1.55	5.87	3.81
Agricultural . . . . .	(.31)	(.11)	.51	(.06)	(1.24)
Lease financing . . . . .	2.05	(.15)	.36	.56	.12
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Total commercial . . . . .	.68	1.03	1.51	1.60	2.47
CONSUMER:					
Residential mortgage . . . .	.01	.11	.13	.13	.18
Credit card . . . . .	3.57	4.53	4.17	3.61	3.11
Other . . . . .	.74	1.11	1.26	1.01	.74
	----	----	----	----	----
Total consumer . . . . .	1.02	1.51	1.44	.96	.74
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Total . . . . .	.84%	1.25%	1.48%	1.34%	1.84%
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ANALYSIS OF NONPERFORMING ASSETS --> Nonperforming assets include all nonaccrual loans, restructured loans, other real estate and other nonperforming assets owned by the Company. At December 31, 1993, nonperforming assets totaled \$226.0 million, a decrease of \$186.1 million, or 45.2 percent, from year-end 1992. The most significant reduction occurred in other real estate, which declined \$90.8 million, or 57.4 percent, primarily due to sales of properties. Commercial nonperforming loans declined \$42.4 million, or 54.7 percent, during the year. The decrease in HLT nonperforming loans was related to one credit totaling \$37.5 million which was repaid in 1993. Residential mortgage nonperforming loans increased to \$44.8 million at December 31, 1993, from \$20.5 million at December 31, 1992, due to the purchase of \$24.0 million of delinquent residential mortgages in connection with a sale of mortgage loan servicing rights. These loans are supported by government-sponsored mortgage insurance, and the Company does not anticipate any significant losses related to these loans. At December 31, 1992, nonperforming assets were \$412.1 million, down \$137.6 million, or 25.0 percent, from year-end 1991. The decrease during 1992 was due to sales of properties and merger-related and other market valuation write-downs, net of \$27.4 million added with the BSI acquisition.

TABLE 14 --&gt; NONPERFORMING ASSETS

(Dollars in Millions)	At December 31				
	1993	1992	1991	1990	1989
Nonaccrual loans . . . . .	\$157.6	\$246.7	\$284.8	\$412.1	\$388.4
Restructured loans . . . . .	-	3.5	16.7	25.7	53.9
Nonperforming loans . . . . .	157.6	250.2	301.5	437.8	442.3
Other real estate . . . . .	67.4	158.2	229.9	207.1	168.0
Other nonperforming assets . . . . .	1.0	3.7	18.3	20.3	38.8
Nonperforming assets . . . . .	\$226.0	\$412.1	\$549.7	\$665.2	\$649.1
Accruing loans 90 days or more past due . . . . .	\$ 31.2	\$ 30.2	\$ 43.4	\$ 33.0	\$ 47.4
Nonperforming loans to total loans . . . . .	.84%	1.47%	1.84%	2.60%	2.26%
Nonperforming assets to total loans plus other real estate . . . . .	1.20	2.39	3.31	3.90	3.29
Net interest lost on nonperforming loans . . . . .	\$ 10.2	\$ 13.8	\$ 22.3	\$ 31.1	\$ 26.5

The ratio of nonperforming assets to loans plus other real estate improved to 1.20 percent at December 31, 1993, compared with 2.39 percent at year-end 1992 and 3.31 percent at year-end 1991.

Interest payments are currently being received on approximately 40 percent of the Company's nonperforming assets. The payments are typically applied against principal and not recorded as income.

Accruing loans 90 days or more past due at December 31, 1993, totaled \$31.2 million, compared with \$30.2 million at December 31, 1992, and \$43.4 million at December 31, 1991.

TABLE 15 --&gt; NONPERFORMING ASSETS BY INDUSTRY

(Dollars in Millions)	At December 31		1993 COMPARED WITH 1992	
	1993	1992	Amount	Percent
COMMERCIAL:				
Commercial	\$ 35.1	\$ 77.5	\$ (42.4)	(54.7)%
Financial institutions	.9	3.3	(2.4)	(72.7)
Real estate:				
Commercial mortgage	36.9	63.5	(26.6)	(41.9)
Construction	2.2	4.3	(2.1)	(48.8)
HLTs	20.1	64.4	(44.3)	(68.8)
Agricultural	.4	1.1	(.7)	(63.6)
Lease financing	6.7	2.3	4.4	191.3
Total commercial	102.3	216.4	(114.1)	(52.7)
CONSUMER:				
Residential mortgage	44.8	20.5	24.3	118.5
Credit card	10.3	9.5	.8	8.4
Other	.2	3.8	(3.6)	(94.7)
Total consumer	55.3	33.8	21.5	63.6
Total nonperforming loans	157.6	250.2	(92.6)	(37.0)
OTHER REAL ESTATE	67.4	158.2	(90.8)	(57.4)
OTHER NONPERFORMING ASSETS	1.0	3.7	(2.7)	(73.0)
Total nonperforming assets	\$226.0	\$412.1	\$(186.1)	(45.2)%

INTEREST RATE RISK MANAGEMENT --> The Company's principle objective for interest rate risk management is to control exposure of net interest income to risks associated with interest rate movements. Interest rate risk is measured and reported to the Company's Asset and Liability Management Committee ("ALCO") through the use of traditional gap analysis, which measures the difference between assets and liabilities that reprice in a given time period, and simulation modeling, which produces projections of net interest income under various interest rate scenarios and balance sheet strategies.

TABLE 16 --&gt; INTEREST RATE SENSITIVITY GAP ANALYSIS

At December 31, 1993 (In Millions)	REPRICING MATURITIES						Total
	Less Than 3 Months	3-6 Months	6-12 Months	1-5 Years	More Than 5 Years	Non-Rate Sensitive	
<b>Assets:</b>							
Loans . . . . .	\$10,619	\$ 892	\$2,055	\$3,652	\$ 807	\$ 754	\$18,779
Available-for-sale securities . . . . .	626	183	822	971	662	55	3,319
Other earning assets . . . . .	1,393	-	-	-	-	-	1,393
Nonearning assets . . . . .	-	-	100	-	47	2,747	2,894
<b>Total assets . . . . .</b>	<b>\$12,638</b>	<b>\$1,075</b>	<b>\$2,977</b>	<b>\$4,623</b>	<b>\$1,516</b>	<b>\$ 3,556</b>	<b>\$26,385</b>
<b>Liabilities and Equity:</b>							
Deposits . . . . .	\$ 8,145	\$1,002	\$1,955	\$5,130	\$ 25	\$ 4,774	\$21,031
Other purchased funds . . . . .	1,291	3	2	7	31	-	1,334
Long-term debt . . . . .	189	6	9	301	510	-	1,015
Other liabilities . . . . .	9	-	-	-	-	751	760
Equity . . . . .	-	-	-	-	84	2,161	2,245
<b>Total liabilities and equity . . . . .</b>	<b>\$ 9,634</b>	<b>\$1,011</b>	<b>\$1,966</b>	<b>\$5,438</b>	<b>\$ 650</b>	<b>\$ 7,686</b>	<b>\$26,385</b>
<b>Effect of off-balance sheet hedging instruments:</b>							
Receiving fixed . . . . .	\$ 219	\$ 210	\$ 195	\$1,662	\$ 525	\$ -	\$ 2,811
Paying floating . . . . .	(2,771)	(40)	-	-	-	-	(2,811)
<b>Total effect of off-balance sheet hedging instruments . . . . .</b>	<b>\$(2,552)</b>	<b>\$ 170</b>	<b>\$ 195</b>	<b>\$1,662</b>	<b>\$ 525</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Repricing gap . . . . .</b>	<b>\$ 452</b>	<b>\$ 234</b>	<b>\$1,206</b>	<b>\$ 847</b>	<b>\$1,391</b>	<b>\$(4,130)</b>	<b>\$ -</b>
<b>Cumulative repricing gap . . . . .</b>	<b>452</b>	<b>686</b>	<b>1,892</b>	<b>2,739</b>	<b>4,130</b>	<b>-</b>	<b>-</b>

THIS TABLE ESTIMATES THE REPRICING MATURITIES OF THE COMPANY'S ASSETS, LIABILITIES AND HEDGING INSTRUMENTS BASED UPON THE COMPANY'S ASSESSMENT OF THE REPRICING CHARACTERISTICS OF CONTRACTUAL AND NON-CONTRACTUAL INSTRUMENTS. NON-CONTRACTUAL DEPOSIT LIABILITIES ARE ALLOCATED AMONG THE VARIOUS MATURITY CATEGORIES AS FOLLOWS: FIFTY PERCENT OF REGULAR SAVINGS, INTEREST-BEARING CHECKING, AND MONEY MARKET CHECKING AND SEVENTY-TWO PERCENT OF MONEY MARKET SAVINGS ARE REFLECTED IN THE LESS THAN 3 MONTHS CATEGORY, WITH THE REMAINING PORTIONS PLACED IN THE 1-5 YEARS CATEGORY. TWENTY-FOUR PERCENT OF TOTAL NONINTEREST BEARING DEPOSITS ARE REFLECTED IN THE LESS THAN 3 MONTHS CATEGORY, WITH THE REMAINDER PLACED IN THE NON-RATE SENSITIVE CATEGORY.

Table 16 above shows the Company's interest rate repricing gap position at several repricing maturities. As of December 31, 1993, the Company had a cumulative positive repricing gap position at one year of \$1.9 billion, indicating that more assets than liabilities reprice within that period. This analysis is useful as a point-in-time measurement of interest rate risk. However, the gap analysis is unable to capture prepayment risk, the changing relationships between asset rates and liability rates of similar maturity (basis risk), option risk represented by interest rate caps and floors, and timing lags in adjusting certain assets and liabilities that have varying sensitivities to market interest rates. As a result, management places a greater reliance on simulation modeling to measure and manage interest rate risk.

It is the Company's policy to maintain a low interest rate risk position by limiting the amount of forecasted net interest income at risk under a steady 200 basis point fluctuation in interest rates over a 12-month period. Forecasted results are sensitive to many assumptions, including estimates of the timing of changes in rates which are determined by reference to market indices, such as prime or LIBOR, relative to each other and relative to rates which are determined by the Company subject to competitive factors. The Company assumes that the timing of these changes in rates will follow historic patterns, adjusted as necessary for current competitive factors and market conditions. The Company's current business mix results in more assets than liabilities repricing in a one year time frame. The Company invests in fixed rate assets or will receive fixed rates on interest rate swaps as a hedge to maintain acceptable interest rate risk levels.

Interest rate swap agreements involve the exchange of fixed and floating rate interest payments without the exchange of the underlying notional amount on which the interest payments are calculated. The Company has entered into interest rate swap agreements that hedge specific assets and liabilities to manage the impact of fluctuating interest rates on earnings.

As of December 31, 1993, the Company receives payments on \$2.8 billion notional amount of interest rate swap agreements, based on fixed interest rates, and makes payments based on variable interest rates. These swaps have an average fixed rate of 6.98 percent and an average variable rate, which is tied to various LIBOR rates, of 3.32 percent. The maturity of these agreements ranges from one month to 11 years with an average remaining maturity of 3.5 years.

Swaps contributed to the Company's net interest margin by reducing interest expense as interest income on floating rate assets declined. For the years ended December 31, 1993, 1992 and 1991, swaps decreased pre-tax interest expense by \$88.8 million, \$80.6 million, and \$42.0 million, respectively.

TABLE 17 --> INTEREST RATE SWAP HEDGING PORTFOLIO NOTIONAL BALANCES AND YIELDS BY MATURITY DATE

At December 31, 1993 (Dollars in Millions)

Receive Fixed Swaps Maturity Date	Notional Amount	Weighted Average Interest Rate Received
1994. . . . .	\$ 624	6.37%
1995. . . . .	677	7.04
1996. . . . .	629	7.95
1997. . . . .	150	6.52
1998. . . . .	206	7.12
After 1998. . . . .	525	6.56
Total . . . . .	\$2,811	6.98

AT DECEMBER 31, 1993, THE COMPANY DID NOT HAVE ANY SWAPS WHICH PAID FIXED RATE INTEREST IN ITS PORTFOLIO.

Interest rate caps and floors are similarly used by the Company to minimize the impact of fluctuating interest rates on earnings. By purchasing floors, the Company will be paid by its interest rate floor counterparties the difference between a certain short-term rate and the strike level of the agreement should the short-term rate fall below the strike level. The total notional amount of floor agreements purchased as of December 31, 1993, was \$950 million with an average strike level of 3-month LIBOR at 3.5 percent and an average remaining maturity of 4.0 years. Floors increased interest income by \$.6 million for the year ended December 31, 1993. Further information on interest rate swaps and options can be found in Note M on page 60.

Another objective of the interest rate risk measurement and management process is to quantify the sensitivity of the market value of the Company's balance sheet components and off-balance sheet commitments to changes in interest rates.

In December 1991, the Financial Accounting Standards Board issued Statement No. 107, "Disclosures about Fair Value of Financial Instruments." This Statement requires the disclosure of the fair value of all financial instruments for which it is practicable to estimate that value. Financial instruments are generally defined as cash, equity instruments or investments and contractual obligations to pay or receive cash or other financial instruments. In defining fair value, the Statement indicates quoted market prices are the preferred means of estimating the value of a specific instrument but in the cases where market quotes are not available, fair values should be determined using various valuation techniques such as discounted cash flow calculations or by using pricing models or services.



Due to the nature of its business and the financing needs of its customers, the Company is involved with a large number of financial instruments, the majority of which are not actively traded. Accordingly, the Company has used various valuation techniques to estimate the fair value of its financial instruments. For further information on fair values of financial instruments refer to Note N on page 63.

LIQUIDITY MANAGEMENT --> The objective of liquidity management is to ensure the continuous availability of funds to meet the demands of depositors, investors and borrowers. ALCO is responsible for managing these needs while achieving the Company's financial objectives. ALCO meets regularly to review funding capacity, current and forecasted loan demand and investment opportunities. With this information, ALCO supervises the funding needs and excess funding positions, as well as the maintenance of contingent funding sources, to achieve a balance sheet structure that provides sufficient liquidity.

The Company relies on four major sources of funding: regional deposits, intermediate- and long-term debt, capital funds and, to a much lesser extent, money market borrowings.

As a result of the Company's strategic focus on traditional retail and commercial banking services, the Company has reduced its reliance on higher-cost negotiated funding and has continued to pursue more stable retail funding opportunities. Negotiated funding, which includes term certificates of deposit, foreign branch time deposits, national federal funds purchased and medium-term notes, totaled \$0.7 billion at year-end 1993, down from \$0.8 billion at year-end 1992 and \$1.1 billion at year-end 1991. Since 1991 funding from the Company's operating region has consistently represented over 90 percent of the Company's total funding.

Holding company assets totaled \$3.1 billion at December 31, 1993, compared with \$3.2 billion at December 31, 1992, and \$2.6 billion at December 31, 1991. The increase in holding company assets during 1992 relates primarily to the acquisitions which were made during the year.

The funding for the holding company consists primarily of long-term debt and equity, while funding for the Company's bank subsidiaries consists primarily of customer deposits. During 1993, holding company long-term debt, including medium-term notes, decreased slightly to \$745 million from \$749 million at year-end 1992. The Company issued \$100 million in subordinated debt in the form of 10-year noncallable notes. The notes were priced at 6.625 percent to yield 75 basis points over the 10-year Treasury note. First Bank National Association (FBNA), the Company's lead bank, completed two \$100 million subordinated debt issuances in 1993. The first was in the form of 12-year subordinated notes which carry a rate of 6.25 percent until the call date, August 15, 2000, and thereafter, have a rate of 7.30 percent, if not called. The second issuance was in the form of 10-year noncallable notes, priced at 6.00 percent. The Company also issued \$125 million in subordinated debt in 1992 in the form of 12-year noncallable notes which were priced at 8.0 percent to yield 85 basis points over the 10-year Treasury note. It is the Company's operating practice to maintain liquid assets at the holding company sufficient to fund its operating cash needs including debt repayment.

Long-term debt maturing in 1994 is approximately \$146 million. These debt obligations will be met through medium-term note or subordinated debt issuance, as well as with the approximately \$140 million of holding company cash and cash equivalents on hand at December 31, 1993.

During 1993, the Company redeemed at par all of the \$93 million of outstanding floating rate subordinated capital notes due in 1997.

The sustained improvement in the Company's credit quality, liquidity, capital, and earnings has been recognized by several rating agencies which have upgraded the debt of First Bank System during the past several months. In January 1994, Moody's Investors Service raised the Company's senior debt rating to "A2" from "A3." Other Moody's ratings were raised as well. In August 1993, Standard & Poors upgraded the Company's senior debt to "A" from "A-". At December 31, 1993, Thomson Bankwatch rated the Company's senior debt "A+".

BALANCE SHEET ANALYSIS

Average loans totaled \$17.8 billion in 1993, up \$1.5 billion, or 9.2 percent, from the prior year. The increases occurred primarily in the financial institutions and consumer loan portfolios. The increase in the financial institutions portfolio was due primarily to a \$700 million low margin extension of credit which is fully secured by short-term U.S. Treasury securities, and which is expected to be outstanding through the third quarter of 1994. The increase in consumer loans was primarily due to an increase in residential mortgages held for sale and home equity loans and the BSI acquisition, offset partially by declines in residential mortgages and auto loans. For a discussion of credit quality and the composition of the loan portfolio, see the Credit Management section beginning on page 25.

Average securities increased to \$4.0 billion in 1993 from \$3.0 billion in 1992 as a result of the BSI acquisition. An increase in average U.S. agencies and other securities was partially offset by a decrease in average U.S. Treasury securities.

The Company adopted the provisions of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," as of December 31, 1993. Under this Statement, securities are classified as held-to-maturity if the Company has the intent and ability to hold the securities to maturity. Securities that the Company may sell as part of its asset/liability strategy or which may be sold in response to changes in interest rates, resultant prepayment risk and other factors are classified as available-for-sale. As a result of adopting this Statement, the entire \$3.3 billion investment portfolio has been classified as available for sale with \$34.0 million, net of tax, being recorded as an unrealized gain in shareholders' equity at December 31, 1993. Investment securities totaling \$3.9 billion were held as long-term investments and \$284 million were held for sale at December 31, 1992.

During 1993, the Company sold \$223 million in investment securities which had been designated as held for sale at year-end 1992. Also during 1993, \$112 million of securities which had been designated as held for sale at the time of the CNB acquisition were sold. During 1992, the Company sold approximately \$325 million of U.S. government agency mortgage-backed securities and \$51 million of fixed rate, senior-support, pass-through certificates in response to increased prepayments experienced during the year. Net gains associated with these sales totaled \$1.8 million. During 1991, WCIC sold or designated as held for sale, all of its portfolio of Federal National Mortgage Association and Federal Home Loan Mortgage Corporation fixed-rate mortgage-backed securities. Gains on the sale of this portfolio totaled \$6.1 million in 1991. Also in 1991, CNB sold \$43.2 million of state and political securities and \$15.2 million of U.S. Treasury securities for a net gain of \$1.9 million.

Trading account assets are purchased for resale to customers. Trading account assets consist primarily of securities of the U.S. Treasury and its agencies, state and political subdivisions, and short-term obligations of banks. Other short-term earning assets consist of federal funds sold, reverse repurchase agreements and deposits with banks. Trading account and other short-term earning assets averaged \$1.0 billion in 1993 compared with \$1.8 billion in 1992.

TABLE 18 --> AVAILABLE-FOR-SALE SECURITIES PORTFOLIO AVERAGE MATURITY

At December 31, 1993	Average Maturity
U.S. Treasury . . . . .	2 years, 7 months
Other U.S. Agencies . . . . .	2 years, 5 months
State and Political . . . . .	15 years, 3 months
Other* . . . . .	4 years, 10 months
Total . . . . .	4 years

\*EXCLUDES EQUITY SECURITIES WHICH HAVE NO STATED MATURITY. THE AVERAGE EFFECTIVE LIFE OF THE HOLDINGS IS EXPECTED TO BE LESS THAN THE AVERAGE CONTRACTUAL MATURITIES SHOWN IN THE TABLE BECAUSE BORROWERS MAY HAVE THE RIGHT TO CALL OR PREPAY OBLIGATIONS WITH OR WITHOUT CALL OR PREPAYMENT PENALTIES. THE TABLE ABOVE DOES NOT REFLECT THE AVERAGE CONTRACTUAL MATURITY OF MORTGAGE-BACKED SECURITIES.

TABLE 19 --> AVAILABLE-FOR-SALE SECURITIES PORTFOLIO AMORTIZED COST, FAIR VALUE AND YIELD BY MATURITY DATE

MATURING:	WITHIN 1 YEAR			1-5 YEARS			5-10 YEARS		
	Amor- tized Cost	Fair Value	Yield	Amor- tized Cost	Fair Value	Yield	Amor- tized Cost	Fair Value	Yield
At December 31, 1993 (Dollars in Millions)									
U.S. Treasury	\$819.9	\$827.4	5.22%	\$498.9	\$513.7	5.89%	\$208.3	\$199.7	5.22%
Mortgage-backed securities*	-	-	-	-	-	-	-	-	-
Other U.S. Agencies	7.6	7.8	8.07	42.9	43.5	5.53	-	-	-
State and Political***	3.9	4.0	10.13	17.6	17.9	10.26	41.1	44.0	8.92
Other	5.2	5.2	3.98	95.6	96.8	4.39	29.7	30.4	5.49
	\$836.6	\$844.4	5.26%	\$655.0	\$671.9	5.76%	\$279.1	\$274.1	5.79%

MATURING:	OVER 10 YEARS			MORTGAGE-BACKED SECURITIES			TOTAL		
	Amor- tized Cost	Fair Value	Yield	Amor- tized Cost	Fair Value	Yield	Amor- tized Cost	Fair Value	Yield
U.S. Treasury	\$ -	\$ -	-%	\$ -	\$ -	-%	\$1,527.1	\$1,540.8	5.44%
Mortgage-backed securities*	-	-	-	1,286.1	1,299.9	6.05	1,286.1	1,299.9	6.05
Other U.S. Agencies	.4	.4	10.26	-	-	-	50.9	51.7	5.94
State and Political***	121.4	130.5	11.47	-	-	-	184.0	196.4	10.76
Other	85.7	97.9	6.94**	-	-	-	216.2	230.3	4.86**
	\$207.5	\$228.8	10.97%**	\$1,286.1	\$1,299.9	6.05%	\$3,264.3	\$3,319.1	5.97%**

\* ADJUSTABLE RATE MORTGAGE SECURITIES (ARMS) REPRESENT 40% OF THE BALANCE OF MORTGAGE-BACKED SECURITIES.

\*\* EXCLUDES EQUITY SECURITIES WHICH HAVE NO STATED YIELD.

\*\*\* YIELDS ON STATE AND POLITICAL OBLIGATIONS THAT ARE NOT SUBJECT TO FEDERAL INCOME TAX HAVE BEEN ADJUSTED TO TAXABLE-EQUIVALENT USING A 35% TAX RATE.

Noninterest-bearing deposits averaged \$6.4 billion in 1993, up \$1.6 billion from the 1992 average of \$4.8 billion. The increase in noninterest-bearing deposits resulted from the higher levels of loans to mortgage banking firms which generate higher noninterest-bearing deposits, the BSI acquisition and generally higher levels of core deposits.

Average interest-bearing deposits include certificates of deposit, savings certificates, money market checking, and savings products. These deposits averaged \$13.9 billion in 1993 compared with \$14.0 billion in 1992.

Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, averaged \$1.3 billion in 1993, or \$164 million more than in the prior year.

Intermediate- and long-term debt averaged \$913 million in 1993 essentially unchanged from \$927 million in 1992. During 1993, the Company placed three \$100 million subordinated debt issuances.

Medium-term notes outstanding totaled \$248 million at December 31, 1993, compared with \$258 million at December 31, 1992. During 1993, the Company issued \$140 million of medium-term notes with maturities of nine months to two years of which \$50 million had maturities of less than one year. Maturities and retirement of medium-term notes during 1993 totaled \$150 million. Federal Home Loan Bank advances of \$165 million at December 31, 1991, relating to WCIC, were retired during 1992.

#### IMPACT OF INFLATION

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

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



TABLE 20 --&gt; FOURTH QUARTER SUMMARY

(Dollars in Millions)	Three Months Ended December 31	
	1993	1992
<b>CONDENSED INCOME STATEMENT:</b>		
Net interest income (taxable-equivalent basis) . . . . .	\$293.3	\$263.3
Provision for credit losses (1992 includes \$13.6 merger-related charges) . . .	27.0	52.9
Net interest income after provision for credit losses . . . . .	266.3	210.4
Investment securities gains . . . . .	--	.1
Other noninterest income . . . . .	145.9	137.0
Merger-related charges (including \$26.4 related to ORE) . . . . .	--	110.4
Other noninterest expense . . . . .	255.3	258.6
Income (loss) before income taxes . . . . .	156.9	(21.5)
Taxable-equivalent adjustment . . . . .	3.7	4.4
Income taxes (credit) . . . . .	57.3	(8.8)
Net income (loss) . . . . .	\$ 95.9	\$(17.1)
Return on average assets . . . . .	1.45%	(.28)%
Return on average common equity . . . . .	18.3	(5.4)
Net interest margin (taxable-equivalent basis) . . . . .	5.00	4.91
Efficiency ratio . . . . .	58.1	92.2
Efficiency ratio, excluding merger-related charges . . . . .	58.1	64.6
<b>PER SHARE DATA:</b>		
Net income (loss) . . . . .	\$ .81	\$(.23)
Common dividends paid . . . . .	.25	.225

## FOURTH QUARTER SUMMARY

In the fourth quarter of 1993, the Company reported net income of \$95.9 million, or \$.81 per share, compared to a net loss of \$17.1 million, or \$.23 per share in the fourth quarter of 1992. The fourth quarter loss in 1992 was due to the \$81.8 million, or \$.77 per share, of after-tax merger-related charges associated with the WCIC and BSI acquisitions. Excluding merger-related charges, fourth quarter net income would have been \$64.7 million, or \$.54 per share.

Net interest income on a taxable-equivalent basis was \$293.3 million in the fourth quarter of 1993, an increase of \$30.0 million, or 11.4 percent, from the fourth quarter of 1992. The net interest margin on a taxable-equivalent basis was 5.00 percent compared with 4.91 percent a year ago. Total average earning assets were \$23.3 billion during the fourth quarter of 1993, up \$2.0 billion from the level of \$21.3 billion in the same period of 1992.

The provision for credit losses was \$27.0 million in the fourth quarter of 1993 compared with \$52.9 million in the fourth quarter of 1992. Included in the 1992 fourth quarter provision for credit losses was a merger-related provision of \$13.6 million related to the WCIC acquisition. See the Provision for Credit Losses section on page 21 and the Credit Management section on page 25 for further information regarding the provision, net charge-offs and the allowance for credit losses.

Noninterest income was \$145.9 million in the fourth quarter of 1993, an increase of \$8.8 million, or 6.4 percent, from the same quarter a year ago. The increase reflects higher trust fees, service charges, and credit card fees.

Fourth quarter noninterest expense in 1993 was \$255.3 million, a decrease of \$113.7 million, from the fourth quarter of 1992. Included in noninterest expense in the fourth quarter of 1992 were merger-related charges of \$110.4 million associated with the acquisition of WCIC and BSI. These merger-related charges were comprised of a \$26.4 million loss on other real estate and \$84.0 million in merger, integration and restructuring expenses. Compared with noninterest expense for the fourth quarter of 1992, including the operations of BSI on a pro forma basis and excluding merger-related charges, noninterest expense for the quarter declined by \$28.3 million, or 10.0 percent. Excluding merger-related charges, the efficiency ratio improved to 58.1 percent from 64.6 percent in the fourth quarter of 1992.

CONSOLIDATED BALANCE SHEET

At December 31 (In Millions, Except Shares)	1993	1992
<b>ASSETS</b>		
Cash and due from banks . . . . .	\$ 1,682	\$ 1,916
Federal funds sold . . . . .	1,032	1,498
Securities purchased under agreements to resell . . . . .	306	212
Interest-bearing deposits with banks . . . . .	-	327
Trading account securities . . . . .	55	94
Available-for-sale securities . . . . .	3,319	284
Investment securities (market value: 1992 - \$3,955) . . . . .	-	3,912
Loans . . . . .	18,779	17,076
Less allowance for credit losses . . . . .	423	448
	-----	-----
Net loans . . . . .	18,356	16,628
Bank premises and equipment . . . . .	382	414
Interest receivable . . . . .	129	148
Customers liability on acceptances . . . . .	186	183
Other assets . . . . .	938	1,009
	-----	-----
Total assets . . . . .	\$26,385	\$26,625
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Noninterest-bearing . . . . .	\$ 7,489	\$ 6,011
Interest-bearing . . . . .	13,542	15,177
	-----	-----
Total deposits . . . . .	21,031	21,188
Federal funds purchased . . . . .	553	674
Securities sold under agreements to repurchase . . . . .	369	448
Other short-term funds borrowed . . . . .	412	328
Long-term debt . . . . .	1,015	822
Acceptances outstanding . . . . .	186	183
Other liabilities . . . . .	574	664
	-----	-----
Total liabilities . . . . .	24,140	24,307
Shareholders' equity:		
Preferred stock . . . . .	266	379
Common stock, par value \$1.25 a share-authorized 150,000,000 shares; issued: 1993 - 114,793,547 shares; 1992 - 113,450,425 shares . . . . .	144	141
Capital surplus . . . . .	676	658
Retained earnings . . . . .	1,328	1,140
Less cost of common stock in treasury: 1993 - 5,391,883 shares . . . . .	(169)	-
	-----	-----
Total shareholders' equity . . . . .	2,245	2,318
	-----	-----
Total liabilities and shareholders' equity . . . . .	\$26,385	\$26,625
	-----	-----

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31 (In Millions, Except Per-Share Data)	1993	1992	1991
<b>INTEREST INCOME</b>			
Loans . . . . .	\$1,398.6	\$1,418.8	\$1,624.3
Investment securities:			
Taxable . . . . .	218.2	186.4	221.1
Exempt from federal income taxes . . . . .	14.6	12.0	19.1
Trading account . . . . .	4.6	6.4	11.8
Federal funds sold and resale agreements . . . . .	23.7	46.2	83.0
Deposits with banks . . . . .	2.1	11.5	2.7
<b>Total interest income . . . . .</b>	<b>1,661.8</b>	<b>1,681.3</b>	<b>1,962.0</b>
<b>INTEREST EXPENSE</b>			
Deposits . . . . .	423.7	568.7	872.8
Federal funds purchased and repurchase agreements . . . . .	31.8	37.1	57.9
Other short-term funds borrowed . . . . .	19.0	14.3	24.2
Long-term debt . . . . .	54.4	66.1	100.3
<b>Total interest expense . . . . .</b>	<b>528.9</b>	<b>686.2</b>	<b>1,055.2</b>
Net interest income . . . . .	1,132.9	995.1	906.8
Provision for credit losses . . . . .	125.2	183.4	202.2
<b>Net interest income after provision for credit losses . . . . .</b>	<b>1,007.7</b>	<b>811.7</b>	<b>704.6</b>
<b>NONINTEREST INCOME</b>			
Trust fees . . . . .	146.1	127.8	115.5
Credit card fees . . . . .	137.1	116.9	94.4
Service charges on deposit accounts . . . . .	115.3	108.4	97.2
Insurance commissions . . . . .	20.9	27.3	27.2
Trading account profits and commissions . . . . .	10.1	10.5	10.2
Investment securities gains . . . . .	.3	1.9	8.9
Other . . . . .	139.8	142.9	144.3
<b>Total noninterest income . . . . .</b>	<b>569.6</b>	<b>535.7</b>	<b>497.7</b>
<b>NONINTEREST EXPENSE</b>			
Salaries . . . . .	389.1	388.7	371.7
Employee benefits . . . . .	86.3	85.5	79.3
Net occupancy . . . . .	93.4	87.9	84.0
Furniture and equipment . . . . .	72.7	67.2	64.8
FDIC insurance . . . . .	46.4	42.2	38.5
Professional services . . . . .	36.7	38.7	37.8
Amortization of goodwill and other intangible assets . . . . .	30.6	25.2	21.6
Other personnel costs . . . . .	27.5	20.2	17.8
Data processing . . . . .	27.0	28.3	28.3
Other real estate . . . . .	2.2	41.2	29.9
Merger, integration and restructuring . . . . .	72.2	84.0	-
Other . . . . .	216.4	205.2	195.6
<b>Total noninterest expense . . . . .</b>	<b>1,100.5</b>	<b>1,114.3</b>	<b>969.3</b>
Income before income taxes and cumulative effect of changes in accounting principles . . . . .	476.8	233.1	233.0
Applicable income taxes . . . . .	178.8	78.6	25.9
<b>Income before cumulative effect of changes in accounting principles . . . . .</b>	<b>298.0</b>	<b>154.5</b>	<b>207.1</b>
Cumulative effect of changes in accounting principles . . . . .	-	157.3	-
<b>Net income . . . . .</b>	<b>\$ 298.0</b>	<b>\$ 311.8</b>	<b>\$ 207.1</b>
<b>Net income applicable to common equity . . . . .</b>	<b>\$ 270.2</b>	<b>\$ 281.6</b>	<b>\$ 183.4</b>
<b>EARNINGS PER COMMON SHARE</b>			
Average common and common equivalent shares . . . . .	113,075,429	105,361,022	102,533,284
Income before cumulative effect of changes in accounting principles . . . . .	\$ 2.39	\$ 1.18	\$ 1.79
Cumulative effect of changes in accounting principles . . . . .	-	1.49	-
<b>Net income . . . . .</b>	<b>\$ 2.39</b>	<b>\$ 2.67</b>	<b>\$ 1.79</b>

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(In Millions, Except Shares)	Common Shares Outstanding*	Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock**	Total
BALANCE DECEMBER 31, 1990. . . . .	101,079,861	\$ 264.0	\$126.7	\$403.1	\$ 810.4	\$(4.3)	\$1,599.9
Net income . . . . .					207.1		207.1
Dividends declared:							
Preferred . . . . .					(23.7)		(23.7)
Common . . . . .					(65.6)		(65.6)
Issuance of preferred stock (2,290,000 shares) .		114.5		(2.8)			111.7
Issuance of common stock:							
Dividend reinvestment . . . . .	610,673		.7	10.4			11.1
Stock option and stock purchase plans . . . . .	846,333		1.1	6.9			8.0
Market appreciation in equity securities portfolio					3.6		3.6
BALANCE DECEMBER 31, 1991. . . . .	102,536,867	378.5	128.5	417.6	931.8	(4.3)	1,852.1
Net income . . . . .					311.8		311.8
Dividends declared:							
Preferred . . . . .					(30.2)		(30.2)
Common . . . . .					(73.1)		(73.1)
Retirement of stock acquired in mergers. . . . .	(290,129)		(.4)	(5.9)			(6.3)
Issuance of common stock:							
Acquisition of Bank Shares Incorporated . . . . .	8,163,265		10.2	200.3		.7	211.2
Acquisition of Siouland Bank Holding Company .	994,117		1.2	20.6			21.8
Dividend reinvestment . . . . .	508,397		.5	7.8		2.0	10.3
Stock option and stock purchase plans . . . . .	1,537,908		1.8	17.3		1.6	20.7
BALANCE DECEMBER 31, 1992. . . . .	113,450,425	378.5	141.8	657.7	1,140.3	--	2,318.3
Net income . . . . .					298.0		298.0
Dividends declared:							
Preferred . . . . .					(27.8)		(27.8)
Common . . . . .					(109.7)		(109.7)
Repurchase of common stock for treasury. . . . .	(6,181,290)					(187.1)	(187.1)
Issuance of common stock:							
Dividend reinvestment . . . . .	227,287			.3		6.4	6.7
Stock option and stock purchase plans . . . . .	1,905,242		1.7	18.4	(3.6)	11.3	27.8
Redemption of preferred stock. . . . .		(112.6)			(2.6)		(115.2)
Unrealized gain on available-for-sale securities					34.0		34.0
BALANCE DECEMBER 31, 1993. . . . .	109,401,664	\$ 265.9	\$143.5	\$676.4	\$1,328.6	\$(169.4)	\$2,245.0

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

\*\*ENDING TREASURY SHARES WERE 5,391,883 AT DECEMBER 31, 1993, AND 253,920 AT DECEMBER 31, 1991, AND DECEMBER 31, 1990.

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.



CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31 (In Millions)	1993	1992	1991
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 298.0	\$ 311.8	\$ 207.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	125.2	183.4	202.2
Provision for merger, integration and restructuring	72.2	84.0	-
Provision for deferred income taxes	64.0	22.2	5.1
Depreciation and amortization of bank premises and equipment	58.4	48.6	42.6
Amortization and write-downs of loan servicing related intangibles	55.5	14.3	5.5
Amortization of goodwill and other intangible assets	30.6	25.2	21.6
Write-downs of other real estate owned	18.1	47.5	32.2
Cumulative effect of accounting changes	-	(157.3)	-
Changes in operating assets and liabilities, excluding the effects of purchase acquisitions:			
Decrease (increase) in trading account securities	39.3	57.2	(15.5)
Increase in loans held for sale	(379.8)	(191.4)	(132.3)
Decrease in securities held for sale	429.9	183.4	42.8
(Increase) decrease in accrued receivables	(10.2)	23.3	(6.9)
(Decrease) increase in accrued liabilities	(152.3)	1.0	(64.2)
Other - net	(81.6)	15.0	(57.6)
Net cash provided by operating activities	567.3	668.2	282.6
<b>INVESTING ACTIVITIES</b>			
Net cash provided (used) by:			
Interest-bearing deposits with banks	322.5	85.7	(352.2)
Loans outstanding of subsidiaries	(1,428.3)	160.8	1,104.1
Securities purchased under agreements to resell	(93.4)	(76.7)	114.1
Investment securities transactions:			
Sales	46.8	35.5	794.2
Maturities	1,235.5	970.7	686.6
Purchases	(889.4)	(1,555.5)	(1,010.0)
Proceeds from sales/repayments of other real estate owned	99.5	95.8	85.5
Proceeds from sales of bank premises and equipment	31.5	9.7	5.6
Purchases of bank premises and equipment	(111.6)	(99.3)	(53.3)
Purchases of loans, including related intangibles of \$43.6 in 1991	(32.6)	(56.8)	(690.4)
Cash and cash equivalents of acquired subsidiaries	-	197.1	-
Business acquisitions, net of cash received	(3.0)	67.4	(241.8)
Sale of unconsolidated subsidiaries	12.8	-	-
Other - net	(26.3)	33.2	47.7
Net cash provided (used) by investing activities	(836.0)	(132.4)	490.1
<b>FINANCING ACTIVITIES</b>			
Net cash provided (used) by:			
Deposits	(68.6)	138.8	(233.0)
Federal funds purchased and securities sold under agreements to repurchase	(198.9)	12.5	(367.7)
Short-term borrowings	57.0	(32.5)	32.7
Long-term debt transactions:			
Proceeds	440.0	160.8	179.6
Principal payments	(256.2)	(294.2)	(737.6)
Issuance (redemption) of preferred stock	(115.2)	-	111.7
Proceeds from dividend reinvestment, stock option, and stock purchase plans	34.5	30.2	19.0
Repurchase of common stock for treasury	(187.1)	-	-
Cash dividends	(137.5)	(103.3)	(89.3)
Net cash used by financing activities	(432.0)	(87.7)	(1,084.6)
Change in cash and cash equivalents	(700.7)	448.1	(311.9)
Cash and cash equivalents at beginning of year	3,414.2	2,966.1	3,278.0
Cash and cash equivalents at end of year	\$2,713.5	\$3,414.2	\$2,966.1

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

First Bank System, Inc. ("The Company") is a regional, multi-bank holding company which provides bank and bank-related services principally to domestic markets, through its subsidiaries.

**BASIS OF PRESENTATION** - The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in prior periods have been reclassified to conform to the current presentation.

**TRADING ACCOUNT SECURITIES** - Debt and equity securities that are bought and held principally for the purpose of selling them in the near term are classified as trading account securities and are reported at fair value. Gains or losses on sales of trading account securities, adjustments to fair values, and other noninterest income are included in trading account profits and commissions.

**AVAILABLE-FOR-SALE SECURITIES** - Securities that are not trading account securities and which may be sold before maturity in response to changes in interest rates or prepayment risk, or due to liquidity needs or changes in funding sources or terms, are classified as available-for-sale. These securities are carried at fair value, with unrealized holding gains or losses, net of tax, reported in shareholders' equity. When securities are sold, the amortized cost of the specific securities sold is used to compute the gain or loss on sale.

**INVESTMENT SECURITIES** - Included in held-to-maturity securities are those securities which management has the positive intent and ability to hold to maturity. These securities are stated at cost, as adjusted for accretion of discounts or amortization of premiums, computed by the interest method. The adjusted cost of the specific security sold is used to compute the gains or losses on the sale.

**LOANS** - Loans are reported net of any unearned discount. Interest income is accrued on loan balances outstanding. Loan and commitment fees are deferred and recognized over the loan and/or commitment period as yield adjustments.

Loans are reviewed regularly by management and are generally placed on nonaccrual status when the collection of interest or principal has become 90 days past due or collection is otherwise considered doubtful. When a loan is placed on nonaccrual status, previously recorded accrued but uncollected interest is reversed against current period interest income. Interest payments received on nonaccrual loans are generally applied against principal.

Certain subsidiaries engage in both direct and leveraged lease financing. The net investment in direct financing leases consists of the sum of all minimum lease payments and estimated residual values, less unearned income and investment tax credit. Unearned income is earned and included in loan interest income over the terms of the leases to produce a constant rate of return on the net investment.

The investment in leveraged leases consists of the sum of all lease payments (less the portion applicable to principal and interest on nonrecourse debt) plus estimated residual values, less unearned income. Unearned income is earned and included in loan interest income over the positive years of the net investment.

Loans and mortgages held for sale are carried at the lower of cost or market value as determined on an aggregate basis by type of loan.

**ALLOWANCE FOR CREDIT LOSSES** - Management determines the adequacy of the allowance based on a continuous evaluation of the loan portfolio and related off-balance sheet commitments, recent loss experience, and other pertinent factors, including current and anticipated economic conditions. The allowance is increased by provisions charged to operating expense and reduced by net charge-offs.

**MORTGAGE BANKING** - Acquisition costs of purchased mortgage servicing rights and excess mortgage servicing fee receivables are capitalized and amortized on an accelerated basis over the estimated period of net servicing revenue. On a quarterly basis the Company reviews the carrying value of its mortgage servicing rights and fees based on historical prepayment experience and expectations of future prepayment activity, and if appropriate, reduces the carrying value to estimated realizable value, calculated on a discounted basis.

**INTEREST RATE SWAPS** - The Company engages in interest rate swap transactions to manage its interest rate risk and as a financial intermediary. Income or expense on swaps designated as hedges of assets, liabilities or commitments is recorded as an adjustment to interest income or expense. If the instrument being hedged is disposed of, the swap agreement is marked to market with any resulting gain or loss being included with the gain or loss from the disposition. If the interest rate swap is terminated, the gain or loss is deferred and amortized over the remaining life of the specific asset or liability it was hedging. The initial bid/offer spread on intermediated swaps is deferred and recognized in trading account profits and commissions over the life of the agreements. Intermediated swaps are marked to market and the resultant gain or loss is recorded currently in trading account profits and commissions.

**INTEREST RATE CONTRACTS** - The Company uses interest rate futures, forwards, options, caps, and floors for managing its interest rate risk, as a financial intermediary and in its trading operations. For interest rate contracts which meet the criteria for hedge accounting treatment, gains or losses due to changes in the market value of the contracts are deferred initially and amortized over the period of interest rate risk exposure as adjustments to interest income or expense. Gains or losses related to the termination of these financial instruments or disposal of the asset or liability being hedged are treated in the same manner as interest rate swaps. Gains or losses on all other interest rate contracts are included in income as part of trading account profits and commissions.

**BANK PREMISES AND EQUIPMENT** - Bank premises and equipment are stated at cost less accumulated depreciation and amortization computed primarily on the straight line method based on estimated useful lives.

Capitalized leases, less accumulated amortization, are included in bank premises and equipment, and the lease obligations are included in long-term debt. Capitalized leases are amortized on the straight line method over the lease term and the amortization is included in depreciation expense.

**OTHER REAL ESTATE** - Other real estate (ORE), which is included in other assets, represents properties acquired through foreclosure, in substance foreclosure or other proceedings. Upon classification as ORE, any excess of the loan receivable over the fair value of the collateral is charged to the allowance for credit losses. Property is evaluated regularly to ensure that the recorded amount is supported by the current fair value. In addition, annual appraisals are conducted. Subsequent to classification as ORE, the asset is carried at the lower of cost or fair value, less estimated selling costs. Changes in the carrying amount of the asset are either recorded in a valuation allowance or charged directly to expense.

**INTANGIBLE ASSETS** - The excess of cost over net assets of businesses acquired is included in other assets and is amortized over periods ranging up to 25 years. At December 31, 1993, goodwill totaled \$168.0 million, net of accumulated amortization of \$48.4 million. Other intangible assets, net of accumulated amortization, include purchased mortgage servicing rights of \$52.7 million, cardholder relationships of \$35.7 million, core deposits of \$41.3 million and other intangibles of \$26.5 million at December 31, 1993. These assets are amortized over their estimated useful lives ranging from seven to ten years using straight line and accelerated methods, as appropriate.

**INCOME TAXES** - Deferred taxes are recorded to reflect the tax consequences on future years of differences between the tax bases of assets and liabilities and the financial reporting amounts at each year end.

**STATEMENT OF CASH FLOWS** - For purposes of reporting cash flows, cash equivalents are those amounts included in cash and due from banks and federal funds sold.

PER SHARE CALCULATIONS - Primary earnings per share are computed by dividing income applicable to common stock (net income less preferred stock dividends and the pro rata effect of the assumed exercise of risk event warrants) by the weighted average number of shares of common stock and dilutive common stock equivalents outstanding during the period. To compute the dilutive effect of restricted common shares issued under the 1991 Stock Incentive Plan, the treasury stock method is applied to the unvested portion of the shares granted and the related unamortized expense. Fully diluted earnings per share computations assume the conversion of the Series 1991A preferred stock during the period that the stock was outstanding, unless the effect is anti-dilutive.

#### NOTE B - ACCOUNTING CHANGES

ACCOUNTING FOR CERTAIN INVESTMENTS IN DEBT AND EQUITY SECURITIES - Effective December 31, 1993, the Company adopted the provisions of Statement of Financial Accounting Standards ("SFAS") 115, "Accounting for Certain Investments in Debt and Equity Securities." Generally, SFAS 115 requires that investments in debt securities and equity securities with readily determinable fair values be classified into three categories which then establishes the accounting requirements. The accounting for two of the categories, trading securities and held-to-maturity securities, is essentially the same as prior practice. The new category, available-for-sale securities, is accounted for at fair value with unrealized holding gains or losses being reported in shareholders' equity. As a result of adopting this statement, \$3.3 billion of investment securities have been classified as available for sale with \$34.0 million, net of tax, being recorded as an unrealized gain in shareholders' equity.

ACCOUNTING FOR POSTEMPLOYMENT BENEFITS - The Company adopted the provisions of SFAS 112, "Employers' Accounting for Postemployment Benefits," as of December 31, 1993. This Statement requires accrual of costs associated with postemployment benefits (principally disability-related benefits) provided to former or inactive employees after employment but before retirement if certain conditions are met. The effect of adopting SFAS 112 was not material.

ACCOUNTING FOR INCOME TAXES - In 1992, the Company adopted the provisions of SFAS 109, "Accounting for Income Taxes," which superseded SFAS 96, the basis of the Company's accounting for income taxes prior to the change. The Company elected not to restate prior years' financial statements. The effect of adopting SFAS 109 as of January 1, 1992, has been reflected in the income statement as a cumulative effect of an accounting change.

SFAS 109 requires companies to record a deferred tax asset related to the unrecognized benefit of income tax carryforwards. SFAS 96 precluded such accounting and required the benefits to be recorded in income as the carryforwards were utilized. In connection with the adoption of SFAS 109, the Company evaluated the available evidence supporting the realization of the deferred tax assets and determined that it was more likely than not that the assets will be realized. Accordingly, the Company recorded deferred tax assets related to the unrecognized benefit of income tax carryforwards. The cumulative effect of this accounting change on years prior to 1992 was an increase of \$213.9 million in the Company's deferred tax assets and \$188.9 million in net income. SFAS 109 was adopted retroactive to the beginning of 1992, and results for the first three quarters of that year were restated to reflect increased tax expense.

ACCOUNTING FOR POSTRETIREMENT BENEFITS - The Company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other than Pensions," in the fourth quarter of 1992. This Statement requires the accrual of costs associated with such benefits (principally postretirement health care benefits) during the years that the employee renders the required services. The Company elected to recognize the entire amount of the accumulated postretirement benefit obligation related to prior years as a one-time charge reflected as a cumulative effect of an accounting change. At the time of adoption on January 1, 1992, this obligation was \$52.1 million, before tax benefits of \$20.5 million. Similar to SFAS 109, the first three quarters of 1992 have been restated to reflect the adoption of SFAS 106.

ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN - The Financial Accounting Standards Board recently issued SFAS 114, "Accounting by Creditors for Impairment of a Loan," which requires creditors to establish a valuation allowance when it is probable that all the principal and interest due under the contractual terms of a loan will not be collected. The impairment is measured based on the present value of expected future cash flows based on the loans' effective interest rate, observable market price or fair value of a collateral dependent loan. This differs from the Company's current policy in that it requires establishing a valuation allowance for uncollectible interest in addition to the principal amounts of impaired loans. The adoption of this Statement is required for fiscal years beginning after December 15, 1994. The adoption of SFAS 114 is not expected to have a material effect on the Company.

Note C - BUSINESS COMBINATIONS AND PENDING ACQUISITIONS

Effective May 28, 1993, the Company completed the acquisition of Colorado National Bankshares, Inc. ("CNB"), formerly the largest independent commercial bank holding company in Colorado with \$3.0 billion in assets, \$2.5 billion in deposits and \$271 million in common equity, resulting in approximately 20.6 million shares of the Company's common stock being issued for all the outstanding common stock of CNB.

Effective December 18, 1992, Western Capital Investment Corporation ("WCIC"), a \$2.5 billion financial institution headquartered in Denver, Colorado, merged with a wholly-owned subsidiary of the Company, resulting in 5.3 million shares of the Company's common stock being issued for all the outstanding common shares of WCIC.

Both the CNB and WCIC acquisitions were accounted for using the pooling-of-interests method of accounting. Accordingly, the Company's financial statements have been restated for all periods prior to the acquisitions to include the accounts and operations of CNB and WCIC.

Operating results of the Company and CNB for the three months ended March 31, 1993, and the years ended December 31, 1992, and 1991 prior to restatement were:

(In Millions)	Three Months Ended March 31,		
	1993	1992	1991
<b>THE COMPANY</b>			
Net interest income . . . . .	\$233.3	\$846.3	\$762.3
Cumulative effect of changes in accounting principles . . . . .	-	151.9	-
Net income . . . . .	63.7	276.0	196.3
<b>CNB</b>			
Net interest income . . . . .	39.9	148.8	144.5
Cumulative effect of changes in accounting principles . . . . .	-	5.4	-
Net income . . . . .	13.8	35.8	10.8
<b>COMBINED</b>			
Net interest income . . . . .	273.2	995.1	906.8
Cumulative effect of changes in accounting principles . . . . .	-	157.3	-
Net income . . . . .	77.5	311.8	207.1

On December 31, 1992, the Company acquired Bank Shares Incorporated ("BSI"), a bank holding company headquartered in Minneapolis, Minnesota, in a stock-for-stock exchange in which the Company issued 8.2 million shares of common stock for all outstanding shares of BSI common stock.

The acquisition of BSI was accounted for under the purchase method of accounting, and accordingly, the purchase price of \$211.2 million was allocated to assets acquired and liabilities assumed based on their fair market values at the date of acquisition. The excess of the purchase price over the fair market values of net assets acquired was recorded as goodwill. Core deposit intangibles of \$34 million are being amortized over the estimated lives of the deposits of approximately 10 years, and goodwill of \$68.7 million is being amortized over 25 years. The total assets acquired and liabilities assumed at the time of acquisition were \$2.1 billion and \$1.9 billion, respectively. The results of operations of BSI have been included in the Company's Consolidated Statement of Income only for the year ended December 31, 1993.

The following pro forma operating results of the Company assume that the BSI acquisition had occurred at the beginning of each period presented. In addition to combining the historical results of operations of the two companies, the pro forma results include adjustments for the estimated effect of purchase accounting on the Company's results. The pro forma information may not be indicative of the results that actually would have occurred if the combination had been in effect on the dates indicated.

(In Millions, Except Per-Share Amounts)	Years Ended December 31,	
	1992	1991
Net interest income . . . . .	\$1,069.9	\$975.0
Cumulative effect of changes in accounting principles . . . . .	157.3	--
Net income . . . . .	293.1	214.1
Net income per share . . . . .	2.29	1.72

On September 29, 1993, the Company announced that it had signed a purchase agreement to acquire Boulevard Bancorp Inc., a Chicago commercial bank holding company with \$1.6 billion in assets, \$1.2 billion in deposits, and \$114 million in shareholders' equity. The value of the Company's common stock to be issued in connection with the merger including the fair value of Boulevard's stock options and warrants is approximately \$202.3 million. This acquisition will be accounted for under the purchase method of accounting, and accordingly, the purchase price will be allocated to the assets acquired and liabilities assumed based on their fair market values at the date of acquisition. The excess of the purchase price over the fair market values of net assets acquired will be recorded as goodwill. The transaction is subject to shareholder and regulatory approval and is expected to close in the first quarter of 1994.

In connection with the Boulevard acquisition, the Company announced it would buy back existing shares of its common stock approximately equal to the number of shares to be issued at the time of closing of the Boulevard acquisition (approximately 6.5 million). The repurchase of these shares began in October 1993 and may continue up to 90 days following the closing of the Boulevard acquisition. As of December 31, 1993, approximately 3.9 million shares with a cost of \$121.4 million have been repurchased.

As of December 31, 1993, the Company has signed agreements with respect to four pending acquisitions which are not material to the Company's financial position or operating results, including American Bancshares of Mankato, a commercial bank holding company headquartered in Mankato, Minnesota, with approximately \$116 million in assets; First Financial Investors, Inc., a savings bank holding company headquartered in Duluth, Minnesota, with approximately \$200 million in assets; and United Bank of Bismarck, a commercial bank headquartered in Bismarck, North Dakota, with approximately \$123 million in assets. The Company has agreed to purchase the domestic corporate trust business of J.P. Morgan & Co., Incorporated. This business unit provides trust services for approximately 650 clients with 3,800 bond issues. These transactions are expected to close during the first half of 1994.

During 1992 and 1993, three additional transactions were completed to support the strategic direction of the Company. These included Siouxland Bank Holding Company, a \$174 million institution headquartered in Fargo, North Dakota, acquired in June 1992; the corporate trust business of Bankers Trust Company of California, acquired in July 1992; and the corporate trust business of two U.S. Bancorp subsidiaries in Washington and Oregon, acquired in March 1993.

NOTE D - RESTRICTIONS ON CASH AND DUE FROM BANKS

Bank subsidiaries are required to maintain average reserve balances with the Federal Reserve Bank. The amount of those reserve balances averaged \$519 million for the quarter ended December 31, 1993.

NOTE E - SECURITIES

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

(In Millions)	1993				1992			
	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Amortized Cost	Gross Unrealized Appreciation	Gross Unrealized Depreciation	Gross Market Value
U.S. Treasury . . . . .	\$1,527	\$25	\$(11)	\$1,541	\$1,816	\$31	\$(2)	\$1,845
Mortgage-backed securities . . . . .	1,286	18	(4)	1,300	1,583	8	(4)	1,587
Other U.S. agencies . . . . .	51	1	--	52	61	--	--	61
State and political . . . . .	184	12	--	196	188	9	--	197
Other . . . . .	216	16	(2)	230	264	1	--	265
Total . . . . .	\$3,264	\$72	\$(17)	\$3,319	\$3,912	\$49	\$(6)	\$3,955

As described in Note B of the Notes to Consolidated Financial Statements, the Company adopted SFAS 115 at December 31, 1993, and at that date, all of the Company's investment securities were classified as available for sale. At December 31, 1992, investment securities with amortized cost totaling \$3,912 million were held as long-term investments, and securities held for sale totaling \$284 million were carried at lower of cost or market.

Securities carried at \$1.3 billion at December 31, 1993, and \$1.3 billion at December 31, 1992, were pledged to secure public and trust deposits and for other purposes required by law. Securities sold under agreements to repurchase were collateralized by securities with an amortized cost of \$1.3 billion and \$1.3 billion at December 31, 1993, and 1992, respectively.

Gross realized gains and losses on investment securities were as follows:

(In Millions)	1993	1992	1991*
Gross realized gains . . . . .	\$ 3.3	\$1.9	\$10.1
Gross realized losses . . . . .	(3.0)	--	( 1.2)
Net realized gains . . . . .	\$ .3	\$1.9	\$ 8.9

\*SEE NOTE J "MERGER, INTEGRATION AND RESTRUCTURING PROVISIONS" ON PAGE 54.

For amortized cost, fair value and yield by maturity date of securities outstanding as of December 31, 1993, see Table 19 on page 38 from which such information is incorporated by reference into these Notes to Consolidated Financial Statements.

NOTE F - LOANS AND ALLOWANCE FOR CREDIT LOSSES

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

(In Millions)	1993	1992
COMMERCIAL:		
Commercial . . . . .	\$ 5,856	\$ 5,288
Financial institutions . . . . .	2,004	1,132
Real estate:		
Commercial mortgage . . . . .	1,495	1,539
Construction . . . . .	231	234
HLTs . . . . .	183	284
Agricultural . . . . .	123	131
Lease financing . . . . .	197	256
 Total commercial loans . . . . .	 10,089	 8,864
CONSUMER:		
Residential mortgage . . . . .	2,422	2,568
Residential mortgages held for sale . . . . .	1,088	705
Home equity and second mortgage . . . . .	1,755	1,362
Credit card . . . . .	1,757	1,782
Revolving credit . . . . .	690	600
Automobile . . . . .	342	519
Installment . . . . .	376	430
Student loans held for sale . . . . .	260	246
 Total consumer loans . . . . .	 8,690	 8,212
 Total loans . . . . .	 \$18,779	 \$17,076

Certain directors and executive officers of the Company, including their immediate families, companies in which they are principal owners, and trusts in which they are involved, are loan customers of the Company and its subsidiaries. These loans were made in the ordinary course of business at the subsidiaries' normal credit terms, including interest rate and collateralization, and were all current as to their terms at December 31, 1993, and 1992. The aggregate dollar amounts of these loans were \$18.8 million and \$12.5 million at December 31, 1993, and 1992, respectively. During 1993, additions totaled \$118.0 million and repayments totaled \$111.7 million.

Nonaccrual and renegotiated loans totaled \$158 million, \$250 million, and \$302 million at December 31, 1993, 1992, and 1991, respectively. The effect of nonaccrual and renegotiated loans on interest income was as follows:

(In Millions)	1993	1992	1991
Interest income that would have been accrued at original contractual rates . . . . .	\$13.6	\$21.6	\$31.1
Amount recognized as interest income . . . . .	3.4	7.8	8.8
Foregone revenue	\$10.2	\$13.8	\$22.3

Commitments to lend additional funds to customers whose loans were classified as nonaccrual or renegotiated at December 31, 1993, totaled \$9.4 million.

During 1993, there were no loans that were restructured at market interest rates and returned to a fully performing status.



Activity in the allowance for credit losses was as follows:

(In Millions)	1993	1992	1991
Balance at beginning of year . . . . .	\$448.0	\$426.9	\$454.0
Add:			
Provision charged to operating expense . .	125.2	183.4	202.2
Deduct:			
Loans charged off . . . . .	225.0	273.7	305.7
Less recoveries of loans charged off . . .	75.0	70.6	63.4
Net loans charged off . . . . .	150.0	203.1	242.3
Other* . . . . .	--	40.8	13.0
Balance at end of year . . . . .	\$423.2	\$448.0	\$426.9

\*REPRESENTS NET ALLOWANCE ADDITIONS FROM ACQUISITIONS AND FOREIGN CURRENCY TRANSLATION ADJUSTMENTS.

NOTE G - BANK PREMISES AND EQUIPMENT

Bank premises and equipment at December 31 consisted of the following:

(In Millions)	1993	1992
Land . . . . .	\$ 73	\$ 82
Buildings and improvements . . . . .	332	334
Furniture, fixtures and equipment . . . . .	366	369
Capitalized building leases . . . . .	33	33
Capitalized equipment leases . . . . .	31	22
	835	840
Less accumulated depreciation and amortization . .	453	426
Total . . . . .	\$382	\$414

NOTE H - LONG-TERM DEBT

Long-term debt (debt with original maturities of more than one year) at December 31 consisted of the following:

(In Millions)	1993	1992
FIRST BANK SYSTEM (parent company):		
Floating-rate subordinated capital notes - due November 29, 1996 . . . . .	\$ 150	\$150
Floating-rate subordinated capital notes - due May 30, 1997 . . . . .	--	93
Fixed-rate 6.625% subordinated notes - due May 15, 2003 . . . . .	100	--
Fixed-rate 8.00% subordinated notes - due July 2, 2004 . . . . .	125	125
Floating-rate subordinated notes - due November 30, 2010 . . . . .	107	107
Medium-term notes . . . . .	248	258
Capitalized lease obligations . . . . .	14	14
Other . . . . .	1	2
Total . . . . .	745	749
SUBSIDIARIES:		
Fixed-rate 6.00% subordinated notes - due October 15, 2003 . . . . .	100	--
Step-up subordinated notes - due August 15, 2005 . . . . .	100	--
Capitalized lease obligations . . . . .	39	39
Mortgage indebtedness and notes . . . . .	31	34
Total . . . . .	\$1,015	\$822

The floating-rate subordinated capital notes due November 29, 1996, are currently redeemable at the option of the Company (with Federal Reserve Bank approval). If the option is not exercised, the notes will be exchanged at maturity for capital securities of the Company whose market value will equal the principal amount of the notes. The interest rate per annum is one-eighth of one percent above the London interbank offered rate ("LIBOR") for three-month Eurodollar deposits subject to a minimum of 5.25 percent. At December 31, 1993, the interest rate was 5.25 percent.

The floating-rate subordinated notes due November 30, 2010, may be redeemed at par at the option of the Company. The interest rate per annum for each quarterly period is one-eighth of one percent above LIBOR for three-month Eurodollar deposits subject to a minimum of 5.25 percent. At December 31, 1993, the interest rate was 5.25 percent.

The step-up subordinated notes due August 15, 2005, are issued by the Company's subsidiary bank, First Bank National Association. The interest rate on these notes is 6.25 percent through August 14, 2000, and 7.30 percent thereafter. The notes have a one-time call feature at the option of the Bank on August 15, 2000.

Notes issued under the Company's medium-term note program may mature from 9 months to 15 years and bear fixed or floating interest rates. The notes outstanding at December 31, 1993, mature from January 1994 to April 1996 and have rates of 3.33 percent to 9.91 percent. The weighted average interest rate at December 31, 1993, is 6.32 percent.

Maturities of long-term debt outstanding at December 31, 1993, were:

(In Millions)	Consolidated	Parent Company
1994. . . . .	\$ 146	\$139
1995. . . . .	96	89
1996. . . . .	179	171
1997. . . . .	2	--
1998. . . . .	2	--
Thereafter. . . . .	590	346
	-----	-----
Total . . . . .	\$1,015	\$745
	-----	-----

NOTE I - SHAREHOLDERS' EQUITY

COMMON STOCK - At December 31, 1993, the Company has reserved 6,824,562 shares of its common stock for future issuances under the Dividend Reinvestment Plan, Employee Stock Purchase Plan, and the Stock Option Plans (see Note K on page 55). Additionally, 3,952,000 shares of common stock have been reserved for issuance upon conversion of the Series 1991A Convertible Preferred Stock, described below under "Preferred Stock."

In January 1994 the Board of Directors approved a new Stock Incentive Plan which authorizes the issuance of up to 5,000,000 shares of the Company's common stock. This plan extends through January 2004. The terms of the new plan are substantially the same as the existing 1991 Stock Incentive Plan.

During 1992 and 1993 the Company completed four significant acquisitions in which common shares aggregating 35.0 million were issued in exchange for the stock of the acquired banks. (See Note C on page 47.)

In connection with the Boulevard acquisition, the Company announced it would buy back shares of its common stock approximately equal to the number of shares to be issued to effect the transaction, or approximately 6.5 million shares. The repurchase of these shares began in October 1993. As of December 31, 1993, approximately 3.9 million common shares with a cost of \$121.4 million have been repurchased.

In January 1993 the Company announced a \$75 million common stock repurchase program. Repurchased shares were to replace a portion of the shares issued in connection with the BSI acquisition, to provide for issuances under the Employee Stock Purchase Plan and the Dividend Reinvestment Plan and to be used for other corporate purposes. As of December 31, 1993, approximately 2.3 million shares with a cost of \$65.7 million have been repurchased.

The Company has outstanding 12.6 million common shares sold in a private placement on July 18, 1990, which had accompanying periodic stock purchase rights (PSPRs) and risk event warrants. The PSPRs become exercisable upon the event of a dividend shortfall, which will be deemed to exist if the company does not pay an annual dividend equal to at least \$.82 per share during any of the 10 years following closing. Upon exercise, the holders of the PSPRs will receive value equal to the dividend shortfall in the form of shares of the Company's common or preferred stock, or the PSPRs may be redeemed for cash.

The risk event warrants become exercisable (i) when a change in control, as defined, occurs and the value received by common shareholders is less than \$13.875 per share, or (ii) on July 18, 2000, if the common stock market price is less than \$13.875 per share; however, this exercise provision terminates at any time after July 18, 1995, if the common stock market price exceeds \$20.82 per share for 30 consecutive trading days and tangible book value exceeds \$16.32 per share. If the risk event warrants become exercisable in either event, the holders of the warrants will receive value equal to any shortfall in the form of common or preferred stock or cash at the option of the Company.

The Company's Dividend Reinvestment Plan provides for automatic reinvestment of dividends and for optional cash purchases of additional shares at market price of up to \$5,000 per quarter.

**PREFERRED STOCK** - The company has four classes of cumulative preferred stock with par values of \$1.00 per share and 10,000,000 shares authorized. During 1993 the Company announced intentions to repurchase \$125 million of its preferred stock. As of December 31, 1993, approximately \$115.2 million has been repurchased. On January 19, 1994, the Board of Directors authorized the redemption of an additional \$159.3 million of the Company's preferred stock, consisting of \$89 million of Preferred Stock Series 1989A and \$70.3 million of Preferred Stock Series 1989B.

Series 1983A which had 1,000,000 shares outstanding at December 31, 1992, was redeemed by the Company in 1993 at its stated value of \$100 per share.

Series 1989A has 3,560,000 shares outstanding, redeemable at the option of the Company on or after April 1, 1994, through March 31, 1995, at \$26.313 per share, through April 1, 1999, at prices declining to its stated value of \$25 per share, and thereafter at \$25 per share. Dividends are at a rate of 10.5 percent per annum.

Series 1989B has 1,405,000 shares outstanding, redeemable at the option of the Company on or after April 1, 1994, through March 31, 1999, at \$51.50 per share, and thereafter at its stated value of \$50 per share. During 1993, approximately 95,000 shares were repurchased by the Company. Dividends are adjusted quarterly at a rate of the highest of three U.S. Treasury rates plus .50 percent, but no lower than 7 percent and no greater than 14 percent per annum. The average dividend rates on such shares for the years ended December 31, 1993, 1992, and 1991 were 7.41 percent, 8.24 percent, and 8.93 percent, respectively.

Series 1991A Convertible Preferred Stock, issued in November 1991, has 2,133,600 shares outstanding, redeemable at the option of the Company on or after January 1, 1996, at \$52.1375 per share, and thereafter at prices declining to its stated value of \$50 per share on or after July 1, 2002. During 1993, approximately 156,400 shares were repurchased by the Company. Dividends are at a rate of 7.125 percent per annum. Series 1991A Convertible Preferred Stock is convertible at the option of the holder at any time into common stock of the Company at the rate of 1.7256 shares of common stock for each share of preferred stock, which is equivalent to a conversion price of \$28.975 per share of common stock.

Shares of all the Company's preferred stock issuances rank prior to common stock as to dividends and liquidation and have no voting rights except (i) in the event of certain dividend arrearages (in which event, holders of shares of the preferred stock will be entitled to elect two additional directors to the Company's Board of Directors to serve until such dividend arrearages have been eliminated), and (ii) on matters that would have an adverse effect upon a series of the preferred stock, including the issuance of additional shares of preferred stock or shares of any other preferred stock ranking on a parity with the preferred stock.

PREFERRED STOCK PURCHASE RIGHTS - In December 1988 the Company declared a dividend of one preferred stock purchase right ("Right") for each outstanding share of common stock based on the shareholders of record on January 4, 1989. One Right has also been issued with respect to each share of common stock issued since January 4, 1989. The Rights are designed to help management obtain fair and equal treatment for all shareholders in the event of a potential takeover.

Each Right initially entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred stock, par value \$1, of the Company at a price of \$80, subject to adjustment.

In the event that any person or group acquires 20 percent or more of the Company's common stock outstanding, each Right (other than any Right held by the acquiring person or group) will thereafter entitle the holder to receive upon exercise shares of the Company's common stock having a market value of two times the purchase price.

In the event that the Company is acquired in a merger or other business combination transaction or 50 percent or more of its consolidated assets or earning power is sold, each Right will thereafter entitle the holder to receive upon exercise shares of common stock of the acquiring company having a market value of two times the purchase price.

The Rights will not be exercisable and will be transferable with and only with the common stock until 10 days after (i) a public announcement that a person or group has acquired 20 percent or more of the Company's common stock outstanding, or (ii) a public announcement or commencement of a tender or exchange offer that would result in a person or group acquiring 20 percent or more of the common stock.

The Rights expire on January 4, 1999, unless they are redeemed by the Company at a price of \$.01 per Right prior to the acquisition by a person or group of 20 percent of the Company's common stock outstanding. Pursuant to an amendment adopted by the Board of Directors, the Rights also will expire on the date that is 24 months after the first date upon which the Company can generally be acquired by bank holding companies, principally located in at least 15 of the 20 states that as of September 30, 1992, had the largest amount of bank deposits.

Until the Right is exercised, the Right holder will have no rights as a stockholder of the Company, including the right to vote or to receive dividends.

#### NOTE J - MERGER, INTEGRATION AND RESTRUCTURING PROVISIONS

In the second quarter of 1993, the Company recorded merger, integration and restructuring charges totaling \$72.2 million relating to the acquisition of CNB. Charges of \$29.7 million were recorded to provide for anticipated reorganization and restructuring costs, system conversions, and customer communication. Premises and equipment write-downs of \$14.3 million relate to redundant main office and branch facilities. Other charges, totaling \$28.2 million, primarily involve severance.

In the fourth quarter of 1992, the Company recorded merger, integration and restructuring charges totaling \$84.0 million relating primarily to the acquisition of WCIC. Premises and equipment write-downs of \$31.2 million related to the closing of redundant main office and branch facilities. Securities and interest rate swap write-downs of \$12.6 million reflected the Company's intention to dispose of certain mortgage-backed securities and swaps. Other charges, totaling \$40.2 million, primarily involved severance, system conversions, and customer communications costs.

In September 1989 the Company announced plans to restructure operations of certain businesses. The plans included a workforce reduction of approximately 10 to 15 percent, the closing of certain loan production offices, the downsizing of other operations and a reduction of earning assets of approximately 10 percent. A provision of \$37.5 million was recorded in the third quarter of 1989 for costs of the restructuring. During 1990 the Company terminated its asset purchase agreement with Banks of Iowa, which agreed to repurchase its Class B common shares held by the Company. The \$9.5 million gain on the sale of the common shares was credited to the restructuring reserve. During 1991, securities of state and political subdivision were sold as part of the continued reduction in earning assets. Gains on the sales of these securities, which totaled \$7.8 million, were credited to the restructuring reserve. By year-end 1991, the restructuring was substantially complete. As of December 31, 1991, the related restructuring reserve had been fully utilized for severance and related workforce reduction expenses as well as for costs of office closings, operations downsizing, and earning asset reductions.

NOTE K - EMPLOYEE BENEFITS

PENSION PLAN - Pension benefits are provided to substantially all employees based on years of service and employees' compensation while employed with the Company. Employees are fully vested after five years of service.

The Company's funding policy is to contribute actuarially determined amounts to the plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Company determines to be appropriate. The actuarial cost method used to compute pension cost is the projected unit credit method.

Prior to May 28, 1993, when they became participants in the Company's plan, the former CNB employees were covered by a separate, noncontributory pension plan that provided a defined benefit based on an employee's years of service and compensation during employment with CNB. The Company is currently in the process of merging the former CNB plan with its existing plan.

The following table sets forth the aggregate funded status and the net amounts recognized in the Company's balance sheet and statement of income for the two plans at December 31:

(Dollars in Millions)	1993	1992	1991
Actuarial present value of benefit obligations:			
Accumulated benefit obligation, including vested benefits of \$251.9 million in 1993, \$213.8 million in 1992, and \$196.4 million in 1991. . . . .	\$(260.2)	\$(220.2)	\$(202.2)
Projected benefit obligation for service rendered to date . . . . .	\$(288.2)	\$(247.8)	\$(231.0)
Plan assets at fair value, primarily listed stocks and U.S. bonds . . . . .	260.6	247.0	252.3
Excess (deficiency) of plan assets over projected benefit obligation . . . . .	(27.6)	(0.8)	21.3
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions . . . . .	38.1	14.3	1.0
Unrecognized net asset at end of year (amortized over 15 years) . . . . .	(27.5)	(26.8)	(31.3)
Accrued pension cost included in other liabilities. . . . .	\$ (17.0)	\$ (13.3)	\$ (9.0)
Net pension costs included in the following components:			
Service cost-benefits earned during the period . . . . .	\$ 17.2	\$ 14.9	\$ 12.7
Interest cost on projected benefit obligation. . . . .	20.8	20.9	20.6
Actual return on plan assets . . . . .	(29.2)	(18.0)	(32.8)
Net amortization and deferral. . . . .	2.4	(8.8)	6.2
Net periodic pension benefit cost . . . . .	\$ 11.2	\$ 9.0	\$ 6.7

For the periods ended December 31, 1992, and 1991, the plans were valued separately, and each plan independently determined its assumptions. The aggregate disclosures, therefore, reflect the following weighted average assumptions.

	FBS			CNB	
	1993	1992	1991	1992	1991
Weighted average discount rate. . . . .	7.0%	8.0%	9.0%	9.0%	9.0%
Expected long-term rate of return . . . . .	10.0	10.0	10.0	9.0	9.0
Rate of increase in future compensation . . . . .	6.0	6.0	7.0	5.6	5.0

OTHER POSTRETIREMENT PLANS - In addition to providing pension benefits, the Company provides certain health care and life insurance benefits to retired employees. Substantially all of the Company's employees may become eligible for these benefits at or after age 55 with at least five years of service and age plus years of service equal to or greater than 65 while working for the Company. In years prior to 1992, the cost of retiree health care benefits was recognized as expense as claims were paid. These costs totaled approximately \$4.5 million for 1991.

Effective January 1, 1993, the Company revised the provisions of the existing retiree health care plan. Under the terms of the new plan, the Company will subsidize the cost of coverage for employees who retire

before age 65 with at least 10 years of service. The dollar amount of the subsidy will be based on the employee's age and service at the time of retirement, and will remain frozen until the retiree reaches age 65. After age 65 the retiree will assume responsibility for the full cost of coverage. The new plan also contains other cost-sharing features such as deductibles and coinsurance. The Company will continue to subsidize the cost of coverage for employees who retired before 1993, and will subsidize the cost for certain employees who retire before 1995. Those subsidies, as well as the retirees' contributions, will be adjusted periodically.

Effective January 1, 1992, the company adopted SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," for its retiree benefit plans. Under SFAS 106, the Company is required to accrue the estimated cost of retiree benefit payments, other than pensions, during employees' active service periods.

The Company elected to recognize the effect of this change in accounting on the immediate recognition basis. The cumulative effect as of January 1, 1992, of adopting SFAS 106 was the recognition of accrued postretirement health care costs totaling \$52.1 million. After related tax benefits of \$20.5 million, net income for 1992 was reduced by \$31.6 million.

The Company currently intends to fund the postretirement benefit costs as they are incurred. The following table sets forth the plan's funded status recognized in the Company's balance sheet and statement of income at December 31:

(In Millions)	1993	1992
-----		
Accumulated postretirement benefit obligation:		
Retirees . . . . .	\$(48.5)	\$(44.4)
Fully eligible active plan participants. . . . .	(3.4)	(3.0)
Other active plan participants . . . . .	(12.5)	(12.2)
	-----	-----
Total unfunded accumulated postretirement benefit obligation. . . . .	(64.4)	(59.6)
Unrecognized net loss from past experience different from that assumed and from changes in assumptions. . . . .	5.5	3.2
Unrecognized implementation obligation. . . . .	2.3	2.4
Accrued postretirement benefit cost . . . . .	\$(56.6)	\$(54.0)
	-----	-----
Net periodic postretirement benefit cost included the following components:		
Service cost - benefits attributed to service during the period . . . . .	1.3	.9
Interest cost on accumulated postretirement benefit obligation. . . . .	4.7	4.9
Net amortization and deferral . . . . .	.2	.2
	-----	-----
Total postretirement benefit cost . . . . .	\$ 6.2	\$ 6.0
	-----	-----

For measurement purposes, 12.9 percent and 8.5 percent annual rates of increase in the per capita cost of covered health care benefits for participants under age 65 and aged 65 and over, respectively, were assumed for 1993. For 1994 the annual rates of increase were assumed to be 12.0 percent and 8.0 percent, respectively. Both rates were assumed to decrease gradually to 4.5 percent by 2003 and remain at that level thereafter. The health care cost trend rate assumption has a significant effect on the amounts reported. To illustrate, increasing the assumed health care cost trend rates by 1 percentage point in each year would increase the accumulated postretirement benefit obligation as of December 31, 1993, by \$6.8 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by \$.7 million.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 7.0 percent as of December 31, 1993, and 8.0 percent as of December 31, 1992.

**STOCK PURCHASE PLAN** - The 1984 Employee Stock Purchase Plan, as amended in 1989 and 1991, permits all eligible employees (those employed for one year with the Company) and directors to purchase common stock. The plan provides for a purchase price of 85 percent to 100 percent (as determined by a committee of the Board of Directors for each purchase period) of the fair market value at the beginning or the end of the purchase period, whichever is lower. For the current option period ending June 30, 1994, the Committee approved an option price of 85 percent of fair market value. The Plan results in no expense to the Company.

**STOCK INCENTIVE PLAN** - In April 1991 shareholders approved the 1991 Stock Incentive Plan, which authorizes the issuance of up to 3,000,000 shares of the Company's common stock. The Plan extends

through April 2001. The Plan allows for the granting of nonqualified stock options, incentive stock options, stock appreciation rights (SARs), restricted stock or stock units (RSUs), performance awards, dividend equivalents, and other stock-based awards at or above 100 percent of the market price at the date of grant. Awards may provide that upon their exercise, the holder will receive shares of common stock or cash as determined by a committee of the Board of Directors (Committee). Restrictions on the restricted shares and RSUs generally limit the holders' rights to transfer the shares during the restriction period determined by the Committee. At December 31, 1993, there were 1,230,217 shares available, subject to adjustment for forfeitures, for grant under the Plan.

Restricted shares granted under the 1991 Plan vest over periods of three to seven years, with the vesting of certain shares being subject to acceleration based on the performance of the Company in comparison to the performance of a predetermined group of regional banks. Compensation expense related to these shares is determined at the time of grant based on the market price of the Company's stock and is amortized on a straight line basis over the vesting period. For the performance-based restricted shares, compensation expense is being amortized using the midpoint of the vesting period.

The Company made stock grants under the 1991 Plan of 1,780 shares in 1993 and 2,725 shares in 1992, based on the terms of an employee performance recognition program. There are no restrictions on these shares. Compensation expense is recognized at the date of grant based on the market price of the Company's stock.

Options granted under the 1991 Plan and predecessor plans are generally exercisable up to 10 years from the date of grant. On the date exercised, the option proceeds are credited to the common stock account to the extent of par value of the shares issued and the excess is credited to capital surplus.

In January 1994 the Board of Directors approved a new Stock Incentive Plan which authorizes the issuance of up to 5,000,000 shares of the Company's common stock. This plan extends through January 2004. The terms of the new plan are substantially the same as the 1991 Stock Incentive Plan.

The option information presented below has been restated to reflect the effects of the adjusted options under the WCIC and CNB Plans. The number and exercise price (option price) of options and restricted shares granted under these plans were as follows:

	Additional Shares Available Under Incentive Plan	Outstanding Options	Outstanding Restricted Shares	Option/Market Price Per Share
DECEMBER 31, 1990 . . . . .	2,689,000	2,587,620	-	\$ 2.71 -30.125
Granted:				
Stock Options . . . . .		1,489,544	-	8.41 -24.625
Restricted Stock . . . . .		-	4,800	18.375-20.25
Exercised . . . . .		(2,194)	-	13.125-20.75
Cancelled . . . . .		(486,372)	-	11.73 -30.125
DECEMBER 31, 1991* . . . . .	4,166,357	3,588,598	4,800	2.71 -30.125
GRANTED:				
Stock Options . . . . .		852,616	-	23.50 -27.25
Restricted Stock . . . . .		-	166,583	24.50 -27.25
Exercised . . . . .		(661,338)	-	2.71 -25.885
Cancelled . . . . .		(111,963)	-	8.41 -30.125
DECEMBER 31, 1992* . . . . .	2,178,975	3,667,913	171,383	2.71 -30.125
Granted:				
Stock Options . . . . .		837,041	-	28.625 -33.75
Restricted Stock . . . . .		-	105,300	28.25 -33.25
Exercised . . . . .		(1,791,654)	-	2.71 -30.125
Cancelled/Vested . . . . .		(54,883)	(15,387)	8.41 -33.75
DECEMBER 31, 1993* . . . . .	1,230,217	2,658,417	261,296	\$ 8.41 -33.75

\*AT DECEMBER 31, 1993, 1992 AND 1991, OPTIONS FOR 1,184,308, 2,359,958 AND 1,511,350 SHARES, RESPECTIVELY, WERE EXERCISABLE.

In January 1994, the Board of Directors granted 5.2 million stock options from the 1991 and 1994 Stock Incentive Plans with an exercise price of \$29.75, which vest over periods of up to five years, subject to acceleration based on the performance of the Company.





NOTE L - INCOME TAXES

The components of income tax expense were:

(Dollars in Millions)	1993	1992	1991
<b>FEDERAL:</b>			
Current tax . . . . .	\$ 89.7	\$38.7	\$ 9.3
Deferred tax provision . . . . .	59.3	21.4	1.8
Provision for acquired tax benefits offset against goodwill . . . . .	-	-	6.1
Federal income tax . . . . .	149.0	60.1	17.2
<b>STATE:</b>			
Current tax . . . . .	25.1	17.7	5.4
Deferred tax provision . . . . .	4.7	0.8	3.3
State income tax . . . . .	29.8	18.5	8.7
Total income tax provision . . . . .	\$178.8	\$78.6	\$25.9

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

(Dollars in Millions)	1993	1992	1991
Tax at statutory rate (35% in 1993, 34% in 1992 and 1991) . . . . .	\$166.9	\$ 80.4	\$ 80.5
State income tax, at statutory rates, net of federal tax benefit . . . . .	19.4	12.1	10.3
Tax effect of:			
Tax-exempt interest:			
Loans . . . . .	(7.6)	(10.9)	(16.4)
Securities . . . . .	(4.4)	(4.2)	(6.4)
Amortization of goodwill . . . . .	7.3	3.7	3.7
Federal and State net operating and capital loss carryforwards . . . . .	-	-	(36.7)
Effects of statutory bad debt deduction . . . . .	-	-	(5.3)
Other items . . . . .	(2.8)	(2.5)	(3.8)
Applicable income taxes . . . . .	\$178.8	\$ 78.6	\$ 25.9

At December 31, 1993, for income tax purposes, the Company had the following carryforwards available:

(Dollars in Millions)	Amount	Expiration Dates
<b>Net operating loss carryforwards available:</b>		
Federal regular tax operating loss carryforwards . . . . .	\$ 2.2	2002
	3.8	2003
	14.5	2006
	\$20.5	
Alternative minimum tax credit carryforward . . . . .	\$40.5	Unlimited

In addition, the Company has state net operating loss carryforwards of \$356 million, primarily in one taxing jurisdiction. These carryforwards expire in years 2001-2008.

Deferred income tax assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the same items for income tax reporting purposes. Significant components of the Company's deferred tax liabilities and assets as of December 31, 1993, and 1992, are as follows:

(Dollars in Millions)	1993	1992
-----		
DEFERRED TAX ASSETS:		
Loan loss reserves . . . . .	\$ 151.0	\$ 137.9
Federal operating loss carryforward . . . . .	7.2	87.4
State operating loss carryforward . . . . .	18.1	16.9
Alternative minimum tax credit carryforward . . . . .	40.5	35.7
Accrued severance, pension and retirement benefits . . . . .	9.9	35.4
Real estate and other asset basis differences . . . . .	50.2	47.6
Deferred gain on sale of buildings . . . . .	12.5	16.8
Deferred loan fees . . . . .	12.5	15.5
Contingent liabilities and other miscellaneous accruals . . . . .	50.2	37.1
	-----	
Gross deferred tax assets . . . . .	352.1	430.3
DEFERRED TAX LIABILITIES:		
Leasing activities . . . . .	(46.9)	(63.6)
Deferred gains and other investment basis differences . . . . .	(26.5)	(38.5)
Adjustment of available-for-sale securities to market value . . . . .	(20.9)	-
Accelerated depreciation . . . . .	(4.9)	(10.1)
Other deferred liabilities and reserves . . . . .	(73.3)	(74.0)
	-----	
Gross deferred tax liabilities . . . . .	(172.5)	(186.2)
Deferred tax assets valuation reserve . . . . .	(19.6)	(20.1)
	-----	
Net deferred tax assets: . . . . .	\$ 160.0	\$ 224.0
	-----	

As discussed in Note B, effective January 1, 1992, the Company adopted the provisions of SFAS 109. This resulted in the recognition of \$213.9 million of deferred tax assets at January 1, 1992, of which \$188.9 million was included in the 1992 results of operations as a cumulative effect of an accounting change and \$25.0 million pertaining to carryforwards resulting from purchase business combinations was reflected as a reduction of goodwill.

The realization of the Company's tax assets is dependent on the Company's ability to generate taxable income in future periods. The Company has evaluated the available evidence supporting the realization of its deferred tax assets and determined it is more likely than not that the assets will be realized. In support of this evaluation, the Company reviewed the level of taxable income generated in the last three years. These calculations are included in the table below. Assuming the Company maintained the level of book taxable income (excluding nonrecurring charges) generated in 1993 the Company would realize its net tax assets in the next year. In addition, the Company's five-year plan indicates a pretax earnings trend that supports, after taking into account reversals of applicable temporary differences, the assumption that the deferred tax assets will be realized.

(Dollars in Millions)	1993	1992	1991
Income before tax and cumulative effect of accounting changes . . . . .	\$ 476.8	\$ 233.1	\$ 233.0
Nonrecurring charges related to mergers . . . . .	72.2	124.0	-
Income before tax and nonrecurring charges . . . . .	549.0	357.1	233.0
Differences between income before tax and taxable income:			
Tax-exempt income, net of nondeductible interest . . . . .	(33.9)	(50.8)	(71.2)
Amortization of goodwill . . . . .	20.8	10.7	9.0
Depreciation . . . . .	13.9	7.6	8.0
Provision for loans and other real estate losses . . . . .	(24.7)	(88.3)	(40.4)
Leasing activities . . . . .	39.6	35.2	47.2
Other permanent and temporary differences . . . . .	(15.2)	1.0	(6.6)
State income taxes . . . . .	(25.1)	(16.0)	(5.1)
Total federal taxable income before carryforwards . . . . .	524.4	256.5	173.9
Capital loss carryforward utilized . . . . .	(10.7)	(14.9)	(4.4)
Net operating loss carryforward utilized . . . . .	(177.4)	\$(188.3)	(144.0)
Total federal taxable income per tax return . . . . .	\$ 336.3	\$ 53.3	\$ 25.5

NOTE M --> FINANCIAL INSTRUMENTS WITH OFF-BALANCE SHEET RISK AND CREDIT CONCENTRATIONS

The Company uses various financial instruments that have off-balance sheet risk in the normal course of business to meet the financing needs of its customers and to manage its interest rate risk. These instruments involve, to varying degrees, elements of credit, interest rate, or liquidity risk. The contract or notional amounts of these financial instruments at December 31, 1993, and 1992 were as follows:

(In Millions)	1993	1992
Commitments to extend credit:		
Commercial . . . . .	\$5,714	\$4,938
Corporate Payment System . . . . .	1,744	1,487
Consumer credit card . . . . .	5,208	4,210
Other consumer . . . . .	2,391	2,408
Letters of credit:		
Standby . . . . .	1,208	1,204
Commercial . . . . .	135	122
Interest rate swap contracts:		
Hedge . . . . .	2,811	2,660
Intermediated . . . . .	199	241
Interest rate options contracts:		
Hedge interest rate floors purchased . . . . .	950	-
Intermediated interest rate caps and floors purchased . . . . .	198	188
Intermediated interest rate caps and floors written . . . . .	198	183
Liquidity support guarantees . . . . .	157	229
Futures and forward contracts . . . . .	1,352	771
Residential mortgages sold with recourse . . . . .	198	445
Commitments to sell mortgage loans . . . . .	132	376
Foreign currency commitments:		
Commitments to purchase . . . . .	1,101	459
Commitments to sell . . . . .	1,100	473

COMMITMENTS TO EXTEND CREDIT --> Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount of the commitments represents the Company's exposure to credit loss on commitments to extend credit, in the event of nonperformance by the counterparty. The Company monitors its credit risk for commitments to extend credit by applying the same credit policies in making commitments as it does for loans, including obtaining collateral to secure commitments based on management's credit assessment of the counterparty. Collateral held varies, but may include marketable securities, receivables, inventory, equipment, and real estate. Since the Company expects many of the commitments will expire without being

drawn upon, total commitment amounts do not necessarily represent the Company's future liquidity requirements. In addition, the commitments to extend consumer credit include various consumer credit line products that are cancellable upon notification.

LETTERS OF CREDIT --> Standby letters of credit are conditional commitments issued by the Company guaranteeing the performance of a customer to a third party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings, and other similar transactions. The Company issues commercial letters of credit on behalf of customers to ensure payment of amounts owed or collection of amounts receivable in connection with trade transactions. The Company's credit loss exposure in the event of counterparty nonperformance is the letter of credit contractual amount and is the same exposure involved in extending loans. Management assesses the counterparty's credit to determine the collateral obtained to support the letters of credit. Collateral held varies, but may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring the Company to fund letters of credit may not materialize, the Company expects the letters of credit liquidity requirements to be less than the total outstanding commitments.

INTEREST RATE OPTIONS AND SWAPS --> Interest rate swaps involve the contractual exchange of fixed and floating rate interest payment obligations based on a notional principal amount. The Company enters into interest rate swap contracts to hedge its balance sheet for risk caused by fluctuations in interest rates, to improve the liquidity of the Company without adversely affecting the rate sensitivity and as an intermediary for customers. At December 31, 1993, and 1992, interest rate swaps totaling \$2.8 billion and \$2.7 billion, respectively, hedged medium-term notes, subordinated debt, deposit notes, long-term certificates of deposit, deposit accounts, and savings certificates.

Activity with respect to interest rate swap hedges was as follows:

(Dollars in Millions)	1993	1992	1991
Notional amount outstanding at beginning of year . . . . .	\$2,659.8	\$2,009.7	\$1,833.7
Additions . . . . .	400.0	1,161.0	1,230.0
Maturities . . . . .	(225.8)	(279.1)	(601.5)
Terminations . . . . .	(23.2)	(231.8)	(452.5)
Notional amount outstanding at end of year . . . . .	\$2,810.8	\$2,659.8	\$2,009.7

For interest rate swaps designated as hedges, the weighted average interest rates to be paid were 3.32 percent and 3.55 percent at December 31, 1993, and 1992, respectively. At these same dates, the weighted average interest rates to be received were 6.98 percent and 7.13 percent. FBS is a receiver of fixed and payer of floating on all hedges as of December 31, 1993.

For notional balances and yields by maturity date of the interest rate swap hedging portfolio as of December 31, 1993, see Table 17 on page 35 from which such information is incorporated by reference into these Notes to Consolidated Financial Statements.

At December 31, 1993, interest rate floors totaling \$950 million with an average remaining maturity of 4.0 years hedged floating rate commercial loans. No interest rate floors designated as hedges were outstanding at December 31, 1992. For interest rate floors designated as hedges, the weighted average 3-month LIBOR strike was 3.50 percent, compared with a corresponding market index of 3.31 percent.

In addition to using swaps and options as part of the Company's asset/liability management strategy, the Company also acts as intermediary for swap and option agreements on behalf of its customers. To reduce its exposure to interest rate and market risks related to these agreements, the Company enters into offsetting positions. The total notional amount of customer swap agreements, including the offsetting positions, was \$199 million and \$241 million at December 31, 1993, and 1992, respectively. The total notional amount of customer option agreements, including the offsetting positions, was \$396 million and \$371 million at December 31, 1993, and 1992, respectively.

Interest rate swap and option contracts will result in gains and losses subsequent to the date of the contract, due to interest rate movements. For intermediated swaps, the Company records these gains and losses as they occur in trading income. For swaps used as hedges, the Company recognizes the gains or losses as an adjustment to the interest income or expense on the hedged item over the terms of the hedge. The Company amortizes the gain or loss on terminated hedges over the original life of the hedge if the hedged item remains outstanding. The amortization of deferred gains and losses

increased interest expense by \$.9 million during 1993, and decreased interest expense by \$3.3 million and \$2.2 million in 1992 and 1991, respectively. Unamortized deferred losses net of gains, were \$3.4 million at December 31, 1993. The Company will amortize these losses and gains through the year 2000.

Interest rate swap and option agreements contain credit risk in the event counterparties are unable to meet the terms of their contracts. The Company estimates the credit risk for interest rate swap and option contracts by calculating the present value of the cost to replace all outstanding contracts in a gain position at current market rates, excluding counterparty contract gains and losses reported on a net basis. At December 31, 1993, and 1992, the gain position of these contracts, in the aggregate, was approximately \$172 million and \$149 million, respectively.

The Company manages the credit risk of its interest rate swap and option contracts through credit approvals, limits, bilateral collateral agreements and monitoring procedures. Independent commercial bankers perform credit analysis to establish counterparty limits. Senior management approves counterparty limits and periodically reviews the limits to monitor compliance. In addition, the Company reduces the assumed counterparty credit risk through master netting agreements, which permit the Company to settle interest rate contracts with the same counterparty on a net basis.

**LIQUIDITY SUPPORT GUARANTEES -->** Liquidity support guarantees are contracts whereby the Company agrees to provide a liquidity facility to support commercial paper issued by its customers. The contracts are secured by notes receivable, bonds, and private insurance, guaranteeing payment of principal and interest on any funds advanced. Since the conditions that require the Company to fund the guarantees may not materialize, total guarantee amounts do not necessarily represent the Company's future funding obligation.

**FORWARD CONTRACTS AND COMMITMENTS TO SELL MORTGAGE LOANS -->** Futures and forward contracts are contracts for the delayed delivery of securities or cash settlement money market instruments. The Company enters into these contracts to hedge the interest rate risk of its mortgage loans held for sale. At December 31, 1993, and 1992, forward contracts outstanding were \$1,352 million and \$771 million, respectively. At December 31, 1993, net unamortized deferred gains on the forward agreements were \$5.2 million. The Company manages its credit risk on forward contracts, which would arise in the event of nonperformance by counterparties, through credit approval and limit procedures.

The Company is committed under agreements, which are not expected to result in loss to the Company, to sell mortgage loans pursuant to master delivery commitments, and the remaining balance on those commitments was \$132 million at December 31, 1993, and \$376 million at December 31, 1992.

**MORTGAGES SOLD WITH RECOURSE -->** Various recourse provisions, relating to residential and multi-family mortgages sold with recourse, obligate the Company for \$194 million at December 31, 1993, and \$445 million at December 31, 1992. All of the loans sold are collateralized by real estate mortgages and a portion of the loans sold are supported by either government-sponsored or private mortgage insurance.

**FOREIGN CURRENCY COMMITMENTS -->** Commitments to purchase and sell foreign currency primarily consist of contracts to exchange currencies at specified exchange rates on specified dates with various counterparties, which enables customers to transfer or reduce the risks associated with changes in foreign currency exchange rates. The Company minimizes the market and liquidity risks created by changes in currency exchange rates by taking offsetting positions. In addition, the Company controls the market risks associated with these contracts by limiting the net exposure through policies, procedures and monitoring. The Company manages its credit risk, or potential risk of loss from contract nonperformance by a counterparty, through credit limit approval and monitoring procedures. The aggregate replacement cost of contracts in a gain position at December 31, 1993, was not significant.

**CREDIT CONCENTRATIONS -->** The Company concentrates its lending to borrowers in the region where the Company has banking offices and lends to borrowers in a wide variety of industries.

Approximately 70 percent of the Company's commercial and financial portfolio is outstanding to borrowers located in the Company's operating region of Minnesota, Colorado, Wisconsin, Montana, North Dakota, and South Dakota. Collateral held may include marketable securities, accounts receivable, inventory and equipment.

For detail of the Company's real estate portfolio by project type and geography as of December 31, 1993, and 1992, see Table 10 on page 28 which is incorporated by reference into these Notes to Financial Statements. Such loans are collateralized by the related property.

For detail of the Company's consumer loan portfolio by loan type see Table 9 on page 26 under the category "Consumer" as of December 31, 1993, and 1992, which is incorporated by reference into these Notes to Financial Statements. Approximately 70 percent of the total consumer portfolio outstanding at December 31, 1993, is to customers located in the Company's operating region. Residential mortgages, home equity, and auto loans are secured, but other consumer loan types are generally not secured.

#### NOTE N --> FAIR VALUES OF FINANCIAL INSTRUMENTS

SFAS 107, "Disclosures about Fair Value of Financial Instruments," requires the disclosure of the fair value of all financial instruments for which it is practicable to estimate that value. Financial instruments are generally defined as cash, equity instruments or investments, and contractual obligations to pay or receive cash or another financial instrument. In defining fair value, the Statement indicates quoted market prices are the preferred means of estimating the value of a specific instrument but in the cases where market quotes are not available, fair values should be determined using various valuation techniques such as discounted cash flow calculations or by using pricing models or services.

Due to the nature of its business and the financing needs of its customers, the Company is involved with a large number of financial instruments, the majority of which are not actively traded. Accordingly, the Company has used various valuation techniques to estimate the fair value of its financial instruments. These techniques are significantly affected by the assumptions used, including the discount rate, the estimated timing and amount of cash flows, and the aggregation methods for valuing similar products. In this regard, the resulting fair value estimates cannot be substantiated by comparison to independent markets, and in a majority of the cases, could not be realized by the immediate sale or settlement of the instrument. Also, the estimates reflect a point in time valuation that could change significantly based on changes in outside economic factors, such as the general level of interest rates. Finally, the required disclosures exclude the estimated values of certain financial instruments and all nonfinancial instrument cash flows and are not intended to provide or estimate a market value of the Company. The following assumptions were used by the Company in estimating the fair value of the specific financial instruments.

**CASH AND CASH EQUIVALENTS** --> Cash and cash equivalents have no interest rate or credit risk component, thus their carrying value was assumed to approximate fair value.

**SECURITIES** --> Generally, these items were valued using available market quotes. In some instances, for securities that are not widely traded, market quotes for comparable securities were used.

**LOANS** --> The loan portfolio consists of both variable rate and fixed rate loans. The fair value for performing commercial variable rate loans, most of which reprice within the next three months or are subject to immediate repricing, were assumed to equal carrying value. For all nonaccrual loans, the projected cash flows were reduced by the amount of estimated losses and discounted over an assumed average remaining life of one to two years. The fair value of fixed rate loans was estimated using discounted cash flow analyses, as described below.

**COMMERCIAL AND FINANCIAL INSTITUTIONS:** In order to apply a discounted cash flow analysis, loans were aggregated into "pools" of similar types and expected repayment terms. The discount rates applied to the pools were based on the current rates for loans with similar maturities and credit risks. Current loan rates include a component for credit risk which has proven to be adequate, in the aggregate, for future loan losses. The expected cash flows were reduced for estimated historical prepayment experience. The fixed rate loans in the commercial and financial institutions portfolio had a weighted average rate of 7.5 percent in 1993 and 8.1 percent in 1992 and a weighted average maturity of 1.7 years in 1993 and 3.1 years in 1992. The average discount rate used to value these loans was 6.6 percent in 1993 and 7.3 percent in 1992.

**COMMERCIAL REAL ESTATE AND CONSTRUCTION:** Commercial real estate and construction loans were valued using a discounted cash flow analysis. The fixed rate portion of this portfolio (excluding nonaccruals) had a weighted average interest rate of 9.0 percent in 1993 and 9.4 percent in 1992 and a weighted average remaining maturity of 4.2 years in 1993 and 4.4 years in 1992. The average discount rate used to value these loans was 9.6 percent in 1993 and 10.0 percent in 1992.

**RESIDENTIAL FIRST MORTGAGES:** Residential first mortgage loans were segregated into pools of similar coupons and maturities. These "pools" were then matched to similar mortgage backed securities and

market quotes were obtained. In addition, the fair value of the mortgage servicing rights related to these mortgages was estimated using a discounted cash flow analysis and included in the fair value. The fixed rate portion of this portfolio had a weighted average interest rate of 8.1 percent in 1993 and 8.7 percent in 1992 with an estimated weighted average contractual remaining maturity of 14.2 years in 1993 and 15 years in 1992.

**SECOND MORTGAGES AND CONSUMER INSTALLMENT:** Fair values for second mortgages and consumer installment loans were estimated using a discounted cash flow analysis. The loans' values were computed using current loan rates for similar loans. Prepayment assumptions ranging from 20-25 percent were applied to scheduled cash flows, based upon the Company's experience with these assets. The fixed rate portion of the consumer installment loans had a weighted average rate of 9.2 percent in 1993 and 11.0 percent in 1992 and a weighted average remaining maturity of 1.4 years in 1993 and 1.3 years in 1992. The weighted average discount rate used was 7.5 percent in 1993 and 9.4 percent in 1992. The fixed rate portion of the second mortgage loans had a weighted average interest rate of 9.0 percent in 1993 and 10.5 percent in 1992 and a weighted average remaining term of 2.3 years in 1993 and 2.4 years in 1992. The weighted average discount rate applied to second mortgage loans was 7.3 percent in 1993 and 8.7 percent in 1992.

**REVOLVING HOME EQUITY AND CONSUMER LINES:** The fair value of revolving lines was based on terms of the existing loans and included the estimated value of the customer relationship. This approach is similar to that used by the Company to evaluate potential acquisitions of portfolios of this type. Estimated net interest income, noninterest income, expenses and account attrition were discounted on an after-tax basis using an estimated cost of capital of 13.7 percent in 1993 and 12.0 percent in 1992. The home equity lines had a weighted average interest rate of 7.8 percent in 1993 and 7.9 percent in 1992 and a weighted average life of 5.3 years in 1993 and 8.6 years in 1992. Credit card loans had a weighted average rate of 15.4 percent in 1993 and 15.5 percent in 1992, and an estimated average life of 7.3 years in 1993 and 4.4 years in 1992. Other revolving lines had a weighted average interest rate of 10.6 percent in 1993 and 10.8 percent in 1992 and a weighted average life of 7.6 years in 1993 and 5.9 years in 1992.

**DEPOSIT LIABILITIES -->** The fair value of demand deposits, savings accounts, and certain money market deposits is defined by SFAS 107 to be equal to the amount payable on demand at the date of the financial statements. (See core deposit intangible below.) Fair values for fixed rate certificates of deposits were estimated using a discounted cash flow analysis using the current certificate of deposit yield curve to establish discount rates. The weighted average interest rate for the certificate of deposits was 5.3 percent in 1993 and 5.7 percent in 1992 and the weighted average maturity was 1.0 year in 1993 and 1.2 years in 1992. The weighted average discount rate was 3.4 percent in 1993 and 3.9 percent in 1992.

**SHORT-TERM BORROWINGS -->** Federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings are at variable rates or have short-term maturities and their carrying value is assumed to approximate their fair value.

**LONG-TERM DEBT -->** Medium-term notes and mortgage note obligations totaling \$123 million in 1993 and \$346 million in 1992 were valued with a discounted cash flow analysis using current market rates of similar maturity debt securities to discount cash flows. The weighted average interest rate was 9.4 percent in 1993 and 9.5 percent in 1992 and the weighted average maturity was .7 years in 1993 and 2.6 years in 1992. Other long-term debt instruments were valued using available market quotes.

**LOAN COMMITMENTS, LETTERS OF CREDIT AND GUARANTEES -->** The substantial majority of the Company's commitments have variable rates and do not expose the Company to interest rate risk. No premium or discount was ascribed to loan commitments because when funded, virtually all funding will be at current market rates.

**INTEREST RATE SWAPS, OPTIONS, FLOORS AND CAPS -->** The interest rate swap cash flows were estimated using a third party pricing model and discounted based on appropriate LIBOR, Euro dollar future and Treasury yield curves. Interest rate options were valued using an option pricing model.

**CORE DEPOSIT INTANGIBLE -->** Core deposits provide a stable, low-cost source of funds which can be invested to earn a return greater than the cost of servicing the deposits. (See deposit liabilities above.) The fair value of the Company's core deposits was estimated using a discounted cash flow model

which estimates the present value of the difference between the ongoing cost of the core deposits and the cost of alternative funds at current market rates. This is the same method the Company uses in calculating the value of the core deposit intangible of an acquired bank. Under this method the Company's core deposit intangible had an estimated fair value of \$220 million as of December 31, 1993.

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

(Dollars in Millions)	1993			1992		
	Valued at Carrying Amount	Valued at Other Than Carrying Amount	Total Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>FINANCIAL ASSETS:</b>						
Cash and due from banks . . . . .	\$ 1,682	\$ --	\$ 1,682	\$ 1,682	\$ 1,916	\$ 1,916
Federal funds sold and resale agreements . . . . .	1,338	--	1,338	1,338	1,710	1,711
Interest-bearing deposits with banks . . . . .	--	--	--	--	327	327
Trading securities . . . . .	55	--	55	55	94	94
Available-for-sale securities . . . . .	3,319	--	3,319	3,319	284	284
Held-to-maturity securities . . . . .	--	--	--	--	3,912	3,955
<b>Loans:</b>						
Commercial . . . . .	4,491	1,671	6,162	6,225	5,703	5,695
Financial institutions . . . . .	1,972	32	2,004	2,004	1,132	1,132
Commercial real estate and construction . . . . .	1,005	721	1,726	1,703	1,773	1,731
Lease financing . . . . .	--	197	197	192	256	255
<b>Consumer:</b>						
Residential mortgage . . . . .	57	2,365	2,422	2,480	2,568	2,618
Mortgages held for sale . . . . .	--	1,088	1,088	1,105	705	705
Home equity and second mortgage . . . . .	300	1,455	1,755	1,801	1,362	1,409
Credit card and revolving lines . . . . .	89	2,358	2,447	2,668	2,382	2,614
Installment and other . . . . .	163	555	718	729	949	952
Student . . . . .	--	260	260	262	246	247
Allowance for credit losses . . . . .	--	(423)	(423)	--	(448)	--
Total loans . . . . .	8,077	10,279	18,356	19,169	16,628	\$17,358
Total financial assets . . . . .	14,471	10,279	24,750	25,563	24,871	\$25,645
<b>NONFINANCIAL ASSETS:</b>						
Core deposit intangible . . . . .	--	41	41	220	49	412
Mortgage servicing portfolio . . . . .	--	53	53	80	72	104
Total . . . . .	\$14,471	\$10,373	24,844	\$25,863	24,992	\$26,161
Other assets . . . . .			1,541		1,633	
Total Assets . . . . .			\$26,385		\$26,625	
<b>FINANCIAL LIABILITIES:</b>						
<b>Deposits:</b>						
Noninterest-bearing demand and other . . . . .	\$ 7,489	\$ --	\$ 7,489	\$ 7,489	\$ 6,011	\$ 6,011
Interest-bearing savings and checking . . . . .	8,115	--	8,115	8,115	8,211	8,211
Savings and jumbo certificates . . . . .	21	5,406	5,427	5,526	6,966	7,247
Total deposits . . . . .	15,625	5,406	21,031	21,130	21,188	21,469
Federal funds purchased . . . . .	553	--	553	553	674	674
Securities sold under agreements to repurchase . . . . .	325	44	369	378	448	458
Other short-term funds borrowed . . . . .	412	--	412	412	328	328
Long-term debt . . . . .	210	805	1,015	1,036	822	823
Total financial liabilities . . . . .	\$17,125	\$ 6,255	23,380	\$23,509	23,460	\$23,752
NONFINANCIAL LIABILITIES . . . . .			760		847	
SHAREHOLDERS' EQUITY . . . . .			2,245		2,318	
Total Liabilities and Shareholders' Equity . . . . .			\$26,385		\$26,625	
<b>Unrecognized Financial Instruments:</b>						
Unrecognized gain on interest rate swaps and options . . . . .			N/A	\$ 123	N/A	\$ 104
Loan commitments . . . . .			N/A	--	N/A	(4)
Letters of credit . . . . .			N/A	--	N/A	--



NOTE 0 --> COMMITMENTS AND CONTINGENT LIABILITIES

Rental expense for operating leases amounted to \$72.1 million in 1993, \$66.4 million in 1992 and \$65.9 million in 1991.

Future minimum payments, by year and net of sublease rentals, under capitalized leases and noncancellable operating leases with initial or remaining terms of one year or more, consisted of the following at December 31, 1993:

(In Millions)	Capitalized Leases	Operating Leases
1994. . . . .	\$ 11.0	\$ 47.6
1995. . . . .	11.0	46.1
1996. . . . .	11.0	40.3
1997. . . . .	4.2	39.1
1998. . . . .	4.1	38.0
Thereafter. . . . .	62.2	421.0
	-----	-----
Total minimum lease payments. . . . .	103.5	\$632.1
	-----	-----
Less amount representing interest . . . . .	50.7	
	-----	
Present value of net minimum lease payments . . .	\$ 52.8	
	-----	

The Company currently occupies approximately 640,000 square feet in First Bank Place, located in Minneapolis, under a 10-year lease. The Company has eight five-year options to renew the lease. Minimum rental payments are approximately \$12.5 million annually.

In November 1992 the Company took possession of a 368,000 square foot facility in St. Paul. The lease term extends for 21 years, commencing November 1991, with two five-year renewal options. Minimum rental payments are approximately \$4.2 million annually.

A wholly-owned subsidiary of First Bank National Association ("the Bank") is a partner in a joint venture that owns and operates a twin-tower office complex known as Pillsbury Center. The Bank and the Parent Company have long-term lease agreements to occupy space in one of the towers. Approximately two-thirds of the space has been sublet for the remaining life of the long-term lease obligation and, except for two floors which are occupied by the Company, the remaining space has been sublet through the year 2001. The unamortized portion of the capitalized lease was \$23.3 million at December 31, 1993, and \$23.6 million at December 31, 1992. Minimum annual payments required under the leases are approximately \$2.7 million.

Various legal proceedings are currently pending against the Company. Due to the complex nature of some of these actions and proceedings, it may be a number of years before such matters ultimately are resolved. In the opinion of management, the aggregate liability, if any, will not have a material adverse effect on the Company's financial position.

NOTE P --> SUPPLEMENTAL DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET --> Time certificates of deposit in denominations of \$100,000 or more totaled \$1,061 million and \$1,374 million at December 31, 1993, and 1992, respectively.

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

Year Ended December 31 (In Millions)	1993	1992	1991
Income taxes paid . . . . .	\$114.2	\$ 53.5	\$ 5.3
Interest paid . . . . .	567.1	716.6	1,121.2
Net noncash transfers to foreclosed property . . . . .	26.8	71.6	140.5
Noncash merger-related transfers to securities held for sale . . . . .	181.6	-	-
Unrealized gain on available-for-sale securities, net of taxes of \$20.9 . . . . .	34.0	-	-
Cash acquisition of businesses:			
Fair value of noncash assets acquired . . . . .	40.8	26.0	242.7
Liabilities assumed . . . . .	(37.8)	(93.4)	(0.9)
Net . . . . .	\$ 3.0	\$ (67.4)	\$ 241.8
Stock acquisition of BSI and Siouxland, and related subsidiaries:			
Fair value of noncash assets acquired . . . . .		\$ 2,096.0	
Net cash acquired . . . . .		197.1	
Liabilities assumed . . . . .		(2,060.1)	
Net value of common stock issued . . . . .		\$ 233.0	

NOTE Q --> FIRST BANK SYSTEM, INC. (PARENT COMPANY)

CONDENSED BALANCE SHEET

December 31 (In Millions)	1993	1992
<b>ASSETS</b>		
Deposits with banks, principally interest-bearing (including \$139 and \$119 with subsidiaries) . . . . .	\$ 140	\$ 120
Available-for-sale securities . . . . .	121	-
Investment securities (market value: \$99) . . . . .	-	96
Investments in:		
Bank affiliates and bank holding companies . . . . .	2,315	2,256
Nonbank affiliates . . . . .	69	64
Trust affiliates . . . . .	51	44
Advances to:		
Bank affiliates and bank holding companies . . . . .	141	255
Nonbank affiliates . . . . .	67	115
Other assets . . . . .	233	256
Total assets . . . . .	\$3,137	\$3,206
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Short-term funds borrowed . . . . .	\$ 4	\$ 2
Advances from subsidiaries . . . . .	54	11
Long-term debt . . . . .	745	749
Other liabilities . . . . .	89	126
Shareholders' equity . . . . .	2,245	2,318
Total liabilities and shareholders' equity . . . . .	\$3,137	\$3,206

CONDENSED STATEMENT OF INCOME

Year Ended December 31 (In Millions)	1993	1992	1991
<b>INCOME</b>			
Dividends from subsidiaries (including \$357.4, \$152.0 and \$87.5 from bank and bank holding company subsidiaries) . . . . .	\$361.4	\$158.9	\$ 94.1
Interest from subsidiaries . . . . .	20.4	24.8	41.2
Service and management fees from subsidiaries . . . . .	69.3	64.9	71.3
Other income . . . . .	20.3	16.4	28.5
<b>Total income . . . . .</b>	<b>471.4</b>	<b>265.0</b>	<b>235.1</b>
<b>EXPENSES</b>			
Interest on short-term funds borrowed . . . . .	2.4	.6	10.1
Interest on long-term debt . . . . .	44.0	46.6	69.2
Operating expenses paid to subsidiaries . . . . .	7.0	7.0	11.6
Other expenses . . . . .	97.1	75.2	59.8
<b>Total expenses . . . . .</b>	<b>150.5</b>	<b>129.4</b>	<b>150.7</b>
Income before income taxes, cumulative effect of changes in accounting principles and equity in undistributed income of subsidiaries . . . . .	320.9	135.6	84.4
Income taxes (benefit) . . . . .	(14.3)	47.0	13.0
Income before cumulative effect of changes in accounting principles and equity in undistributed income of subsidiaries . . . . .	335.2	88.6	71.4
Cumulative effect of changes in accounting principles . . . . .	-	40.3	-
Income of parent company . . . . .	335.2	128.9	71.4
Equity (deficiency) in undistributed income of subsidiaries:			
Bank affiliates and bank holding companies . . . . .	(47.9)	165.2	149.0
Nonbank affiliates . . . . .	4.0	14.3	(14.2)
Trust affiliates . . . . .	6.7	3.4	.9
	(37.2)	182.9	135.7
<b>Net income</b>	<b>\$298.0</b>	<b>\$311.8</b>	<b>\$207.1</b>

CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31 (In Millions)	1993	1992	1991
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 298.0	\$ 311.8	\$ 207.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Deficiency (equity) in undistributed income of subsidiaries before cumulative effect of accounting changes	37.2	(182.9)	(135.7)
Cumulative effect of accounting changes	-	(40.3)	-
Increase in accrued receivables, net	(5.7)	.2	8.4
Increase (decrease) in accrued liabilities, net	(30.7)	68.5	(5.3)
Amortization of goodwill and other intangibles	5.4	4.9	5.9
Deferred tax provision	13.4	(7.6)	1.9
Other - net	(31.7)	8.4	(9.3)
Net cash provided by operating activities	285.9	163.0	73.0
<b>INVESTING ACTIVITIES</b>			
Proceeds from sales and maturities of investment securities	22.5	26.9	18.0
Purchases of investment securities	(61.3)	(45.5)	(75.2)
Investment in subsidiaries	(43.2)	(158.7)	(21.4)
Net decrease in short-term advances to affiliates	54.2	21.9	257.1
Long-term advances made to affiliates	(22.4)	(40.0)	(10.0)
Principal collected on long-term advances made to affiliates	126.0	.8	188.5
Other - net	23.3	16.6	(83.8)
Net cash provided (used) by investing activities	99.1	(178.0)	273.2
<b>FINANCING ACTIVITIES</b>			
Net increase in short-term funds borrowed	44.5	10.7	11.3
Proceeds from long-term debt	240.0	125.8	160.9
Principal payments on long-term debt	(244.7)	(88.0)	(603.3)
Issuance (redemption) of preferred stock	(115.2)	-	111.7
Proceeds from dividend reinvestment, stock option, and stock purchase plans	34.5	19.2	16.3
Issuance (repurchase) of treasury shares	(187.1)	2.8	-
Cash dividends	(137.5)	(100.1)	(87.5)
Net cash used by financing activities	(365.5)	(29.6)	(390.6)
Change in cash and cash equivalents	19.5	(44.6)	(44.4)
Cash and cash equivalents at beginning of year	120.0	164.6	209.0
Cash and cash equivalents at end of year	\$ 139.5	\$ 120.0	\$ 164.6

Certain restrictions exist regarding the extent to which bank subsidiaries may transfer funds to the Company in the form of dividends, loans or advances. Federal law prevents the Company and its nonbank subsidiaries from borrowing from bank subsidiaries unless the loans are secured by various types of collateral. These secured loans that may be made by bank subsidiaries to the Company or any individual affiliate are generally limited to 10 percent of the bank's equity and 20 percent of the bank's equity for loans to all affiliates and the Company in the aggregate.

Payment of dividends to the Company by its subsidiary banks is subject to ongoing review by banking regulators and is subject to various statutory limitations and in certain circumstances requires approval by banking regulatory agencies. The approval of the Comptroller of the Currency is required if total dividends declared by a national bank in any calendar year exceed the bank's net profits (as defined) for that year combined with its retained net profits for the preceding two calendar years. These permissible dividends are further limited by the minimum capital constraints imposed on all national banks by the Comptroller of the Currency. All subsidiaries have the ability to pay dividends without prior regulatory approval except one bank which bank represented less than one percent of total assets at December 31, 1993.

REPORT OF MANAGEMENT

The financial statements of First Bank System, Inc. were prepared by management, which is responsible for their integrity and objectivity. The statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances and include amounts that are based on management's best estimates and judgment. All financial information throughout the annual report is consistent with that in the financial statements.

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

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

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

/s/ JOHN F. GRUNDHOFER  
JOHN F. GRUNDHOFER  
Chairman, President and Chief Executive Officer

/s/ RICHARD A. ZONA  
RICHARD A. ZONA  
Vice Chairman and Chief Financial Officer

/s/ SUSAN E. LESTER  
SUSAN E. LESTER  
Executive Vice President and Controller

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Shareholders  
First Bank System, Inc.

We have audited the accompanying consolidated balance sheets of First Bank System, Inc. and subsidiaries as of December 31, 1993 and 1992, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Bank System, Inc. and subsidiaries at December 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Note B to the consolidated financial statements, in 1993 First Bank System, Inc. changed its method of accounting for certain investments in debt and equity securities.

Minneapolis, Minnesota  
January 13, 1994

CONSOLIDATED BALANCE SHEET--FIVE-YEAR SUMMARY

December 31 (In Millions)	1993	1992	1991	1990	1989	% CHANGE 1992-1993
<b>ASSETS</b>						
Cash and due from banks . . . . .	\$ 1,682	\$ 1,916	\$ 1,593	\$ 1,922	\$ 1,744	(12.2)%
Federal funds sold and resale agreements . . . . .	1,338	1,710	1,509	1,602	609	(21.8)
Interest-bearing deposits with banks . . . . .	--	327	410	58	47	**
Trading account securities . . . . .	55	94	151	136	192	(41.5)
Securities held for sale . . . . .	--	284	336	--	425	**
Securities:*						
U.S. Treasury . . . . .	1,541	1,816	1,155	964	943	(15.1)
Mortgage-backed securities . . . . .	1,300	1,583	1,165	1,577	1,656	(17.9)
State and political subdivisions . . . . .	196	188	166	445	530	4.3
U.S. agencies and other . . . . .	282	325	19	420	493	(13.2)
Total securities . . . . .	3,319	3,912	2,505	3,406	3,622	(15.2)
Loans . . . . .	18,779	17,076	16,365	16,829	19,546	10.0
Less allowance for credit losses . . . . .	423	448	427	454	480	(5.6)
Net loans . . . . .	18,356	16,628	15,938	16,375	19,066	10.4
Other assets . . . . .	1,635	1,754	1,409	1,305	1,524	(6.8)
Total assets . . . . .	\$26,385	\$26,625	\$23,851	\$24,804	\$27,229	(.9)%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Deposits:						
Noninterest-bearing . . . . .	\$ 7,489	\$ 6,011	\$ 4,723	\$ 4,295	\$ 4,078	24.6%
Interest-bearing . . . . .	13,542	15,177	14,422	15,083	16,358	(10.8)
Total deposits . . . . .	21,031	21,188	19,145	19,378	20,436	(.7)
Short-term borrowings . . . . .	1,334	1,450	1,303	1,651	2,800	(8.0)
Long-term debt . . . . .	1,015	822	948	1,506	1,733	23.5
Other liabilities . . . . .	760	847	603	669	820	(10.3)
Total liabilities . . . . .	24,140	24,307	21,999	23,204	25,789	(.7)
Shareholders' equity . . . . .	2,245	2,318	1,852	1,600	1,440	(3.1)
Total liabilities and shareholders' equity . . . . .	\$26,385	\$26,625	\$23,851	\$24,804	\$27,229	(.9)%

\*AVAILABLE-FOR-SALE IN 1993

\*\*NOT MEANINGFUL

CONSOLIDATED STATEMENT OF INCOME---FIVE-YEAR SUMMARY

Year Ended December 31 (In Millions)	1993	1992	1991	1990	1989	% CHANGE 1992-1993
<b>INTEREST INCOME</b>						
Loans . . . . .	\$1,398.6	\$1,418.8	\$1,624.3	\$1,922.2	\$2,206.3	(1.4)%
Investment securities:						
Taxable . . . . .	218.2	186.4	221.1	274.3	348.4	17.1
Exempt from federal income taxes . . . . .	14.6	12.0	19.1	34.9	35.9	21.7
Trading account . . . . .	4.6	6.4	11.8	15.6	24.3	(28.1)
Federal funds sold and resale agreements . . . . .	23.7	46.2	83.0	120.3	82.0	(48.7)
Deposits with banks . . . . .	2.1	11.5	2.7	10.5	13.0	(81.7)
<b>Total interest income . . . . .</b>	<b>1,661.8</b>	<b>1,681.3</b>	<b>1,962.0</b>	<b>2,377.8</b>	<b>2,709.9</b>	<b>(1.2)</b>
<b>INTEREST EXPENSE</b>						
Deposits . . . . .	423.7	568.7	872.8	1,191.4	1,363.1	(25.5)
Federal funds purchased and repurchase agreements . . . . .	31.8	37.1	57.9	139.0	199.3	(14.3)
Other short-term funds borrowed . . . . .	19.0	14.3	24.2	70.6	134.9	32.9
Long-term debt . . . . .	54.4	66.1	100.3	152.2	177.4	(17.7)
<b>Total interest expense . . . . .</b>	<b>528.9</b>	<b>686.2</b>	<b>1,055.2</b>	<b>1,553.2</b>	<b>1,874.7</b>	<b>(22.9)</b>
Net interest income . . . . .	1,132.9	995.1	906.8	824.6	835.2	13.8
Provision for credit losses (1992 includes \$13.6 merger-related)	125.2	183.4	202.2	215.4	335.8	(31.7)
<b>Net interest income after provision for credit losses . . . . .</b>	<b>1,007.7</b>	<b>811.7</b>	<b>704.6</b>	<b>609.2</b>	<b>499.4</b>	<b>24.1</b>
<b>NONINTEREST INCOME</b>						
Trust fees . . . . .	146.1	127.8	115.5	108.1	100.4	14.3
Credit card fees . . . . .	137.1	116.9	94.4	71.6	67.5	17.3
Service charges on deposit accounts . . . . .	115.3	108.4	97.2	91.8	78.3	6.4
Insurance commissions . . . . .	20.9	27.3	27.2	29.6	26.7	(23.4)
Trading account profits and commissions . . . . .	10.1	10.5	10.2	9.6	23.0	(3.8)
Investment securities gains . . . . .	.3	1.9	8.9	3.6	17.6	(84.2)
Other . . . . .	139.8	142.9	144.3	123.3	171.6	(2.2)
<b>Total noninterest income . . . . .</b>	<b>569.6</b>	<b>535.7</b>	<b>497.7</b>	<b>437.6</b>	<b>485.1</b>	<b>6.3</b>
<b>NONINTEREST EXPENSE</b>						
Salaries . . . . .	389.1	388.7	371.7	391.8	416.5	.1
Employee benefits . . . . .	86.3	85.5	79.3	77.3	78.6	.9
Net occupancy . . . . .	93.4	87.9	84.0	83.3	89.8	6.3
Furniture and equipment . . . . .	72.7	67.2	64.8	67.8	70.8	8.2
FDIC insurance . . . . .	46.4	42.2	38.5	25.2	18.9	10.0
Professional services . . . . .	36.7	38.7	37.8	36.8	38.5	(5.2)
Amortization of goodwill and other intangible assets . . . . .	30.6	25.2	21.6	14.7	13.8	21.4
Other personnel costs . . . . .	27.5	20.2	17.8	11.6	18.3	36.1
Data processing . . . . .	27.0	28.3	28.3	21.8	23.1	(4.6)
Other real estate (1992 includes \$26.4 merger-related) . . . . .	2.2	41.2	29.9	42.4	49.1	(94.7)
Merger, integration and restructuring . . . . .	72.2	84.0	--	--	37.5	(14.0)
Other . . . . .	216.4	205.2	195.6	208.3	236.2	5.5
<b>Total noninterest expense . . . . .</b>	<b>1,100.5</b>	<b>1,114.3</b>	<b>969.3</b>	<b>981.0</b>	<b>1,091.1</b>	<b>(1.2)</b>
Income (loss) before income taxes and cumulative effect of changes in accounting principles . . . . .	476.8	233.1	233.0	65.8	(106.6)	104.5
Applicable income taxes (credit) . . . . .	178.8	78.6	25.9	8.5	(19.8)	127.5
Income (loss) before cumulative effect of changes in accounting principles . . . . .	298.0	154.5	207.1	57.3	(86.8)	92.9
Cumulative effect of changes in accounting principles . . . . .	--	157.3	--	--	--	*
<b>Net income (loss) . . . . .</b>	<b>\$ 298.0</b>	<b>\$ 311.8</b>	<b>\$ 207.1</b>	<b>\$ 57.3</b>	<b>\$ (86.8)</b>	<b>(4.4)%</b>
<b>Net income (loss) applicable to common equity . . . . .</b>	<b>\$ 270.2</b>	<b>\$ 281.6</b>	<b>\$ 183.4</b>	<b>\$ 33.6</b>	<b>\$ (106.2)</b>	<b>(4.0)%</b>

\*NOT MEANINGFUL

QUARTERLY CONSOLIDATED FINANCIAL DATA

(In Millions, Except Per Share Data)	1993				1992			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
<b>INTEREST INCOME</b>								
Loans . . . . .	\$ 352.6	\$ 353.9	\$ 348.6	\$ 343.5	\$ 342.0	\$ 346.7	\$ 363.6	\$ 366.5
Investment securities:								
Taxable . . . . .	46.9	52.9	58.4	60.0	48.7	45.0	43.9	48.8
Exempt from federal income taxes . . . . .	4.7	3.2	3.3	3.4	2.2	3.2	3.3	3.3
Trading account . . . . .	1.1	1.3	1.2	1.0	1.2	1.5	1.7	2.0
Federal funds sold and resale agreements . . . . .	5.7	3.5	5.9	8.6	10.5	12.8	11.9	11.0
Deposits with banks . . . . .	--	.1	--	2.0	2.8	1.2	3.2	4.3
Total interest income . . . . .	411.0	414.9	417.4	418.5	407.4	410.4	427.6	435.9
<b>INTEREST EXPENSE</b>								
Deposits . . . . .	94.0	102.1	107.0	120.6	116.2	134.0	150.7	167.8
Federal funds purchased and repurchase agreements . . . . .	7.6	9.0	7.5	7.7	12.3	8.0	10.0	6.8
Other short-term funds borrowed . . . . .	4.9	5.1	5.1	3.9	5.1	3.4	2.8	3.0
Long-term debt . . . . .	14.9	13.4	13.0	13.1	14.9	17.0	16.6	17.6
Total interest expense . . . . .	121.4	129.6	132.6	145.3	148.5	162.4	180.1	195.2
Net interest income . . . . .	289.6	285.3	284.8	273.2	258.9	248.0	247.5	240.7
Provision for credit losses . . . . .	27.0	27.0	33.1	38.1	52.9	41.0	43.1	46.4
Net interest income after provision for credit losses . . . . .	262.6	258.3	251.7	235.1	206.0	207.0	204.4	194.3
<b>NONINTEREST INCOME</b>								
Trust fees . . . . .	37.5	36.6	36.5	35.5	32.2	32.7	31.5	31.4
Credit card fees . . . . .	37.5	36.6	34.5	28.5	31.9	30.7	28.7	25.6
Service charges on deposit accounts . . . . .	28.4	28.6	28.0	30.3	27.6	27.1	26.2	27.5
Insurance commissions . . . . .	5.3	5.8	4.5	5.3	6.6	7.1	6.7	6.9
Trading account profits and commissions . . . . .	2.2	2.4	2.9	2.6	2.6	2.4	3.2	2.3
Investment securities gains . . . . .	--	--	--	.3	.1	1.8	--	--
Other . . . . .	35.0	32.0	34.1	38.7	36.1	34.8	36.2	35.8
Total noninterest income . . . . .	145.9	142.0	140.5	141.2	137.1	136.6	132.5	129.5
<b>NONINTEREST EXPENSE</b>								
Salaries . . . . .	95.0	97.3	97.3	99.5	101.6	97.5	96.4	93.2
Employee benefits . . . . .	19.6	20.0	21.9	24.8	20.1	20.4	22.4	22.6
Net occupancy . . . . .	22.8	22.8	23.2	24.6	21.8	22.3	21.7	22.1
Furniture and equipment . . . . .	19.2	17.8	18.5	17.2	17.5	16.3	16.1	17.3
FDIC insurance . . . . .	11.5	11.4	11.7	11.8	10.4	10.3	10.5	11.0
Professional services . . . . .	10.7	9.1	8.6	8.3	10.5	10.0	10.0	8.2
Other real estate . . . . .	(.1)	2.2	.9	(.8)	27.3	4.7	4.9	4.3
Merger, integration and restructuring . . . . .	--	--	72.2	--	84.0	--	--	--
Other . . . . .	76.6	75.1	77.7	72.1	75.8	69.5	67.1	66.5
Total noninterest expense . . . . .	255.3	255.7	332.0	257.5	369.0	251.0	249.1	245.2
Income (loss) before income taxes and cumulative effect of changes in accounting principles . . . . .	153.2	144.6	60.2	118.8	(25.9)	92.6	87.8	78.6
Applicable income taxes (credit) . . . . .	57.3	53.5	26.7	41.3	(8.8)	32.0	29.3	26.1
Income (loss) before cumulative effect of changes in accounting principles . . . . .	95.9	91.1	33.5	77.5	(17.1)	60.6	58.5	52.5
Cumulative effect of changes in accounting principles . . . . .	--	--	--	--	--	--	--	157.3
Net income (loss) . . . . .	\$ 95.9	\$ 91.1	\$ 33.5	\$ 77.5	\$ (17.1)	\$ 60.6	\$ 58.5	\$ 209.8
Net income (loss) applicable to common equity . . . . .	\$ 90.4	\$ 83.7	\$ 26.1	\$ 70.0	\$ (24.5)	\$ 53.0	\$ 50.9	\$ 202.2
Earnings (loss) per common share . . . . .	\$ .81	\$ .74	\$ .23	\$ .61	\$ (.23)	\$ .50	\$ .49	\$ 1.94
<b>SELECTED AVERAGE BALANCES</b>								
Loans . . . . .	\$18,819	\$18,188	\$17,292	\$16,685	\$16,309	\$16,053	\$16,393	\$16,158
Earning assets . . . . .	23,270	22,710	22,455	22,267	21,337	20,880	20,856	20,711
Total assets . . . . .	26,266	25,554	25,347	25,053	24,019	23,460	23,468	23,353
Deposits . . . . .	20,930	20,248	20,284	19,916	18,999	18,542	18,777	18,627
Long-term debt . . . . .	1,072	916	847	817	881	971	903	945
Common equity . . . . .	1,957	1,974	1,949	1,936	1,792	1,746	1,688	1,646

THE FOURTH QUARTER OF 1992 INCLUDED \$110.4 MILLION IN MERGER-RELATED CHARGES AND \$13.6 MILLION IN THE PROVISION FOR CREDIT LOSSES IN CONNECTION WITH THE WESTERN CAPITAL INVESTMENT CORPORATION AND BANK SHARES INCORPORATED ACQUISITIONS. THE SECOND QUARTER OF 1993 INCLUDED \$72.2 MILLION IN MERGER-RELATED CHARGES IN CONNECTION WITH THE COLORADO NATIONAL BANKSHARES, INC. ACQUISITION.





CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

Five Year Summary of Consolidated Operations		1993		1992		1992-1993	
(In Millions)	Balance	Interest	Interest Yields and Rates	Balance	Interest	Interest Yields and Rates	%Change Average Balance
<b>ASSETS</b>							
<b>Securities:</b>							
U.S. Treasury . . . . .	\$ 1,778	\$ 100.7	5.66%	\$ 1,529	\$ 97.1	6.35%	16.3%
Mortgage-backed securities . . . . .	1,486	85.1	5.73	953	70.0	7.35	55.9
State & political subdivisions . . . . .	192	22.1	11.51	152	18.1	11.91	26.3
U.S. agencies and other . . . . .	516	31.3	6.07	324	19.3	5.96	59.3
Total securities . . . . .	3,972	239.2	6.02	2,958	204.5	6.91	34.3
Trading account securities . . . . .	117	4.7	4.02	137	6.5	4.74	(14.6)
Deposits with banks . . . . .	56	2.1	3.75	294	11.5	3.91	(81.0)
Federal funds sold and resale agreements . . . . .	794	23.7	2.98	1,337	46.2	3.46	(40.6)
<b>Loans:</b>							
<b>Commercial:</b>							
Commercial . . . . .	5,665	404.6	7.14	5,487	421.9	7.69	3.2
Financial institutions . . . . .	1,534	42.5	2.77	1,096	40.8	3.72	40.0
<b>Real estate:</b>							
Commercial mortgage . . . . .	1,511	125.1	8.28	1,502	128.8	8.58	.6
Construction . . . . .	207	15.3	7.39	258	20.2	7.83	(19.8)
Agricultural . . . . .	192	13.1	6.82	182	13.6	7.47	5.5
Lease financing . . . . .	220	15.8	7.18	206	16.4	7.96	6.8
Total commercial . . . . .	9,329	616.4	6.61	8,731	641.7	7.35	6.8
<b>Consumer:</b>							
Residential mortgage . . . . .	3,505	267.9	7.64	2,851	242.0	8.49	22.9
Credit card . . . . .	1,733	233.1	13.45	1,709	243.0	14.22	1.4
Other . . . . .	3,189	292.4	9.17	2,966	308.6	10.40	7.5
Total consumer . . . . .	8,427	793.4	9.42	7,526	793.6	10.54	12.0
Total loans . . . . .	17,756	1,409.8	7.94	16,257	1,435.3	8.83	9.2
Allowance for credit losses . . . . .	447			467			(4.3)
Net loans . . . . .	17,309			15,790			9.6
Total earning assets* . . . . .	22,695	1,679.5	7.40	20,983	1,704.0	8.12	8.2
Cash and due from banks . . . . .	1,720			1,510			13.9
Other assets . . . . .	1,607			1,566			2.6
Total assets . . . . .	\$25,575			\$23,592			8.4%
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>							
Noninterest-bearing deposits . . . . .	\$ 6,416			\$ 4,810			33.4%
<b>Interest-bearing deposits:</b>							
Interest checking . . . . .	2,454	38.6	1.57	2,198	51.7	2.35	11.6
Money market accounts . . . . .	3,923	102.9	2.62	3,874	124.5	3.21	1.3
Other savings accounts . . . . .	1,411	30.2	2.14	1,132	34.2	3.02	24.6
Savings certificates . . . . .	4,957	182.6	3.68	5,292	258.6	4.89	(6.3)
Certificates over \$100,000 . . . . .	1,186	69.4	5.85	1,468	99.7	6.79	(19.2)
Total interest-bearing deposits . . . . .	13,931	423.7	3.04	13,964	568.7	4.07	(.2)
Short-term borrowings . . . . .	1,270	50.8	4.00	1,106	51.4	4.65	14.8
Long-term debt . . . . .	913	54.4	5.96	927	66.1	7.13	(1.5)
Total interest-bearing liabilities . . . . .	16,114	528.9	3.28	15,997	686.2	4.29	.7
Other liabilities . . . . .	740			686			7.9
Preferred equity . . . . .	348			379			(8.2)
Common equity . . . . .	1,957			1,720			13.8
Total liabilities and shareholders' equity . . . . .	\$25,575			\$23,592			8.4%
Net interest income . . . . .		\$1,150.6			\$1,017.8		
Gross interest margin . . . . .			4.12%			3.83%	
Gross interest margin without taxable-equivalent increments . . . . .			4.04%			3.72%	
<b>PERCENT OF EARNING ASSETS</b>							
Interest income . . . . .			7.40%			8.12%	
Interest expense . . . . .			2.33			3.27	
Net interest margin . . . . .			5.07			4.85	
Provision for credit losses . . . . .			.55			.87	
Net interest margin after provision for credit losses . . . . .			4.52			3.98	
Noninterest income . . . . .			2.51			2.56	
Noninterest expense . . . . .			4.85			5.32	

	----	----
Income (loss) before income taxes and cumulative effect of changes in accounting principles. . . . .	2.18	1.22
Income taxes and taxable-equivalent adjustment . . . . .	.87	.48
	----	----
Income (loss) before cumulative effect of changes in accounting principles. .	1.31	.74
Cumulative effect of changes in accounting principles . . . . .	--	.75
	----	----
Net income (loss). . . . .	1.31%	1.49%
	----	----
Net interest margin without taxable-equivalent increments. . . . .	4.99%	4.74%
	----	----

INTEREST AND RATES ARE PRESENTED ON A FULLY TAXABLE-EQUIVALENT BASIS UNDER A TAX RATE OF 35 PERCENT FOR 1993 AND 34 PERCENT FOR 1992, 1991, 1990, AND 1989.

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

\*BEFORE DEDUCTING THE ALLOWANCE FOR CREDIT LOSSES

## Five Year Summary of Consolidated Operations

1991

1990

(In Millions)	Balance	Interest	Interest Yields and Rates	Balance	Interest	Interest Yields and Rates
<b>ASSETS</b>						
<b>Securities:</b>						
U.S. Treasury . . . . .	\$ 995	\$ 77.8	7.82%	\$ 970	\$ 77.9	8.03%
Mortgage-backed securities . . . . .	1,312	117.2	8.93	1,576	155.6	9.87
State & political subdivisions . . . . .	241	27.5	11.41	581	62.2	10.71
U.S. agencies and other . . . . .	423	27.2	6.43	582	30.9	5.31
<b>Total securities . . . . .</b>	<b>2,971</b>	<b>249.7</b>	<b>8.40</b>	<b>3,709</b>	<b>326.6</b>	<b>8.81</b>
Trading account securities . . . . .	176	12.1	6.88	185	15.8	8.54
Deposits with banks . . . . .	44	2.7	6.14	132	10.5	7.95
Federal funds sold and resale agreements . . . . .	1,384	83.0	6.00	1,467	120.3	8.20
<b>Loans:</b>						
<b>Commercial:</b>						
Commercial . . . . .	6,343	600.3	9.46	7,869	844.1	10.73
Financial institutions . . . . .	710	31.2	4.39	562	33.6	5.98
<b>Real estate:</b>						
Commercial mortgage . . . . .	1,391	135.1	9.71	1,283	133.2	10.38
Construction . . . . .	328	30.5	9.30	465	46.1	9.91
Agricultural . . . . .	177	17.3	9.77	181	20.4	11.27
Lease financing . . . . .	253	20.9	8.26	324	26.9	8.30
<b>Total commercial . . . . .</b>	<b>9,202</b>	<b>835.3</b>	<b>9.08</b>	<b>10,684</b>	<b>1,104.3</b>	<b>10.34</b>
<b>Consumer:</b>						
Residential mortgage . . . . .	2,697	247.0	9.16	3,676	371.6	10.11
Credit card . . . . .	1,495	217.3	14.54	1,091	174.1	15.96
Other . . . . .	2,947	349.3	11.85	2,653	302.7	11.41
<b>Total consumer . . . . .</b>	<b>7,139</b>	<b>813.6</b>	<b>11.40</b>	<b>7,420</b>	<b>848.4</b>	<b>11.43</b>
<b>Total loans . . . . .</b>	<b>16,341</b>	<b>1,648.9</b>	<b>10.09</b>	<b>18,104</b>	<b>1,952.7</b>	<b>10.79</b>
Allowance for credit losses . . . . .	455			478		
<b>Net loans . . . . .</b>	<b>15,886</b>			<b>17,626</b>		
<b>Total earning assets* . . . . .</b>	<b>20,916</b>	<b>1,996.4</b>	<b>9.54</b>	<b>23,597</b>	<b>2,425.9</b>	<b>10.28</b>
Cash and due from banks . . . . .	1,333			1,383		
Other assets . . . . .	1,281			1,354		
<b>Total assets . . . . .</b>	<b>\$23,075</b>			<b>\$25,856</b>		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
Noninterest-bearing deposits . . . . .	\$ 3,879			\$ 3,578		
<b>Interest-bearing deposits:</b>						
Interest checking . . . . .	1,897	57.5	3.03	1,748	84.7	4.85
Money market accounts . . . . .	3,607	194.3	5.39	3,297	226.0	6.85
Other savings accounts . . . . .	988	47.8	4.84	1,018	52.0	5.11
Savings certificates . . . . .	5,504	402.1	7.31	5,548	445.7	8.03
Certificates over \$100,000 . . . . .	2,340	171.1	7.31	4,375	383.0	8.75
<b>Total interest-bearing deposits . . . . .</b>	<b>14,336</b>	<b>872.8</b>	<b>6.09</b>	<b>15,986</b>	<b>1,194.4</b>	<b>7.45</b>
Short-term borrowings . . . . .	1,384	82.1	5.93	2,507	209.6	8.36
Long-term debt . . . . .	1,214	100.3	8.26	1,652	152.2	9.21
<b>Total interest-bearing liabilities . . . . .</b>	<b>16,934</b>	<b>1,055.2</b>	<b>6.23</b>	<b>20,145</b>	<b>1,553.2</b>	<b>7.71</b>
Other liabilities . . . . .	578			623		
Preferred equity . . . . .	282			264		
Common equity . . . . .	1,402			1,246		
<b>Total liabilities and shareholders' equity . . . . .</b>	<b>\$23,075</b>			<b>\$25,856</b>		
<b>Net interest income . . . . .</b>		<b>\$ 941.2</b>			<b>\$ 872.7</b>	
<b>Gross interest margin . . . . .</b>			<b>3.31%</b>			<b>2.57%</b>
<b>Gross interest margin without taxable-equivalent increments . . . . .</b>			<b>3.15%</b>			<b>2.37%</b>
<b>PERCENT OF EARNING ASSETS</b>						
Interest income . . . . .			9.54%			10.28%
Interest expense . . . . .			5.04			6.58
<b>Net interest margin . . . . .</b>			<b>4.50</b>			<b>3.70</b>
Provision for credit losses . . . . .			.97			.91
<b>Net interest margin after provision for credit losses . . . . .</b>			<b>3.53</b>			<b>2.79</b>
Noninterest income . . . . .			2.38			1.85
Noninterest expense . . . . .			4.63			4.16
<b>Income (loss) before income taxes and cumulative effect of changes in accounting principles . . . . .</b>			<b>1.28</b>			<b>.48</b>
<b>Income taxes and taxable-equivalent adjustment . . . . .</b>			<b>.29</b>			<b>.24</b>

Income (loss) before cumulative effect of changes in accounting principles . . . . .	.99	.24
Cumulative effect of changes in accounting principles. . . . .	--	--
Net income (loss). . . . .	.99%	.24%
Net interest margin without taxable-equivalent increments. . . . .	4.34%	3.49%

Five Year Summary of Consolidated Operations

1989

(In Millions)	Balance	Interest	Interest Yields and Rates
<b>ASSETS</b>			
Securities:			
U.S. Treasury . . . . .	\$ 950	\$ 75.3	7.93%
Mortgage-backed securities . . . . .	2,022	187.8	9.29
State & political subdivisions . . . . .	836	81.0	9.69
U.S. agencies and other . . . . .	761	57.9	7.61
Total securities . . . . .	4,569	402.0	8.80
Trading account securities . . . . .	284	26.1	9.19
Deposits with banks . . . . .	147	13.0	8.84
Federal funds sold and resale agreements . . . . .	887	81.9	9.23
Loans:			
Commercial:			
Commercial . . . . .	10,124	1,147.6	11.34
Financial institutions . . . . .	271	15.1	5.57
Real estate:			
Commercial mortgage . . . . .	1,231	134.8	10.95
Construction . . . . .	567	60.5	10.67
Agricultural . . . . .	193	23.0	11.92
Lease financing . . . . .	346	30.0	8.67
Total commercial . . . . .	12,732	1,411.0	11.08
Consumer:			
Residential mortgage . . . . .	3,756	376.9	10.03
Credit card . . . . .	891	143.7	16.13
Other . . . . .	2,779	318.9	11.48
Total consumer . . . . .	7,426	839.5	11.30
Total loans . . . . .	20,158	2,250.5	11.16
Allowance for credit losses . . . . .	495		
Net loans . . . . .	19,663		
Total earning assets* . . . . .	26,045	2,773.5	10.65
Cash and due from banks . . . . .	1,393		
Other assets . . . . .	1,666		
Total assets . . . . .	\$28,609		
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Noninterest-bearing deposits . . . . .	\$ 3,547		
Interest-bearing deposits:			
Interest checking . . . . .	1,694	86.3	5.09
Money market accounts . . . . .	2,868	207.6	7.24
Other savings accounts . . . . .	1,059	55.5	5.24
Savings certificates . . . . .	4,884	399.9	8.19
Certificates over \$100,000 . . . . .	6,563	613.8	9.35
Total interest-bearing deposits . . . . .	17,068	1,363.1	7.99
Short-term borrowings . . . . .	3,682	334.2	9.08
Long-term debt . . . . .	1,797	177.4	9.87
Total interest-bearing liabilities . . . . .	22,547	1,874.7	8.31
Other liabilities . . . . .	942		
Preferred equity . . . . .	231		
Common equity . . . . .	1,342		
Total liabilities and shareholders' equity . . . . .	\$28,609		
Net interest income . . . . .		\$ 898.8	
Gross interest margin . . . . .			2.34%
Gross interest margin without taxable-equivalent increments . . . . .			2.09%
<b>PERCENT OF EARNING ASSETS</b>			
Interest income . . . . .			10.65%
Interest expense . . . . .			7.20
Net interest margin . . . . .			3.45
Provision for credit losses . . . . .			1.29
Net interest margin after provision for credit losses . . . . .			2.16

Noninterest income . . . . .	1.87
Noninterest expense . . . . .	4.19
	----
Income (loss) before income taxes and cumulative effect of changes in accounting principles . . .	(.16)
Income taxes and taxable-equivalent adjustment . . . . .	.17
	----
Income (loss) before cumulative effect of changes in accounting principles . . . . .	(.33)
Cumulative effect of changes in accounting principles . . . . .	-
	----
Net income (loss) . . . . .	(.33)%
	----
	----
Net interest margin without taxable-equivalent increments . . . .	3.20%
	----
	----

SUPPLEMENTAL FINANCIAL DATA

EARNINGS PER SHARE SUMMARY

	1993	1992	1991	1990	1989
Primary net income before cumulative effect of accounting changes. . . . .	\$2.39	\$1.18	\$1.79	\$ .36	\$(1.23)
Cumulative effect of accounting changes. . . . .	--	1.49	--	--	--
Primary net income (loss). . . . .	\$2.39	\$2.67	\$1.79	\$ .36	\$(1.23)
Fully diluted net income before cumulative effect of accounting changes. . . . .	\$2.38	\$1.21	\$1.78	\$ .36	\$(1.23)
Cumulative effect of accounting changes. . . . .	--	1.43	--	--	--
Fully diluted net income (loss). . . . .	\$2.38	\$2.64	\$1.78	\$ .36	\$(1.23)

RATIOS

	1993	1992	1991	1990	1989
Return on average assets . . . . .	1.17%	1.32%	.90%	.22%	(.30)%
Return on average common shareholders' equity . . . . .	13.8	16.4	13.1	2.8	(7.9)
Average total equity to average assets . . . . .	9.0	8.9	7.3	5.8	5.5
Dividends per share to net income per share. . . . .	41.8	33.0	45.8	*	*

\*Not meaningful

OTHER STATISTICS

	1993	1992	1991	1990	1989
Common shares outstanding - year end*. . . . .	109,401,664	113,450,425	102,536,867	101,079,861	86,951,051
Average common shares outstanding and common stock equivalents:					
Primary. . . . .	113,075,429	105,361,022	102,533,284	93,302,380	86,072,698
Fully diluted. . . . .	116,794,358	109,671,248	103,668,953	93,302,380	86,072,698
Number of shareholders - year-end**. . . . .	22,100	25,625	23,977	25,484	23,273
Average number of employees (full-time equivalents). . . . .	12,300	12,553	12,742	13,626	14,749
Common dividends paid (millions) . . . . .	\$109.7	\$73.1	\$65.6	\$58.8	\$90.6

\*Defined as total common shares less common stock held in treasury.

\*\*Based on number of common stock shareholders of record

STOCK PRICE RANGE AND DIVIDENDS

	1993			1992		
	Sales Price		Dividends Paid	Sales Price		Dividends Paid
	High	Low		High	Low	
First quarter. . . . .	\$32.00	\$27.13	\$.25	\$28.38	\$23.63	\$.205
Second quarter. . . . .	34.00	25.88	.25	28.25	24.00	.225
Third quarter. . . . .	33.63	29.50	.25	27.75	23.13	.225
Fourth quarter. . . . .	34.13	28.00	.25	28.50	24.00	.225
Closing price - December 31. . . . .	30.75			28.125		

The common stock of First Bank System, Inc. is traded on the New York Stock Exchange.

COMMERCIAL LOAN MATURITIES AND SENSITIVITY TO CHANGES IN INTEREST RATES

At December 31, 1993 (In Millions)	Maturing		
	In 1 Year or Less	After 1 Year Through 5 Years	After 5 Years
Commercial . . . . .	\$5,008	\$ 913	\$ 118
Financial institutions . . . . .	1,882	121	1
Real estate:			
Commercial mortgage. . . . .	806	512	177
Construction . . . . .	205	19	7
Agricultural . . . . .	119	4	--
Lease financing. . . . .	59	127	11
<b>Total. . . . .</b>	<b>\$8,079</b>	<b>\$1,696</b>	<b>\$ 314</b>

	Due in One Year	Due After One Year	Total
Loans at fixed interest rates. . . . .	\$1,160	\$ 934	\$ 2,094
Loans at variable interest rates . . . . .	6,919	1,076	7,995
<b>Total. . . . .</b>	<b>\$8,079</b>	<b>\$2,010</b>	<b>\$10,089</b>

THE MATURITIES OF LOANS SHOWN ABOVE ARE BASED ON REMAINING SCHEDULED REPAYMENTS.

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

(In Millions)	Under Three Months	Three to Six Months	Six to Twelve Months	Over Twelve Months	Total
1993 . . . . .	\$370	\$148	\$209	\$334	\$1,061
1992 . . . . .	462	171	200	541	1,374
1991 . . . . .	927	199	199	625	1,950



SHORT-TERM FUNDS BORROWED

(In Millions)	Outstanding at Year-End	Average Daily Amount Outstanding	Maximum Outstanding Month-Ending Balance	Average Interest Rate Paid During the Year	Weighted Average Interest Rate at Year-End
<hr/>					
1993					
Federal funds purchased and securities sold under					
agreements to repurchase . . . . .	\$ 922	\$ 990	\$1,388	3.21%	3.15%
Commercial paper . . . . .	--	--	--	--	--
Other . . . . .	412	280	412	6.79	2.87
	<hr/>				
Total . . . . .	\$1,334	\$1,270	1,642	4.00	3.07
	<hr/>				
1992					
Federal funds purchased and securities sold under					
agreements to repurchase . . . . .	\$1,122	\$ 842	\$1,140	4.41%	3.39%
Commercial paper . . . . .	--	--	--	--	--
Other . . . . .	328	264	396	5.42	3.09
	<hr/>				
Total . . . . .	\$1,450	\$1,106	1,479	4.65	3.27
	<hr/>				
1991					
Federal funds purchased and securities sold under					
agreements to repurchase . . . . .	\$ 955	\$1,048	\$1,255	5.52%	4.61%
Commercial paper . . . . .	--	20	28	5.00	--
Other . . . . .	348	316	470	7.34	3.88
	<hr/>				
Total . . . . .	\$1,303	\$1,384	1,696	5.93	4.40
	<hr/>				

ANNUAL REPORT ON FORM 10-K

Securities and Exchange Commission  
Washington, D.C. 20549

Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 1993.

Commission File Number 1-6880

FIRST BANK SYSTEM, INC.

Incorporated in the State of Delaware  
IRS Employer Identification #41-0255900  
Address: 601 Second Avenue South  
Minneapolis, Minnesota 55402-4302  
Telephone: (612) 973-1111

Securities registered pursuant to Section 12(b) of the Act (all registered on the New York Stock Exchange): Common Stock, Par Value \$1.25; 10.50 percent Preferred Stock, Series 1989A; \$3.5625 Cumulative Convertible Preferred Stock, Series 1991A; Preferred Share Purchase Rights.

As of January 31, 1994, First Bank System, Inc. had 115,470,984 shares of common stock outstanding. The aggregate market value of common stock held by non-affiliates as of January 31, 1994, was \$3,542,287,104.

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

No disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in the Company's definitive proxy statement incorporated by reference herein.

This Annual Report and Form 10-K incorporates into a single document the requirements of the accounting profession and the Securities and Exchange Commission. Only those sections of the Annual Report referenced in the following cross-reference index are incorporated in the Form 10-K.

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PART IV	
ITEM 14	Exhibits, Financial Statement Schedules and Reports on Form 8-K . . . . .

\*FIRST BANK SYSTEM'S DEFINITIVE PROXY STATEMENT FOR THE 1994 ANNUAL MEETING OF SHAREHOLDERS IS INCORPORATED HEREIN BY REFERENCE, OTHER THAN THE SECTIONS ENTITLED "REPORT OF THE ORGANIZATION COMMITTEE ON EXECUTIVE COMPENSATION" AND "PERFORMANCE GRAPH."

GENERAL --> First Bank System, Inc. (the "Company") is a regional, multi-state bank holding company headquartered in the Twin Cities of Minneapolis and St. Paul, Minnesota. The Company was incorporated in Delaware in 1929 and owns more than 97 percent of the capital stock of each of the nine commercial banks and four trust companies, having 181 banking offices in Minnesota, Colorado, Montana, North Dakota, South Dakota, Washington, and Wisconsin. The Company also has various nonbank subsidiaries engaged in financial services principally in the Upper Midwest.

The banks are engaged in general commercial banking business principally in domestic markets. They range in size from \$42 million to \$12.3 billion in deposits and provide a wide variety of services to individuals, businesses, industry, institutional organizations, governmental entities and other financial institutions. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as cash management and receivable lockbox collection are provided for corporate customers. Nine subsidiary banks and four trust companies provide a full range of fiduciary activities for individuals, estates, foundations, business corporations, and charitable organizations.

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

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

On a full-time equivalent basis, employment during 1993 averaged a total of 12,300 employees.

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

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

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

Under the Act, a bank holding company may engage in banking, managing or controlling banks, furnishing or performing services for banks it controls, and conducting activities that the Board has determined to be closely related to banking. The Company must obtain approval of the Board before acquiring control of a bank or by acquiring more than 5 percent of the outstanding voting shares of a company engaged in a "bank-related" business. Under the Act and state laws, the Company is subject to certain restrictions as to states in which the Company can acquire a bank.

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

PROPERTIES --> At December 31, 1993, the Company's subsidiaries owned and operated a total of 138 facilities while leasing an additional 148 facilities, all of which are well maintained.

The Company's largest facilities are located in Minneapolis, St. Paul, and Denver. In Minneapolis, First Bank National Association and the Company's corporate offices occupy parts of four buildings. Thirty-one floors of First Bank Place and two floors of Pillsbury Center are leased. The Company also occupies nine floors in the Marquette bank building and five floors in the Concourse building, both of which are owned by the Company. In St. Paul, the Company leases an Operations Center as well as one-third of the First National Bank Building and four floors in the First Trust Center. In Denver, Colorado National Bank occupies approximately 70 percent of the Colorado National Bank Building and three percent of the Park Central Building, both of which are owned by subsidiaries of Colorado National Bank.

Additional information with respect to premises and equipment is presented in Notes G and H of Notes to Consolidated Financial Statements.



EXHIBITS

Financial Statements Filed	Page
-----	
First Bank System, Inc. and Subsidiaries	
Consolidated Financial Statements . . . . .	40
Notes to Consolidated Financial Statements . . . . .	44
Report of Independent Auditors . . . . .	70

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

During the three months ended December 31, 1993, the Company filed a report on Form 8-K on October 13, 1993, relating to the announcement of the Company's intention to purchase Boulevard Bancorp, Inc.

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

- (1)3A Restated Certificate of Incorporation, as amended. Filed as Exhibit 3A to report on Form 10-K for fiscal year ended December 31, 1989.
- 3B By-laws.
- 4 [Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. First Bank System, Inc. agrees to furnish a copy thereof to the Securities and Exchange Commission upon request.]
- (1)10A Agreement of Merger and Consolidation dated November 8, 1992, by and among First Bank System, Inc., Central Bancorporation, Inc. and Colorado National Bankshares, Inc. Filed as Exhibit 2.1 to 8-K Report filed November 13, 1992.
- (1)10B Stock Purchase Agreements dated as of May 30, 1990, among Corporate Partners, L.P.; Corporate Offshore Partners, L.P.; The State Board of Administration of Florida and First Bank System, Inc. and related documents. Filed as Exhibits 4.8-4.15 to Registration Statement on Form S-3 filed on September 10, 1991.
- (1)(2)10C First Bank System, Inc. 1987 Stock Option Plan. Filed as Exhibit 10E to report on Form 10-K for fiscal year ended December 31, 1991.
- (1)(2)10D First Bank System, Inc. Nonqualified Supplemental Executive Retirement Plan. Filed as Exhibit 10F to report on Form 10-K for fiscal year ended December 31, 1991.
- (1)(2)10E First Bank System, Inc. Executive Deferral Plan. Filed as Exhibit 10G to report on Form 10-K for fiscal year ended December 31, 1991.
- (1)(2)10F First Bank System, Inc. Annual Incentive Plan. Filed as Exhibit 10H to report on Form 10-K for fiscal year ended December 31, 1992.
- (1)(2)10G First Bank System, Inc. Independent Director Retirement and Death Benefit Plan. Filed as Exhibit 10I to report on Form 10-K for fiscal year ended December 31, 1992.
- (1)(2)10H First Bank System, Inc. Deferred Compensation Plan for Directors. Filed as Exhibit 10J to report on Form 10-K for fiscal year ended December 31, 1992.
- (1)10I Rights Agreement dated as of December 21, 1988, between First Bank System, Inc. and Morgan Shareholder Services Trust Company. Filed as Exhibit 1 to 8-K Report filed January 5, 1989.
- (1)(2)10J First Bank System, Inc. Restated Employee Stock Purchase Plan. Filed as Exhibit 10L to report on Form 10-K for fiscal year ended December 31, 1991.
- (1)(2)10K Form of Change-in-Control Agreement between First Bank System, Inc. and certain officers of the Company. Filed as Exhibit 10M to report on Form 10-K for fiscal year ended December 31, 1991.
- (1)(2)10L First Bank System, Inc. 1991 Stock Incentive Plan. Filed as Exhibit A to Definitive Proxy Statement of Annual Meeting of Shareholders on April 24, 1991.
- (2)10M First Bank System, Inc. 1994 Stock Incentive Plan.
- (1)(2)10N Agreement between First Bank System, Inc. and John F. Grundhofer dated December 30, 1992. Filed as Exhibit 100 to report on Form 10-K for fiscal year ended December 31, 1992.
- (2)100 Deferred Income Agreement between First Bank System, Inc. and John F. Grundhofer dated November 1, 1993.

(2)10P	Description of First Bank System, Inc. Stock Option Loan Policy.
11	Statement re: Computation of Primary and Fully Diluted Net Income per Common Share.
12	Statement re: Computation of Ratio of Earnings to Fixed Charges.
13	Integrated Annual Report / Form 10-K to Shareholders for the year ended December 31,1993 (See cover page).
21	Subsidiaries of the Registrant.
23	Consent of Ernst& Young.

Copies of the Exhibits will be furnished upon request and payment of the Company's reasonable expenses in furnishing the Financial Statement Schedule and Exhibits.

- (1) Exhibit has heretofore been filed with the Securities and Exchange Commission and is incorporated herein as an exhibit by reference.
- (2) Items that are management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 14(c) of this Form 10-K.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on February 16, 1994, on its behalf by the undersigned thereunto duly authorized.

First Bank System, Inc.  
John F. Grundhofer  
Chairman, President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 16, 1994, by the following persons on behalf of the registrant and in the capacities indicated.

JOHN F. GRUNDHOFER  
Chairman, President, Chief Executive Officer, and Director  
(principal executive officer)

RICHARD A. ZONA  
Vice Chairman and Chief Financial Officer  
(principal financial officer)

SUSAN E. LESTER  
Executive Vice President and Controller  
(principal accounting officer)

ROGER L. HALE  
Director

DELBERT W. JOHNSON  
Director

JOHN H. KAREKEN  
Director

RICHARD L. KNOWLTON  
Director

KENNETH A. MACKE  
Director

THOMAS F. MADISON  
Director

MARILYN C. NELSON  
Director

WILL F. NICHOLSON, JR.  
Director

NICHOLAS R. PETRY  
Director

EDWARD J. PHILLIPS  
Director

JAMES J. RENIER  
Director

S. WALTER RICHEY  
DIRECTOR

RICHARD L. ROBINSON  
Director

LYLE E. SCHROEDER  
Director

## EXECUTIVE OFFICERS

### JOHN F. GRUNDHOFER

Mr. Grundhofer, 55, has been Chairman of the Board, President and Chief Executive Officer of First Bank System since 1990. Previously, he served as Vice Chairman and Senior Executive Officer for Southern California, Wells Fargo Bank N.A.

### WILLIAM F. FARLEY

Mr. Farley, 49, has been Vice Chairman of First Bank System since 1990. His previous positions include: Partner, Headrick & Farley and President, First Bank National Association.

### PHILIP G. HEASLEY

Mr. Heasley, 44, was named Vice Chairman in 1993 and continues to serve as President of the Retail Product Group. His previous positions include: Executive Vice President and President of the Retail Product Group and Senior Vice President, Consumer Business, Electronic Banking Division.

### RICHARD A. ZONE

Mr. Zona, 49, has served as Vice Chairman since 1990 and Chief Financial Officer since 1989. He was previously a Partner at Ernst & Young,

### J. ROBERT HOFFMANN

Mr. Hoffmann, 48, has been Executive Vice President and Chief Credit Officer since 1990. He previously served as Executive Vice President, Credit Administration at First Bank National Association.

### JOHN M. MURPHY, JR.

Mr. Murphy, 52, has been Chairman and Chief Investment Officer, First Trust National Association, since 1990. Before that he was Managing Director, First Asset Management, a division of First Bank National Association.

### DANIEL C. ROHR

Mr. Rohr, 47, has served as Executive Vice President of the Commercial Banking Group since 1990. Previously, he was Executive Vice President and Chief Credit Officer at Columbia Savings & Loan Association.

### ROBERT H. SAYRE

Mr. Sayre, 54, has served as Executive Vice President of Human Resources since 1990. Previously, he was Executive Director at Russell Reynolds Associates, Inc.

### MICHAEL J. O'ROURKE

Mr. O'Rourke, 49, has been Executive Vice President, Secretary and General Counsel since 1991. Previously, he was Senior Vice President, Secretary and General Counsel.

### SUSAN E. LESTER

Ms. Lester, 37, was named Executive Vice President in 1993, in addition to her duties as Controller. Previously, she was Senior Vice President and Controller.

### DAVID R. EDSTAM

Mr. Edstam, 46, has been Senior Vice President and Treasurer since 1989.

### ELIZABETH A. MALKERSON

Ms. Malkerson, 44, has been Senior Vice President of Corporate Relations since 1990. Her previous position was Vice President of External Affairs.

## DIRECTORS

### COLEMAN BLOOMFIELD

Chairman and Chief Executive Officer  
Minnesota Mutual Life Insurance Co.  
St. Paul, Minnesota

### JOHN F. GRUNDHOFER

Chairman, President and Chief Executive Officer  
First Bank System, Inc.  
Minneapolis, Minnesota

### ROGER L. HALE

President and Chief Executive Officer  
TENNANT  
Minneapolis, Minnesota



\*DELBERT W. JOHNSON

President  
Pioneer Metal Finishing, Inc.  
Minneapolis, Minnesota

JOHN H. KAREKEN

Professor of Banking and Finance  
Curtis L. Carlson School of Management  
University of Minnesota  
Minneapolis, Minnesota

RICHARD L KNOWLTON

Chairman of the Board  
Hormel Foods Corporation  
Austin, Minnesota

KENNETH A. MACKE

Chairman and Chief Executive Officer  
Dayton Hudson Corporation  
Minneapolis, Minnesota

THOMAS F. MADISON

Retired President  
U.S. West Communications-Markets  
Minneapolis, Minnesota

MARILYN C. NELSON

Vice Chairman and Director  
Carlson Holdings, Inc.  
Minneapolis, Minnesota

WILL F. NICHOLSON, JR.

Chairman, President and Chief Executive Officer  
Colorado National Bankshares, Inc.  
Denver, Colorado

NICHOLAS R. PETRY

President  
The Petry Company  
Denver, Colorado

EDWARD J. PHILLIPS

Chairman and Chief Executive Officer  
Phillips Beverage Company  
Minneapolis, Minnesota

JAMES J. RENIER

Retired Chairman of the Board and Chief Executive Officer  
Honeywell Inc.  
Minneapolis, Minnesota

S. WALTER RICHEY

President and Chief Executive Officer  
Space Center Company  
St. Paul, Minnesota

RICHARD L. ROBINSON

Chairman and Chief Executive Officer  
Robinson Dairy, Inc.  
Denver, Colorado

RICHARD L. SCHALL

Retired Vice Chairman of the Board  
Dayton Hudson Corporation  
Minneapolis, Minnesota

LYLE E. SCHROEDER

President and Chief Executive Officer  
Sioux Valley Hospital  
Sioux Falls, South Dakota

\*ELECTED TO THE BOARD OF DIRECTORS  
EFFECTIVE JANUARY 19, 1994

FBS LOCATIONS

First Bank System, Inc. primarily serves Minnesota, Colorado, Montana, North Dakota, South Dakota, and Wisconsin through 181 banking locations and 24 additional offices of nonbank subsidiaries.

[GRAPHICS; MAP]

- FBS Retail and commercial banking
- Corporate Trust offices
- Republic Acceptance offices

MINNESOTA	COLORADO	SOUTH DAKOTA
Albert Lea	Arvada (2)	Aberdeen
Alexandria	Aspen	Rapid City (3)
Anoka (2)	Aurora (4)	Sioux Falls (4)
Apple Valley	Boulder (2)	
Austin	Broomfield	WISCONSIN
Babbitt	Canon City	
Blaine	Colorado Springs(6)	Brookfield
Bloomington (4)	Denver (18)	Brown Deer
Brainerd	Englewood (3)	La Crosse
Brooklyn Park	Evergreen	Milwaukee
Burnsville (2)	Fort Collins (2)	Onalaska
Cloquet	Glenwood Springs	
Columbia Heights	Golden	CORPORATE TRUST OFFICES
Cottage Grove	Grand Junction	
Duluth (3)	Greeley	Billings, MT
Eagan	La Junta	Boston, MA
East Grand Forks	Lakewood (4)	Chicago, IL
Eden Prairie (2)	Littleton (4)	Denver, CO
Edina (3)	Longmont	Duluth, MN
Fairmont	Loveland	Fargo, ND
Forest Lake	Northglenn	Frederick, MD
Hibbing	Pueblo (4)	Los Angeles, CA
Hopkins	Westminster (2)	Milwaukee, WI
Little Canada	Wheatridge	Portland, OR
Mankato (2)		San Francisco, CA
Minneapolis (13)	MONTANA	Seattle, WA
Minnetonka (2)		St. Paul, MN
Oakdale	Billings (2)	
Owatonna	Bozeman	REPUBLIC ACCEPTANCE CORP.
Plymouth (2)	Butte	OFFICES
Ramsey	Great Falls (3)	
Robbinsdale	Havre	Kansas City, MO
Rochester (3)	Helena	Milwaukee, WI
Shoreview	Miles City	Minneapolis, MN
St. Anthony	Missoula (2)	St. Louis, MO
St. Cloud		
St. Louis Park	NORTH DAKOTA	
St. Paul (6)		
Virginia	Bismarck (2)	
Wayzata	Fargo (4)	
West St. Paul	Grand Forks (2)	
White Bear Lake (2)	Jamestown	
Willmar	Minot (2)	
Woodbury		

## CORPORATE DATA

### EXECUTIVE OFFICES

First Bank Place  
601 Second Avenue South  
Minneapolis, Minnesota 55402-4302  
(612) 973-1111

### ANNUAL MEETING

The annual meeting of shareholders will be held at the Minneapolis Convention Center, 1301 Second Avenue South, Minneapolis, Minnesota 55403, at 2 p.m. on Thursday, April 28, 1994.

### SECURITIES INFORMATION

First Bank System Common Stock is traded on the New York Stock Exchange under the ticker symbol FBS and also may be found under the listing FtBkSy. The transfer agent and registrar for First Bank System is First Chicago Trust Company of New York, P.O. Box 2500, Jersey City, New Jersey 07303-2500.

### DIVIDEND REINVESTMENT

First Bank System shareholders can take advantage of a plan that provides automatic reinvestment of dividends and/or optional cash purchases of additional shares at market price of up to \$5,000 per quarter. If you would like more information, contact First Chicago Trust Company of New York, P.O. Box 13531, Newark, New Jersey 07188-0001, (800) 446-2617.

### INVESTMENT COMMUNITY CONTACTS

John R. Danielson  
Senior Vice President, Investor Relations  
(612) 973-2261

Karin E. Glasgow  
Assistant Vice President, Investor Relations  
(612) 973-2264

General Information, Investor Relations  
(612) 973-2263  
First Bank System, Inc.  
P.O. Box 522  
Minneapolis, Minnesota 55480

A limited number of spiral-bound 1993 Annual Reports are available for the investment community. Please write or call Investor Relations to obtain a copy.

### COMMUNITY RESPONSIBILITY REPORT

For information about FBS's community reinvestment activities, call FBS Community Relations, (612) 973-2433.

For additional annual reports or information about the 1994 annual meeting of shareholders, please contact Corporate Relations, First Bank System, First Bank Place, Minneapolis, Minnesota 55402, (612) 973-2434.

First Bank System is an Equal Employment Opportunity/Affirmative Action employer.

APPENDIX OF GRAPHIC MATERIAL

Location in Annual Report	Description	Cross Reference to Narrative Description in Form 10-K
Inside Front Cover	Graphics illustrating Return on Average Common Equity, Earnings Per Share and Shareholders' Equity to Assets Ratio for years 1990 through 1993	Inside Front Cover
Page 1	Graphics illustrating Return on Average Assets, Efficiency Ratio and Allowance Coverage Ratio of Nonperforming Loans for years 1990 through 1993	Page 1
Page 2	Graphic table entitled "Managing Capital for Shareholder Value" summarizing various capital related transactions	Page 2
Page 4	Graphic table listing the recent acquisitions	Page 4
Page 5	Graphic table summarizing the deposit market shares of FBS in various locations	Page 5
Page 6	Pie chart reflecting that the Retail & Community Banking Group accounts for 61 percent of FBS' net income	Page 6
Page 6 and 7	Graphs illustrating the Retail & Community Banking Group Efficiency Ratio, Net Interest Income, Net Income, and Noninterest Income for years 1991 through 1993	Page 6 and 7
Page 8	Pie chart reflecting that the Commercial Banking Group accounts for 28 percent of FBS' Net Income	Page 8
Page 8 and 9	Graphs illustrating the Commercial Banking Group Efficiency Ratio, Net Interest Income, Net Income, and Noninterest Income for the years 1991 through 1993	Page 8 and 9
Page 10	Pie chart reflecting that the Trust & Investment Group accounts for 11 percent of FBS' Net Income	Page 10
Page 10 and 11	Graphs illustrating the Trust & Investment Group Efficiency Ratio, Net Interest Income, Net Income, and Noninterest Income for years 1991 through 1993	Page 10 and 11

BYLAWS  
OF  
FIRST BANK SYSTEM, INC.  
ARTICLE I

OFFICES

Section 1. OFFICES.

The registered office of the Corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle, State of Delaware.

The Corporation shall have offices at such other places as the Board of Directors may from time to time determine.

ARTICLE II

STOCKHOLDERS

Section 1. ANNUAL MEETING.

The annual meeting of the stockholders for the election of Directors and for the transaction of such other business as may properly come before the meeting shall be held on such date as the Board of Directors shall each year fix. Each such annual meeting shall be held at such place, within or without the State of Delaware, and hour as shall be determined by the Board of Directors. The day, place and hour of such annual meeting shall be specified in the notice of annual meeting.

The meeting may be adjourned from time to time and place to place until its business is completed.

Section 2. SPECIAL MEETING.

Special meetings of stockholders may be called by the Board of Directors or the chief executive officer. The notice of such meeting shall state the purpose of such meeting and no business shall be transacted thereat except as stated in the notice thereof. Any such meeting may be held at such place within or without the State of Delaware as may be fixed by the Board of Directors or the Chief Executive Officer, and as may be stated in the notice of such meeting.

Section 3. NOTICE OF MEETING.

Notice of every meeting of the stockholders shall be given in the manner prescribed by law.

Section 4. QUORUM.

Except as otherwise required by law, the Certificate of Incorporation or these Bylaws, the holders of not less than one-third of the shares entitled to vote at any meeting of the stockholders, present in person or by proxy, shall constitute a quorum and the act of the majority of such quorum shall be deemed the act of the stockholders.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, date, or time.

SECTION 5. QUALIFICATION OF VOTERS.

The Board of Directors may fix a day and hour not more than sixty nor less than ten days prior to the day of holding any meeting of the stockholders as the time as of which the stockholders entitled to notice of and to vote at such meeting shall be determined. Only those persons who were holders of record of voting stock at such time shall be entitled to notice of and to vote at such meeting.

Section 6. PROCEDURE.

The presiding officer at each meeting of stockholders shall conclusively determine the order of business, all matters of procedure and whether or not a proposal is proper business to be transacted at the meeting and has been properly brought before the meeting.

The Board shall appoint two or more inspectors of election to serve at every meeting of the stockholders at which Directors are to be elected.

Section 7. NOMINATION OF DIRECTORS.

Only persons nominated in accordance with the following procedures shall be eligible for election by stockholders as Directors. Nominations of persons for election as Directors at a meeting of stockholders called for the purpose of electing Directors may be made (a) by or at the direction of the Board of Directors or (b) by any stockholder in the manner herein provided. For a nomination to be properly made by a stockholder, the stockholder must give written notice to the Secretary of the Corporation so as to be

received at the principal executive offices of the Corporation not later than (i) with respect to an annual meeting of stockholders, 90 days in advance of such meeting and (ii) with respect to a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which the notice of such meeting is first given to stockholders. Each such notice shall set forth (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understanding between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each nominee to serve as a Director of the Corporation if so elected.

### ARTICLE III

#### DIRECTORS

##### Section 1. NUMBER AND ELECTION.

The Board of Directors of the Corporation shall consist of seventeen Directors. Commencing with the annual election of Directors by the stockholders in 1986, the Directors shall be divided into three classes: Class I, Class II and Class III, each such class, as nearly as possible, to have the same number of Directors. The term of office of the initial Class I Directors shall expire at the annual election of Directors by the stockholders in 1987, the term of office of the initial Class II Directors shall expire at the annual election of Directors by the stockholders in 1988, and the term of office of the initial Class III Directors shall expire at the annual election of Directors by the stockholders in 1989. At each annual election of Directors by the stockholders held after 1985, the Directors chosen to succeed those whose terms have then expired shall be identified as being of the same class as the Directors they succeed and shall be elected by the stockholders for a term expiring at the third succeeding annual election of Directors. In all cases, Directors shall hold office until their respective successors are elected by the stockholders and have qualified.

In the event that the holders of any class or series of stock of the Corporation having a preference as to dividends or upon liquidation of the Corporation shall be entitled, by a separate class vote, to elect Directors as may be specified pursuant to Article Fourth of the Corporation's Restated Certificate of Incorporation, then the provisions of such class or series of stock with respect to their rights shall apply. The number of Directors that may be elected by the holders of any such class or series of stock shall be in addition to the number fixed pursuant to the preceding paragraph. Except as otherwise expressly provided pursuant to Article Fourth of the Corporation's Restated Certificate of Incorporation, the number of Directors that may be so elected by the holders of any such class or series of stock shall be elected for terms expiring at the next annual meeting of stockholders and without regard to the classification of the remaining members of the Board of Directors and vacancies among Directors so elected by the separate class vote of any such class or series of stock shall be filled by the remaining Directors elected by such class or series, or, if there are no such remaining Directors, by the holders of such class or series in the same manner in which such class or series initially elected a Director.

If at any meeting for the election of Directors, more than one class of stock, voting separately as classes, shall be entitled to elect one or more Directors and there shall be a quorum of only one such class of stock, that class of stock shall be entitled to elect its quota of Directors notwithstanding the absence of a quorum of the other class or classes of stock.

#### Section 2. VACANCIES.

Vacancies and newly created directorships resulting from an increase in the number of Directors shall be filled by a majority of the Directors then in office, although less than a quorum, or by a sole remaining Director, and such Directors so chosen shall hold office until the next election of the class for which such Directors shall have been chosen, and until their successors are elected and qualified.

#### Section 3. REGULAR MEETINGS.

Regular meetings of the Board shall be held at such times and places as the Board may from time to time determine.

#### Section 4. SPECIAL MEETINGS.

Special meetings of the Board may be called at any time, at any place and for any purpose by the Chairman of the Board, or the President, or by any officer of the Corporation upon the request of a majority of the entire Board.



Section 5. NOTICE OF MEETING.

Notice of regular meetings of the Board need not be given.

Notice of every special meeting of the Board shall be given to the Directors at their usual places of business, or at such other addresses as shall have been furnished by them for the purpose. Such notice shall be given at least twelve hours (three hours if meeting is to be conducted by conference telephone) before the meeting by telephone or by being personally delivered, mailed, or telegraphed. Such notice need not include a statement of the business to be transacted at, or the purpose of, any such meeting.

Section 6. QUORUM.

Except as may be otherwise provided by law or in these Bylaws, the presence of one-third of the entire Board shall be necessary and sufficient to constitute a quorum for the transaction of business at any meeting of the Board, and the act of a majority of such quorum shall be deemed the act of the Board.

Less than a quorum may adjourn any meeting of the Board from time to time without notice.

Section 7. PARTICIPATION IN MEETINGS BY CONFERENCE TELEPHONE.

Members of the Board, or of any committee thereof, may participate in a meeting of such Board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other and such participation shall constitute presence in person at such meeting.

Section 8. POWERS.

The business, property, and affairs of the Corporation shall be managed by or under the direction of its Board of Directors, which shall have and may exercise all the powers of the Corporation to do all such lawful acts and things as are not by law, or by the Certificate of Incorporation, or by these Bylaws, directed or required to be exercised or done by the stockholders.

Section 9. COMPENSATION OF DIRECTORS.

Directors shall receive such compensation for their services as shall be determined by a majority of the entire Board provided that Directors who are serving the Corporation as officers or employees and who receive compensation for their services as such officers or employees shall not receive any salary or other compensation for their services as Directors.

Section 10. COMMITTEES OF THE BOARD.

A majority of the entire Board of Directors may designate one or more standing or temporary committees consisting of one or more Directors. The Board may invest such committees with such powers and authority, subject to the limitations of law and such conditions as it may see fit.

ARTICLE IV

EXECUTIVE COMMITTEE

Section 1. ELECTION.

At any meeting of the Board, an Executive Committee, composed of the Chairman of the Board, the President, and not less than three other members, may be elected by a majority vote of the entire Board to serve until the Board shall otherwise determine. Either the Chairman of the Board or the President, whichever is the chief executive officer, shall be the Chairman of the Executive Committee, and the other shall be the Vice Chairman thereof, unless the Board shall otherwise determine. Members of the Executive Committee shall be members of the Board.

Section 2. POWERS.

The Executive Committee shall have and may exercise all of the powers of the Board of Directors when the Board is not in session, except that, unless specifically authorized by the Board of Directors, it shall have no power to (a) elect directors or officers; (b) alter, amend, or repeal these Bylaws or any resolution of the Board of Directors relating to the Executive Committee; (c) declare any dividend or make any other distribution to the stockholders of the Corporation; (d) appoint any member of the Executive Committee; or (e) take any other action which legally may be taken only by the Board.

Section 3. RULES.

The Executive Committee shall adopt such rules as it may see fit with respect to the calling of its meetings, the procedure to be followed thereat, and its functioning generally. Any action taken with the written consent of all members of the Executive Committee shall be as valid and effectual as though formally taken at a meeting of said Executive Committee.

Section 4. VACANCIES.

Vacancies in the Executive Committee may be filled at any time by a majority vote of the entire board.

ARTICLE V

OFFICERS

Section 1. NUMBER.

The officers of the Corporation shall be appointed or elected by the Board of Directors. The officers shall be a Chairman of the Board, a President, one or more Vice Chairmen, such number of Vice Presidents or other officers as the Board may from time to time determine, a Secretary, a Treasurer, and a Controller. The Chairman of the Board shall be the Chief Executive Officer unless the Board shall determine otherwise. The Chairman of the Board or, in his absence or if such office be vacant, the President shall preside at all meetings of the stockholders and of the Board. In the absence of the Chairman of the Board and the President, any other Board member designated by the Board may preside at all meetings of the stockholders and of the Board. The Board of Directors may appoint or elect a person as a Vice Chairman without regard to whether such person is a member of the Board of Directors.

Section 2. STAFF AND DIVISIONAL OFFICERS.

The Chief Executive Officer may appoint at his discretion such persons to hold the title of staff vice president, divisional chairman, divisional president, divisional vice president or other similar designation. Such persons shall not be officers of the Corporation and shall retain such title at the sole discretion of the Chief Executive Officer who may at his will and from time to time make or revoke such designation.

Section 3. TERMS OF OFFICE.

All officers, agents, and employees of the Corporation shall hold their respective offices or positions at the pleasure of the Board of Directors or the appropriate appointing authority and may be removed at any time by such authority with or without cause.

Section 4. DUTIES.

The officers, agents, and employees shall perform the duties and exercise the powers usually incident to the offices or positions held by them respectively, and/or such other duties and powers as may be assigned to them from time to time by the Board of Directors or the Chief Executive Officer.

ARTICLE VI

INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1.

The Corporation shall indemnify to the full extent permitted by, and in the manner permissible under the Delaware General Corporation Law, as amended from time to time, any person made, or threatened to be made, a party to any action, suit, or proceeding, whether criminal, civil, administrative, or investigative, by reason of the fact that such person is or was a director, advisory director, or officer of the Corporation or any predecessor of the Corporation, or served any other enterprise as a director, advisory director or officer at the request of the Corporation or any predecessor of the Corporation. The foregoing rights of indemnification shall not be deemed exclusive of any other rights to which any director, advisory director, or officer may be entitled apart from the provisions of this Article.

The Board of Directors in its discretion shall have power on behalf of the Corporation to indemnify any person, other than a director, advisory director or officer, made a party to any action, suit, or proceeding by reason of the fact that such person, or the testator or intestate of such person, is or was an employee of the Corporation.

Section 2.

Expenses incurred by a director, advisory director or officer in defending a civil or criminal action, suit or proceeding may be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director, advisory director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized by Delaware law. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

ARTICLE VII

Section 1. STOCK CERTIFICATES.

The interest of each stockholder of the Corporation shall be evidenced by a certificate or certificates for shares of stock in such form as the Board of Directors may from time to time prescribe. The shares of the stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his attorney upon surrender for cancellation of a certificate or certificates for the same number of shares with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the validity of the signature as the Corporation or its agents may reasonably require.

Section 2. SIGNATURES.

The certificates of stock shall be signed by the Chairman, President, or a Vice President and by the Secretary or an Assistant Secretary, provided that if such certificates are signed by a transfer agent or transfer clerk and by a registrar, the signatures of such Chairman, President, Vice President, Secretary, or Assistant Secretary may be facsimiles, engravings, or printed.

Section 3. REPLACEMENT.

No certificate for shares of stock in the Corporation shall be issued in place of any certificate alleged to have been lost, stolen, or destroyed except upon production of such evidence of such loss, theft, or destruction and upon delivery to the Corporation of a bond of indemnity in such amount, and upon such terms and secured by such surety as the Board of Directors or the Executive Committee in its discretion may require.

ARTICLE VIII

MISCELLANEOUS

Section 1. SEAL.

The Corporation seal shall bear the name of the Corporation, the date 1929 and the words "Corporation Seal, Delaware".

Section 2. FISCAL YEAR.

The fiscal year of the Corporation shall begin on the first day of January in each year and shall end on the thirty-first day of December following.

ARTICLE IX

AMENDMENTS

Section 1.

These Bylaws, or any of them, may from time to time be supplemented, amended, or repealed (a) by a majority vote of the entire Board of Directors or (b) at any annual or special meeting of the stockholders.

ARTICLE X

EMERGENCY BYLAW

Section 1. OPERATIVE EVENT

The Emergency Bylaw provided in this Article X shall be operative during any emergency resulting from an attack on the United States, any nuclear or atomic incident, or other event which creates a state of disaster of sufficient severity to prevent the normal conduct and management of the affairs and business of the Corporation, notwithstanding any different provision in the preceding articles of the Bylaws or in the Certificate of Incorporation of the Corporation or in the General Corporation Law of Delaware. To the extent not inconsistent with this Emergency Bylaw, the Bylaws provided in the preceding Articles shall remain in effect during such emergency and upon the termination of such emergency the Emergency Bylaw shall cease to be operative unless and until another such emergency shall occur.

Section 2. NOTICE OF MEETING.

During any such emergency, any meeting of the Board of Directors may be called by any officer of the Corporation or by any Director. Notice shall be given by such person or by any officer of the Corporation. The notice shall specify the place of the meeting, which shall be the head office of the Corporation at the time if feasible and otherwise any other place specified in the notice. The notice shall also specify the time of the meeting. Notice may be given only to such of the Directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio. If given by mail, messenger, telephone, or telegram, the notice shall be addressed to the Directors at their residences or business addresses, or such other places as the person giving the notice shall deem most suitable. Notice shall be

similarly given, to the extent feasible, to the other persons serving as Directors referred to in Section 3 below. Notice shall be given at least two days before the meeting if feasible in the judgment of the person giving the notice and otherwise on any shorter time he may deem necessary.

### Section 3. QUORUM.

During any such emergency, at any meeting of the Board of Directors, a quorum shall consist of one-third of the number of Directors fixed at the time pursuant to Article III of the Bylaws. If the Directors present at any particular meeting shall be fewer than the number required for such quorum, other persons present, to the number necessary to make up such quorum, shall be deemed Directors for such particular meeting as determined by the following provisions and in the following order of priority:

- (a) All Executive Vice Presidents of the Corporation in order of their seniority of first election to such office, or if two or more shall have been first elected to such office on the same day, in the order of their seniority in age; and
- (b) All Senior Vice Presidents of the Corporation in order of their seniority of first election to such office, or if two or more shall have been first elected to such office on the same day, in the order of their seniority in age; and
- (c) All Vice Presidents of the Corporation in order of their seniority of first election to such office, or if two or more shall have been first elected to such office on the same day, in the order of their seniority in age; and
- (d) Any other persons that are designated on a list that shall have been approved by the Board of Directors before the emergency, such persons to be taken in such order of priority and subject to such conditions as may be provided in the resolution approving the list.

### Section 4. LINES OF MANAGEMENT SUCCESSION.

The Board of Directors, during as well as before any such emergency, may provide and from time to time modify lines of succession in the event that during such an emergency any or all officers or agents of the Corporation shall for any reason be rendered incapable of discharging their duties.

Section 5. OFFICE RELOCATION.

The Board of Directors, during as well as before any such emergency, may, effective in the emergency, change the head office or designate several alternative head offices or regional offices, or authorize the officers to do so.

Section 6. LIABILITY.

No officer, director, or employee acting in accordance with this Emergency Bylaw shall be liable except for willful misconduct.

Section 7. REPEAL OR AMENDMENT.

This Emergency Bylaw shall be subject to repeal or change by further action of the Board of Directors or by action of the stockholders, except that no such repeal or change shall modify the provisions of the next preceding paragraph with regard to action or inaction prior to the time of such repeal or change. Any such amendment of this Emergency Bylaw may make any further or different provision that may be practical and necessary for the circumstances of the emergency deems it to be in the best interest of the Corporation to do so.



FIRST BANK SYSTEM, INC.  
1994 STOCK INCENTIVE PLAN

SECTION 1. PURPOSE. The purpose of the First Bank System, Inc. 1994 Stock Incentive Plan (the "Plan") is to aid in attracting and retaining employees at all levels capable of assuring the future success of First Bank System, Inc. (the "Company"), to offer such personnel incentives to put forth maximum efforts for the success of the Company's business and to afford such personnel an opportunity to acquire a proprietary interest in the Company.

## SECTION 2. DEFINITIONS.

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "Affiliate" shall mean (i) any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company and (ii) any entity in which the Company has a significant equity interest, as determined by the Committee.

(b) "Award" shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or other Stock-Based Award granted under the Plan.

(c) "Award Agreement" shall mean any written agreement, contract or other instrument or document evidencing any Award granted under the Plan.

(d) "Code" shall mean the Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.

(e) "Committee" shall mean a committee of the Board of Directors of the Company designated by such Board to administer the Plan and composed of not less than three directors, each of whom is a "disinterested person" within the meaning of Rule 16b-3. Each member of the Committee shall be an "outside director" within the meaning of Section 162(m) of the Code.

(f) "Dividend Equivalent" shall mean any right granted under Section 6(e) of the Plan.

(g) "Eligible Person" shall mean any employee, officer, consultant or independent contractor providing services to the Company or any Affiliate who the Committee determines to be an Eligible Person.

(h) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee. Notwithstanding the foregoing, for purposes of the Plan, the Fair Market Value of Shares on a given date shall be the closing price of the Shares as reported on the New York Stock Exchange on such date, if the Shares are then quoted on the New York Stock Exchange.

(i) "Incentive Stock Option" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.

(j) "Non-Qualified Stock Option" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.

(k) "Option" shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(l) "Other Stock-Based Award" shall mean any right granted under Section 6(f) of the Plan.

(m) "Participant" shall mean an Eligible Person designated to be granted an Award under the Plan.

(n) "Performance Award" shall mean any right granted under Section 6(d) of the Plan.

(o) "Person" shall mean any individual, corporation, partnership, association or trust.

(p) "Restricted Stock" shall mean any Share granted under Section 6(c) of the Plan.

(q) "Restricted Stock Unit" shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date.

(r) "Rule 16b-3" shall mean Rule 16b-3 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

(s) "Shares" shall mean shares of Common Stock, \$1.25 par value, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan.

(t) "Stock Appreciation Right" shall mean any right granted under Section 6(b) of the Plan.

### SECTION 3. ADMINISTRATION.

(a) POWER AND AUTHORITY OF THE COMMITTEE. The Plan shall be administered by the Committee. Subject to the terms of the Plan and applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights or other matters are to be calculated in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement; (v) amend the terms and conditions of any Award or Award Agreement and accelerate the exercisability of Options or the lapse of restrictions relating to Restricted Stock or Restricted Stock Units; (vi) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property, or canceled, forfeited or suspended; (vii) determine whether, to what extent and under what circumstances cash, Shares, other securities, other Awards, other property and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee; (viii) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (ix) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award shall be within the sole discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award and any employee of the Company or any Affiliate.

(b) MEETINGS OF THE COMMITTEE. The Committee shall select one of its members as its chairman and shall hold its meetings at such times and places as the Committee may determine. A majority of the Committee's members shall constitute a quorum. All determinations of the Committee shall be made by not less than a majority of its members. Any decision or determination reduced to writing and signed by all of the members of the Committee shall be fully effective as if it had been made by a majority vote at a meeting duly called and held. The Committee may appoint a secretary and may make such rules and regulations for the conduct of its business as it shall deem advisable.

SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) SHARES AVAILABLE. Subject to adjustment as provided in Section 4(c), the number of Shares available for granting Awards under the Plan shall be 5,000,000. If any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan. In addition, any Shares that are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award, or in connection with satisfaction of tax obligations relating to an Award in accordance with the provisions of Section 8(a) of the Plan, shall again be available for granting Awards to Eligible Persons who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

(b) ACCOUNTING FOR AWARDS. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan.

(c) ADJUSTMENTS. In the event that the Committee shall determine that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is determined by the Committee to be appropriate in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards and (iii) the purchase or exercise price with respect to any Award; PROVIDED, HOWEVER, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

(d) INCENTIVE STOCK OPTIONS. Notwithstanding the foregoing, the number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 5,000,000, subject to adjustment as provided in the Plan and Section 422 or 424 of the Code or any successor provisions.

(e) AWARD LIMITATIONS UNDER THE PLAN. No Eligible Person may be granted any Award or Awards, the value of which Awards are based solely on an increase in the value of the Shares after the date of grant of such Awards, for more than 500,000 Shares, in the aggregate, in any three calendar year period beginning with the period commencing January 1, 1994 and ending December 31, 1996. The foregoing limitation specifically includes the grant of any "performance-based" Awards within the meaning of section 162(m) of the Code.

#### SECTION 5. ELIGIBILITY.

Any Eligible Person, including any Eligible Person who is an officer or director of the Company or any Affiliate, shall be eligible to be designated a Participant; PROVIDED, HOWEVER, that an Incentive Stock Option may only be granted to full or part-time employees (which term as used herein includes, without limitation, officers and directors who are also employees) and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless such Affiliate is also a "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code or any successor provision.

#### SECTION 6. AWARDS.

(a) OPTIONS. The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) EXERCISE PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee; PROVIDED, HOWEVER, that such purchase price shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option.

(ii) OPTION TERM. The term of each Option shall be fixed by the Committee.

(iii) TIME AND METHOD OF EXERCISE. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms (including, without limitation, cash, Shares, other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the relevant exercise price) in which, payment of the exercise price with respect thereto may be made or deemed to have been made.

(iv) RELOAD OPTIONS. The Committee may grant "reload" options, separately or together with another Option, pursuant to which, subject to the

terms and conditions established by the Committee and any requirements of any other applicable law, the Participant would be granted a new Option when the payment of the exercise price of a previously granted option is made by the delivery of shares of the Company's Common Stock owned by the Participant pursuant to Section 6(a)(iii) hereof or the relevant provisions of another plan of the Company, and/or when shares of the Company's Common Stock are tendered or forfeited as payment of the amount to be withheld under applicable income tax laws in connection with the exercise of an option, which new Option would be an option to purchase the number of Shares not exceeding the sum of (A) the number of shares of the Company's Common Stock provided as consideration upon the exercise of the previously granted option to which such "reload" option relates and (B) the number of shares of the Company's Common Stock tendered or forfeited as payment of the amount to be withheld under applicable income tax laws in connection with the exercise of the option to which such "reload" option relates. "Reload" options may be granted with respect to options granted under any other stock option plan of the Company. Such "reload" options shall have a per share exercise price equal to the Fair Market Value as of the date of grant of the new Option.

(b) STOCK APPRECIATION RIGHTS. The Committee is hereby authorized to grant Stock Appreciation Rights to Participants subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise (or, if the Committee shall so determine, at any time during a specified period before or after the date of exercise) over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.

(c) RESTRICTED STOCK AND RESTRICTED STOCK UNITS. The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:

(i) RESTRICTIONS. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with

respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate.

(ii) STOCK CERTIFICATES. Any Restricted Stock granted under the Plan shall be evidenced by issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company. Such certificate or certificates shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions and restrictions applicable to such Restricted Stock. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted.

(iii) FORFEITURE; DELIVERY OF SHARES. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; PROVIDED, HOWEVER, that the Committee may, when it finds that a waiver would be in the best interest of the Company, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. Shares representing Restricted Stock that is no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holders of the Restricted Stock Units.

(d) PERFORMANCE AWARDS. The Committee is hereby authorized to grant Performance Awards to Participants subject to the terms of the Plan and any applicable Award Agreement. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of such performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan and any applicable Award Agreement, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted and the amount of any payment or transfer to be made pursuant to any Performance Award shall be determined by the Committee.

(e) DIVIDEND EQUIVALENTS. The Committee is hereby authorized to grant to Participants Dividend Equivalents under which such Participants shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to

a number of Shares determined by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, such Dividend Equivalents may have such terms and conditions as the Committee shall determine.

(f) OTHER STOCK-BASED AWARDS. The Committee is hereby authorized to grant to Participants such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan; PROVIDED, HOWEVER, that such grants must comply with applicable law. Subject to the terms of the Plan and any applicable Award Agreement, the Committee shall determine the terms and conditions of such Awards. Shares of other securities delivered pursuant to a purchase right granted under this Section 6(f) shall be purchased for such consideration, which may be paid by such method or methods and in such form or forms (including without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof), as the Committee shall determine, the value of which consideration, as established by the Committee, shall not be less than 100% of the Fair Market Value of such Shares or other securities as of the date such purchase right is granted.

(g) GENERAL.

(i) NO CASH CONSIDERATION FOR AWARDS. Awards shall be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(ii) AWARDS MAY BE GRANTED SEPARATELY OR TOGETHER. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate other than the Plan. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(iii) FORMS OF PAYMENT UNDER AWARDS. Subject to the terms of the Plan and of any applicable Award Agreement, payments or transfers to be made by the Company or an Affiliate upon the grant, exercise or payment of an Award may be made in such form or forms as the Committee shall determine (including, without limitation, cash, Shares, other securities, other Awards or other property or any combination thereof), and may be made in a single payment or transfer, in installments or on a deferred basis, in each case in accordance with rules and procedures established by the Committee. Such rules and procedures may include, without limitation, provisions for the payment or crediting of reasonable interest on installment or deferred



payments or the grant or crediting of Dividend Equivalents with respect to installment or deferred payments.

(iv) LIMITS ON TRANSFER OF AWARDS. No Award and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution; PROVIDED, HOWEVER, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant. Each Award or right under any Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. No Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) TERM OF AWARDS. The term of each Award shall be for such period as may be determined by the Committee.

(vi) RESTRICTIONS; SECURITIES EXCHANGE LISTING. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws, and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

#### SECTION 7. AMENDMENT AND TERMINATION; ADJUSTMENTS.

Except to the extent prohibited by applicable law and unless otherwise expressly provided in an Award Agreement or in the Plan:

(a) AMENDMENTS TO THE PLAN. The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan.

(b) AMENDMENTS TO AWARDS. The Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. The Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, without the

consent of the Participant or holder or beneficiary thereof, except as otherwise herein provided.

(c) CORRECTION OF DEFECTS, OMISSIONS AND INCONSISTENCIES. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

#### SECTION 8. INCOME TAX WITHHOLDING; TAX BONUSES.

(a) WITHHOLDING. In order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal or state payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. In order to assist a Participant in paying all federal and state taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (i) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes or (ii) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

(b) TAX BONUSES. The Committee, in its discretion, shall have the authority, at the time of grant of any Award under this Plan or at any time thereafter, to approve cash bonuses to designated Participants to be paid upon their exercise or receipt of (or the lapse of restrictions relating to) Awards in order to provide funds to pay all or a portion of federal and state taxes due as a result of such exercise or receipt (or the lapse of such restrictions). The Committee shall have full authority in its discretion to determine the amount of any such tax bonus.

#### SECTION 9. GENERAL PROVISIONS.

(a) NO RIGHTS TO AWARDS. No Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to different Participants.

(b) DELEGATION. The Committee may delegate to one or more officers of the Company or any Affiliate or a committee of such officers the authority, subject

to such terms and limitations as the Committee shall determine, to grant Awards to Eligible Persons who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended.

(c) AWARD AGREEMENTS. No Participant will have rights under an Award granted to such Participant unless and until an Award Agreement shall have been duly executed on behalf of the Company.

(d) NO LIMIT ON OTHER COMPENSATION ARRANGEMENTS. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) NO RIGHT TO EMPLOYMENT. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of the Company or any Affiliate. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

(f) GOVERNING LAW. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Minnesota.

(g) SEVERABILITY. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

(h) NO TRUST OR FUND CREATED. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.

(i) NO FRACTIONAL SHARES. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such

fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(j) HEADINGS. Headings are given to the Sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

SECTION 10. EFFECTIVE DATE OF THE PLAN.

The Plan shall be effective as of the date of its approval by the Board of Directors of the Company.

SECTION 11. TERM OF THE PLAN.

Awards shall only be granted under the Plan during a 10-year period beginning on the effective date of the Plan. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond the end of such 10-year period, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Board of Directors of the Company to amend the Plan, shall extend beyond the end of such period.

## DEFERRED INCOME AGREEMENT

THIS AGREEMENT, dated November 1, 1993, by and between First Bank System, Inc., a Delaware corporation ("Employer"), and John F. Grundhofer ("Executive").

WHEREAS, Employer and Executive entered into an employment agreement dated December 30, 1992 (the "Employment Agreement"); and

WHEREAS, Executive desires to defer the receipt of certain amounts to be paid to him pursuant to the Employment Agreement and Employer is willing to enter into this Deferred Income Agreement.

IN CONSIDERATION of the respective undertakings of Employer and Executive set forth below, Employer and Executive agree as follows:

In lieu of any rights Executive may have had pursuant to the Employment Agreement to receive an amount equal to \$.90 for each share of Non-Vested Stock (as defined in the Employment Agreement) as provided in Section 4.12 of the Employment Agreement (the "Dividend Payments"), Employer and Executive agree that Employer shall establish and maintain a bookkeeping account for Executive, which may be the same bookkeeping account established pursuant to the Employment Agreement (the "Bookkeeping Account"), which account shall be credited with an amount equal to the Dividend Payments provided for in

Section 4.12 of the Employment Agreement, beginning with the payments otherwise to be made to Executive on or about December 31, 1993 and all such subsequent Dividend Payments. The amount credited to the Bookkeeping Account shall be deemed to be invested in such stock, bonds or other securities as Executive shall, from time to time, designate in writing to Employer's Vice President, Total Compensation or such other individual as Employer shall designate, which deemed investments must be reasonably acceptable to Employer and must be of a type that Employer would be permitted to make under applicable laws and regulations. The Bookkeeping Account shall be credited or debited as the case may be with gains and losses deemed incurred as a result of such designated, deemed investments. The balance of the Bookkeeping Account shall then become payable to or with respect to Executive in accordance with the procedures set forth in Section 4.12 of the Employment Agreement.

Employer, in its sole and absolute discretion, may alter the timing or manner of payment of the balance of the Bookkeeping Account in the event that Executive establishes to the satisfaction of Employer severe financial hardship. Severe financial hardship will be deemed to have occurred pursuant to the definition set forth thereof in the Employment Agreement.

Executive may designate a beneficiary or beneficiaries who, upon his death, are to receive distributions that otherwise would have been paid to Executive

hereunder. All such designations shall be in writing and shall be effective only if and when delivered to Employer during the lifetime of Executive.

Employer shall have the right to deduct from all payments made pursuant to this Agreement any federal, state or local taxes required by law to be withheld with respect to such payments. Executive and Employer understand and agree that the timetable set forth in the Employment Agreement with respect to the payment of the Bookkeeping Account created hereunder is irrevocable and shall not be subject to any amendment or modification. Further, Executive and Employer understand and agree that Employer is under a contractual obligation to make payments to Executive in accordance with this Agreement. Such payments shall not be financed from any trust fund, insurance or otherwise and shall be paid solely out of the general funds of Employer, and Executive shall have no interest whatsoever in any investment made by Employer on account of Executive's request with respect to deemed investments of the Bookkeeping Account. Executive will not have any interest whatsoever in any specific asset of Employer as a result of this Agreement, and Executive's rights to payment hereunder shall be no greater than the right of any other general, unsecured creditor of Employer. In no event shall Employer make any payment hereunder to any assignee or creditor of Executive or of a beneficiary. Prior to the time of payment hereunder, Executive or a beneficiary thereof shall have no rights by way of anticipation or otherwise to assign or

otherwise dispose of any interest under this Agreement, nor shall such rights be assigned or transferred by operation of law.

Nothing in this Agreement shall be deemed to create a vested right in Executive to receive any of the Dividend Payments to be deferred hereunder. Such Dividend Payments shall be credited to the Bookkeeping Account created hereby if, and only if, in accordance with all the terms and conditions of the Employment Agreement, such amounts would otherwise have been paid directly to Executive.

Executive and Employer hereby incorporate by reference and make a part hereof all of the provisions of Section 8 of the Employment Agreement.



IN WITNESS WHEREOF, Executive and Employer have executed this Agreement as of the date set forth in the first paragraph.

FIRST BANK SYSTEM, INC.

By /s/ Robert H. Sayre

-----  
Its Executive Vice President,  
Human Resources

/s/ John F. Grundhofer

-----  
John F. Grundhofer

FIRST BANK SYSTEM, INC.  
STOCK OPTION LOAN PROGRAM

SUMMARY OF TERMS

Pursuant to the Stock Option Loan Program adopted by the First Bank System, Inc. ("FBS") Board of Directors, beginning February 27, 1993, active employees holding stock options ("Participants") are entitled to borrow from FBS the amount necessary to pay the exercise price upon exercise of a FBS stock option. Loans will be made to Participants on the following terms:

1. **MAXIMUM LOAN AMOUNT.** Participants may borrow up to the full exercise price upon exercise of an FBS stock option. The loan amount will be immediately applied to payment of the exercise price to FBS, and Participants will not directly receive the funds prior to such payment. The loan amount shall not include amounts intended to satisfy applicable tax withholding payments or for any other purpose other than payment of the stock option exercise price.

2. **TERM.** Participants may select the length of the term of the loan (in whole years) up to a maximum of six years.

3. **PAYMENT SCHEDULE.** Subject to applicable prepayment requirements, all principal and interest on a loan will be payable at the end of the term of the loan. Participants may prepay a loan or any portion thereof with no penalty.

4. **INTEREST RATE.** The interest rate on loans will be the applicable federal rate (determined in accordance with Section 1274(d) of the Internal Revenue Code of 1986, as amended) on the date the loan is extended. Interest will be compounded semi-annually and due and payable at the time that the principal is due and payable.

5. **SECURITY.** Participants are required to provide FBS with a security interest in all of the FBS Common Stock received upon the exercise of the loan. FBS will retain a Participant's share certificates in connection with securing a loan, and Participants will be required to execute a stock power in favor of FBS. In the event that a Participant elects to deliver shares issued upon exercise to FBS to satisfy the Participant's tax withholding responsibility, however, no security interest will be retained in such shares. In the event of a reclassification of shares of FBS Common Stock, an exchange of shares of FBS Common Stock for another security, a stock split or granting of a stock dividend, or any similar event, FBS or its successor shall retain a security interest in the securities to which the Participant is entitled pursuant to such event. If a Participant desires to sell shares of the capital stock held as collateral for the security interest, the Participant must repay such portion of the loan as is secured by such collateral (i.e., the exercise price on such shares plus accrued interest thereon). Capital stock constituting collateral may be released in blocks of a

minimum of 100 shares (unless all of the remaining collateral constitutes less than 100 shares). Regardless of any security interest maintained by FBS in shares of FBS Common Stock, Participants are personally liable for the entire amount of any loan under the Loan Program.

6. TERMINATION OF EMPLOYMENT; DEATH. In the case of retirement by a Participant, the Participant's loan may remain outstanding with the same terms and conditions as if no termination had occurred until the end of its term. In the event of resignation or involuntary termination, the loan must be repaid in full within 90 days of a Participant's last day of active employment. In the case of the death of a Participant, the loan shall become immediately due and payable.

7. DOCUMENTATION. In connection with loans extended under the Loan Program, Participants will be required to complete such loan documentation as FBS deems appropriate. Such documentation may include, without limitation, a promissory note, a stock power and such documents as are required under Federal Reserve Regulation G.

8. RIGHT OF OFFSET. In the event that a Participant defaults on repayment of a loan under the Loan Program, and to the extent that the loan repayment is not satisfied by the security interest, FBS may offset wages otherwise owed to a Participant (subject to applicable law).

9. TERMINATION OF PROGRAM. The Loan Program may be terminated, or its terms and conditions changed, at the discretion of the Board of Directors without notice to Participants; provided, however, that outstanding loans would not be affected by any such termination or changes.

## COMPUTATION OF PRIMARY AND FULLY DILUTED NET INCOME PER COMMON SHARE

(Dollars in millions, except per share data)	YEAR ENDED DECEMBER 31		
	1993	1992	1991
<b>PRIMARY:</b>			
Average shares outstanding	112,047,588	103,707,840	101,711,931
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	1,027,841	1,653,182	821,353
	113,075,429	105,361,022	102,533,284
Net income before cumulative effect of accounting changes	\$298.0	\$154.5	\$207.1
Preferred dividends	(27.8)	(30.2)	(23.7)
Pro-rata effect of the assumed exercise of risk event warrants	--	--	--
Net income before cumulative effect of accounting changes applicable to common equity	\$270.2	\$124.3	\$183.4
Net income before cumulative effect of accounting changes per common share	\$2.39	\$1.18	\$1.79
Cumulative effect of accounting changes applicable to common equity	--	\$157.3	--
Cumulative effect of accounting changes per common share	--	\$1.49	--
Net income	\$298.0	\$311.8	\$207.1
Preferred dividends	(27.8)	(30.2)	(23.7)
Pro-rata effect of the assumed exercise of risk event warrants	--	--	--
Net income applicable to common equity	\$270.2	\$281.6	\$183.4
Net income per common share	\$2.39	\$2.67	\$1.79
<b>FULLY DILUTED: *</b>			
Average shares outstanding	112,047,588	103,707,840	101,711,931
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 or year-end market price, whichever is higher	1,065,030	2,011,784	1,339,920
Assumed conversion of Series 1991A Preferred Stock	3,681,740	3,951,624	617,102
	116,794,358	109,671,248	103,668,953
Net income before cumulative effect of accounting changes	\$298.0	\$154.5	\$207.1
Preferred dividends, excluding 1991 A Preferred Stock	(\$19.8)	(22.0)	(22.4)
Pro-rata effect of the assumed exercise of risk event warrants	--	--	--
Net income before cumulative effect of accounting changes applicable to common equity	\$278.2	\$132.5	\$184.7
Net income before cumulative effect of accounting changes per common share	\$2.38	\$1.21	\$1.78
Cumulative effect of accounting changes applicable to common equity	--	\$157.3	--
Cumulative effect of accounting changes per common share	--	\$1.43	--
Net income	\$298.0	\$311.8	\$207.1
Preferred dividends	(\$19.8)	(22.0)	(22.4)
Pro-rata effect of the assumed exercise of risk event warrants	--	--	--
Net income applicable to common equity	\$278.2	\$289.8	\$184.7
Net income per common share	\$2.38	\$2.64	\$1.78

\* This calculation is submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 17 of APB Opinion No. 15 because it results in dilution of less than 3%.

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(Dollars in Thousands)	Year Ended December 3 1993
-----	
Earnings	
1. Net income	\$ 298,000
2. Applicable income taxes	178,800
-----	
3. Net income before taxes (1 + 2)	\$ 476,800
-----	
4. Fixed charges:	
a. Interest expense excluding interest on deposits	\$ 105,200
b. Portion of rents representative of interest and amortization of debt expense	31,379
-----	
c. Fixed charges excluding interest on deposits (4a + 4b)	136,579
d. Interest on deposits	423,700
-----	
e. Fixed charges including interest on deposits (4c + 4d)	\$ 560,279
-----	
5. Amortization of interest capitalized	\$ 4,900
6. Earnings excluding interest on deposits (3 + 4c + 5)	618,279
7. Earnings including interest on deposits (3 + 4e + 5)	1,041,979
8. Fixed charges excluding interest on deposits (4c)	136,579
9. Fixed charges including interest on deposits (4e)	560,279
-----	
RATIO OF EARNINGS TO FIXED CHARGES	
10. Excluding interest on deposits (line 6/line 8)	4.53
11. Including interest on deposits (line 7/line 9)	1.86
-----	

FIRST BANK SYSTEM, INC.  
BANKING AND NON-BANKING SUBSIDIARIES

Bank and Trust Operations\*  
-----

MINNESOTA  
-----

First Bank National Association  
First National Bank of East Grand Forks  
First Trust National Association

NORTH DAKOTA  
-----

First Bank of North Dakota, National Association  
First Trust Company of North Dakota, National Association

SOUTH DAKOTA  
-----

First Bank of South Dakota (National Association)

WASHINGTON  
-----

First Bank Washington \*

WISCONSIN  
-----

First Bank (N.A.)

ARIZONA  
-----

First Trust Company of Arizona (Inactive)

MONTANA  
-----

First Bank Montana, National Association  
First Trust Company of Montana, National Association

COLORADO  
-----

Colorado National Bank  
Colorado National Bank Aspen

\* These entities are national banking associations with the exception of First Bank Washington, which is a state banking association.

NON-BANKING SUBSIDIARIES

Subsidiary -----	State of Incorporation -----
FBS Associated Properties, Inc.	Minnesota
FBS Capital Markets Limited - (Inactive)	Great Britain
FBS Card Services, Inc.	Minnesota
FBS Cayman Ltd.	Cayman Islands
FBS Community Development Corporation	Minnesota
FBS Credit Services, Inc.	Minnesota
FBS Information Services Corporation	Minnesota
FBS Portfolio, Inc.	Minnesota
FBS Venture Capital Corporation	Minnesota
FBS Washington Bancorporation	Minnesota
First Bank System Foundation	Minnesota
First Building Corporation	Minnesota
First Group Royalties, Inc.	Minnesota
First System Agencies, Inc.	Delaware
First System Agencies of Montana, Inc.	Montana
First System Services, Inc.	Minnesota
Marquette Information Services, Inc.	Minnesota
Marquette Insurance Agency, Inc.	Minnesota
Colorado National Bankshares, Inc.	Colorado

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in Registration Statements Number 2-89224, Number 33-16242, Number 33-42333, Number 33-55932, and Number 33-42334 on Form S-8, Registration Statements Number 33-38268, Number 33-33508, Number 33-39303, Number 33-47785 and Number 33-51407 on Form S-3 and Registration Statement Number 33-51383 on Form S-4 of First Bank System, Inc. of our report dated January 13, 1994 with respect to the consolidated financial statements of First Bank System, Inc. included in the Annual Report on Form 10-K for the year ended December 31, 1993.

Minneapolis, Minnesota  
February 28, 1994