

SECURITIES AND EXCHANGE COMMISSION

FORM 8-K

Current report filing

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FILER

FIRST BANK SYSTEM INC

CIK: **36104** | IRS No.: **410255900** | State of Incorporation: **DE** | Fiscal Year End: **1231**
Type: **8-K** | Act: **34** | File No.: **001-06880** | Film No.: **94523472**
SIC: **6021** National commercial banks

Business Address
601 SECOND AVE S
FIRST BANK PL
MINNEAPOLIS MN 55402-4302
6129731111

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): APRIL 14, 1994

FIRST BANK SYSTEM, INC.

(Exact name of registrant as specified in its charter)

| | | |
|--|--|--|
| DELAWARE ----- (State or other jurisdiction of Incorporation) | 1-6880 ----- (Commission File Number) | 41-0255900 ----- (I.R.S. Employer Identification No.) |
|--|--|--|

| | |
|--|------------------------------|
| 601 SECOND AVENUE SOUTH, MINNEAPOLIS, MINNESOTA ----- (Address of principal executive offices) | 55402 ----- (Zip Code) |
|--|------------------------------|

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

NOT APPLICABLE

(Former name or former address, if changed since last report)

Item 5. Other Events

On April 14, 1994, First Bank System, Inc. (the "Company") released its first quarter, 1994 earnings summary to the public. The Company is hereby filing with the Securities and Exchange Commission a copy of its press release dated April 14, 1994.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

c.) Exhibits

Exhibit 99.1 Press release of First Bank System, Inc. dated April 14, 1994.

INDEX TO EXHIBITS

| Document ----- | Page Number ----- |
|--|----------------------|
| 99.1 Press release of First Bank System, Inc. dated April 14, 1994 | 3-16 |

SIGNATURE

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

FIRST BANK SYSTEM, INC.

Date: April 20, 1994

By /s/ Susan E. Lester

Susan E. Lester
Executive Vice President & Controller

601 Second Avenue South
Minneapolis, MN 55402-4302

Contact:

| | |
|-----------------|--------------------|
| Wendy L. Raway | John R. Danielson |
| Media Relations | Investor Relations |
| (612) 973-2429 | (612) 973-2261 |

FIRST BANK SYSTEM REPORTS FIRST QUARTER 1994 EARNINGS

<TABLE>
<CAPTION>

| EARNINGS SUMMARY | 1Q 1994 | 1Q 1993 | PERCENT CHANGE |
|--|------------|------------|-------------------|
| <S> <C> | <C> | <C> | <C> |
| Net income (in millions) | \$ 98.5 | \$ 77.5 | 27.1 |
| Primary earnings per common share | 0.84 | 0.61 | 37.7 |
| Dividends paid per common share | 0.29 | 0.25 | 16.0 |
| Book value per common share (period-end) | 18.84 | 17.29 | 9.0 |
| Return on average common equity (%) | 18.8 | 14.7 | |
| Return on average assets (%) | 1.59 | 1.25 | |

</TABLE>

MINNEAPOLIS, April 14, 1994 -- First Bank System, Inc. (NYSE: FBS) today reported first quarter earnings of \$98.5 million, or \$0.84 per share, compared with \$77.5 million, or \$0.61 per share, in the first quarter of 1993. Return on average assets and return on average common equity in the first quarter of 1994 were 1.59 percent and 18.8 percent, respectively, compared with returns of 1.25 percent and 14.7 percent in the first quarter of 1993.

The strong results for the first quarter reflect loan and fee income growth, tight expense control, continued improvement in credit quality and effective capital management.

Included in the results for the first quarter of 1994 were increases in net interest income on a taxable-equivalent basis of \$6.8 million, or 2.4 percent, and noninterest income of \$10.6 million, or 7.5 percent, and a decrease in noninterest expense of \$4.2 million, or 1.6 percent. Noninterest income was higher as a result of growth in fee revenues, primarily from the credit card and trust businesses. The decrease in noninterest expense reflects cost savings from the integration of

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April 14, 1994
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recent acquisitions. The efficiency ratio, or ratio of expenses to revenues, for the first quarter of 1994 improved to 58.0 percent, from 61.4 percent for the same quarter last year. The reduction in the provision for credit losses of \$14.1 million, or 37 percent, was driven by continued declines in net charge-offs and in nonperforming assets.

Earnings per share in the first quarter of 1994 reflects the impact of the repurchase of 4.0 million average shares. These shares were repurchased beginning in October of 1993 in anticipation of their reissuance in connection with the acquisition of Boulevard Bancorp, which resulted in the issuance of 6.2 million shares on March 25, 1994. Without the effect of the share repurchases during the first quarter, return on average common equity would have been 17.8 percent.

Nonperforming assets dropped to \$217.7 million at March 31, 1994, a decrease of \$8.3 million, or 3.7 percent, from December 31, 1993, and \$156.7 million, or 41.9 percent, from March 31, 1993, despite the addition of \$29.3 million in nonperforming assets with the acquisition of Boulevard Bancorp. The ratio of the allowance for credit losses to nonperforming loans continues to indicate very strong reserve coverage, increasing to 293 percent, from 269 percent at the end of 1993 and 186 percent at March 31, 1993.

First Bank System's Chairman, President and Chief Executive Officer, John F. Grundhofer, said, "We are pleased to report the continuing trend of strong quarterly operating results, reflecting higher fee income and lower operating expenses. This quarter also marked our entry in the Chicago market with the

purchase of Boulevard Bancorp. We plan to convert Boulevard's systems in April, which will allow us to begin selling First Bank products to consumers in the Chicago area within a month of closing the transaction." Grundhofer added, "We also are excited about the new First Bank System/Northwest Airlines WorldPerks credit card program." On January 26, 1994, Northwest Airlines announced that it had selected First Bank System to be its

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bank credit card marketing partner. By the end of first quarter, First Bank System had opened well over 100,000 WorldPerks customer accounts.

On March 25, 1994, First Bank System completed its previously announced purchase of Boulevard Bancorp, Inc. of Chicago, a commercial bank holding company with \$1.6 billion in assets and \$1.2 billion in deposits. The transaction was accounted for as a purchase, and therefore, had no significant effect on first quarter earnings.

<TABLE>
 <CAPTION>

| INCOME STATEMENT HIGHLIGHTS | | | |
|--|------------|------------|-------------------|
| (Taxable-equivalent basis, \$ in millions) | 1Q 1994 | 1Q 1993 | PERCENT CHANGE |
| Net interest income | \$285.0 | \$278.2 | 2.4 |
| Provision for credit losses | 24.0 | 38.1 | (37.0) |
| Noninterest income | 151.8 | 141.2 | 7.5 |
| Noninterest expense | 253.3 | 257.5 | (1.6) |
| Income before taxes | 159.5 | 123.8 | 28.8 |
| Taxable-equivalent adjustment | 3.7 | 5.0 | (26.0) |
| Income taxes | 57.3 | 41.3 | 38.7 |
| Net income | \$ 98.5 | \$ 77.5 | 27.1 |
| Net interest margin (%) | 5.19 | 5.07 | |
| Efficiency ratio (%) | 58.0 | 61.4 | |

</TABLE>

First quarter net interest income on a taxable-equivalent basis was \$285 million, an increase of \$6.8 million, or 2.4 percent, from the first quarter of 1993. The improvement in net interest income reflects increases in loans and noninterest-bearing deposits. Average loans for the first quarter totaled \$18.0 billion, or 8.1 percent higher than the total of \$16.7 billion in the first quarter of last year, reflecting growth in loans to financial institutions and small business and middle market loans, as well as home equity and second mortgage loans. Average noninterest bearing deposits increased \$1.1 billion, or 21.3 percent, over the same period. Approximately one-half of the increase in average loans and three-quarters of the increase in noninterest-bearing

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deposits during the first quarter, as compared with the same period in 1993, were attributable to cyclical activity in the Company's portfolio of secured loans to mortgage banking firms and related escrow balances.

The net interest margin on a taxable-equivalent basis was 5.19 percent in the first quarter of 1994, compared with 5.07 percent in the first quarter of 1993. The 12 basis-point improvement was attributable primarily to a decrease in funding costs.

First quarter net interest income on a taxable-equivalent basis decreased \$8.3 million, or 2.8 percent, from the fourth quarter of 1993, primarily the result of lower average loans and noninterest-bearing deposits. Total average loans decreased by \$785 million from last quarter, reflecting a \$1 billion decline in the balances of loans to mortgage bankers and residential mortgage loans held for sale. Partially offsetting this decrease were increases in commercial loans, mainly in small business and middle marketing lending, and home equity loans. The \$1.1 billion, or 14.7 percent, decrease in the balance

of average noninterest-bearing deposits, this quarter compared to the fourth quarter of 1993, was related in large part to the decrease in loans to finance mortgage banking activities. Net interest margin in the first quarter of 1994 was 19 basis points higher than in the fourth quarter as a result of the effect of fewer days in the quarter, as well as the decrease in lower margin loans to mortgage bankers.

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<TABLE>
 <CAPTION>

| NONINTEREST INCOME | | | |
|-----------------------------|------------|------------|-------------------|
| (\$ in millions) | 1Q 1994 | 1Q 1993 | PERCENT CHANGE |
| <S> | <C> | <C> | <C> |
| Trust fees | \$ 38.5 | \$ 35.5 | 8.5 |
| Credit card fees | 36.0 | 28.5 | 26.3 |
| Service charges | 29.4 | 30.3 | (3.0) |
| Insurance commissions | 5.0 | 5.3 | (5.7) |
| Trading account profits | 2.7 | 2.6 | 3.8 |
| Investment securities gains | -- | 0.3 | (100.0) |
| Other | 40.2 | 38.7 | 3.9 |
| Total noninterest income | \$151.8 | \$141.2 | 7.5 |

</TABLE>

First quarter noninterest income was \$151.8 million, an increase of \$10.6 million, or 7.5 percent, from the same quarter of 1993. Trust fees and credit card fees for the quarter increased \$10.5 million, or 16.4 percent, from the first quarter of 1993. Most of the increase occurred in credit card fees, reflecting higher sales volume for Corporate Card, Procurement Card, and merchant card processing. Trust fees for the quarter were up from the first quarter of 1993 level as a result of increased corporate trust fee revenue.

<TABLE>
 <CAPTION>

| NONINTEREST EXPENSE | | | |
|--|------------|------------|-------------------|
| (\$ in millions) | 1Q 1994 | 1Q 1993 | PERCENT CHANGE |
| <S> | <C> | <C> | <C> |
| Salaries | \$ 94.2 | \$ 99.5 | (5.3) |
| Employee benefits | 23.7 | 24.8 | (4.4) |
| Net occupancy | 21.5 | 24.6 | (12.6) |
| Furniture and equipment | 19.1 | 17.2 | 11.0 |
| FDIC insurance | 11.5 | 11.8 | (2.5) |
| Advertising | 8.1 | 4.7 | 72.3 |
| Amortization of goodwill and intangibles | 8.0 | 7.5 | 6.7 |
| Professional services | 6.5 | 8.3 | (21.7) |
| Other real estate | -- | (0.8) | nm |
| Other | 60.7 | 59.9 | 1.3 |
| Total noninterest expense | \$253.3 | \$257.5 | (1.6) |

</TABLE>

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First quarter noninterest expense was lower by \$4.2 million, or 1.6 percent, than in the first quarter of 1993. The decrease in expenses reflects the benefits of integrating recent acquisitions.

Total salaries and benefits expense for the first quarter decreased by \$6.4 million, or 5.1 percent, from that of the first quarter of 1993. Average full-time equivalent employees decreased by 7.2 percent, to 11,815 in the first quarter of 1994, from 12,735 in the first quarter of 1993. As compared to the first quarter of 1993, first quarter net occupancy and equipment expense decreased by \$1.2 million, or 2.9 percent. Advertising expense increased \$3.4 million, or 72.3 percent, over the 1993 level, reflecting expanded marketing efforts in the growing consumer asset businesses.

First quarter provision for credit losses was lower by \$14.1 million than in the first quarter of 1993. Commercial loan net charge-offs for the quarter were lower by \$17.7 million, or 78.0 percent, and consumer loan net charge-offs were essentially unchanged. The lower provision and net charge-offs for the quarter resulted from improved credit quality.

<TABLE>

<CAPTION>

ALLOWANCE FOR CREDIT LOSSES

(\$ in millions)

| | 1Q 1994 | 4Q 1993 | 1Q 1993 |
|---|------------|------------|------------|
| <S> | <C> | <C> | <C> |
| Balance, beginning of period | \$423.2 | \$427.2 | \$448.0 |
| Net charge-offs | | | |
| Commercial | 5.0 | 7.8 | 22.7 |
| Consumer | 20.6 | 23.2 | 20.1 |
| Total | 25.6 | 31.0 | 42.8 |
| Provision for credit losses | 24.0 | 27.0 | 38.1 |
| Asset acquisition additions | 20.9 | -- | -- |
| Balance, end of period | \$442.5 | \$423.2 | \$443.3 |
| Net charge-offs to average loans (%) | 0.58 | 0.65 | 1.04 |
| Allowance for credit losses to period-end loans (%) | 2.42 | 2.25 | 2.62 |

</TABLE>

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The allowance for credit losses was \$442.5 million at March 31, 1994, down slightly from \$443.3 million at March 31, 1993 and up from \$423.2 million at December 31, 1993. The increase from year-end includes the addition of \$20.2 million of allowance from the Boulevard Bancorp acquisition. The ratio of allowance for credit losses to nonperforming loans continues to indicate strong reserve coverage, increasing - despite lower provisions - to 293 percent at the end of the first quarter of 1994, compared with 269 percent at the end of 1993 and 186 percent at the end of the first quarter of 1993.

<TABLE>

<CAPTION>

ASSET QUALITY

(\$ in millions)

| | MAR 31 1994 | DEC 31 1993 | SEP 30 1993 | JUN 30 1993 | MAR 31 1993 |
|--|----------------|----------------|----------------|----------------|----------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| Nonperforming loans | | | | | |
| Commercial and financial | \$ 33.0 | \$ 43.1 | \$ 52.2 | \$ 66.8 | \$ 74.3 |
| HLTs | 16.1 | 20.1 | 27.4 | 67.2 | 56.7 |
| Commercial real estate | 46.4 | 39.1 | 41.6 | 55.2 | 68.3 |
| Consumer | 55.3 | 55.3 | 62.3 | 37.5 | 38.6 |
| Total | 150.8 | 157.6 | 183.5 | 226.7 | 237.9 |
| Other real estate | 66.3 | 67.4 | 81.1 | 99.4 | 133.1 |
| Other nonperforming assets | 0.6 | 1.0 | 2.2 | 2.4 | 3.4 |
| Total nonperforming assets | \$217.7 | \$226.0 | \$266.8 | \$328.5 | \$374.4 |
| Accruing loans 90 days past due | \$ 26.7 | \$ 31.2 | \$ 32.1 | \$ 25.1 | \$ 28.4 |
| Allowance to nonperforming loans (%) | 293 | 269 | 233 | 192 | 186 |
| Allowance to nonperforming assets (%) | 203 | 187 | 160 | 132 | 118 |
| Nonperforming assets to loans plus ORE (%) | 1.19 | 1.20 | 1.43 | 1.82 | 2.20 |

</TABLE>

Nonperforming assets at March 31, 1994 totaled \$217.7 million, down by \$8.3 million, or 3.7 percent, from the end of 1993, and by \$156.7 million, or 41.9 percent, from the total at March 31, 1993. The ratio of nonperforming assets to loans and other real estate improved to 1.19 percent at March 31, 1994, from 1.20 percent at December 31, 1993 and 2.20 percent at March 31, 1993.

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The acquisition of Boulevard Bancorp added \$22.4 million to nonperforming loans and \$6.9 million to other real estate in the first quarter of 1994.

Significant decreases in the balance of nonperforming assets at March 31, 1994, as compared with the balance at March 31, 1993, occurred in the categories of nonperforming HLT and commercial and financial loans and other real estate, primarily the result of loan repayments and property sales. The increase in nonperforming consumer loans over this period resulted from the purchase in the third quarter of 1993 of \$24 million of delinquent residential mortgages in connection with a sale of mortgage loan servicing rights. These loans are supported by government-sponsored mortgage insurance.

At March 31, 1994, the common-equity-to-assets ratio was 8.2 percent, higher than the ratios of 7.5 percent at the end of 1993 and 7.7 percent at March 31, 1993, and above the regional bank peer group average of 7.2 percent at December 31, 1993. Shareholders' equity-to-assets at March 31, 1994 was 8.6 percent, compared with 8.5 percent at December 31, 1993, 9.2 percent at March 31, 1993, and a peer group average of 7.8 percent at December 31, 1993.

<TABLE>
<CAPTION>

| CAPITAL POSITION | | | | | |
|--------------------------------------|--------|--------|--------|--------|--------|
| (PERCENT) | | | | | |
| | MAR 31 | DEC 31 | SEP 30 | JUN 30 | MAR 31 |
| | 1994 | 1993 | 1993 | 1993 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Common equity to assets | 8.2 | 7.5 | 7.7 | 7.6 | 7.7 |
| Tangible common equity to assets | 7.2 | 6.9 | 7.1 | 7.0 | 7.1 |
| Total shareholders' equity to assets | 8.6 | 8.5 | 8.8 | 9.1 | 9.2 |
| Tier 1 capital ratio | 8.4 | 9.2 | 9.5 | 9.5 | 9.8 |
| Total capital ratio | 12.3 | 13.3 | 13.9 | 13.0 | 12.9 |
| Leverage ratio | 7.6 | 7.6 | 8.0 | 8.1 | 8.2 |

</TABLE>

During 1993, First Bank System announced plans to repurchase approximately \$275 million of its common stock, including all of the shares issued in the acquisition of Boulevard Bancorp. At March 31, 1994, \$202 million in common stock had been repurchased.

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On January 19, 1994, the First Bank System Board of Directors authorized the redemption of the entire outstanding amount of two preferred stock series, \$89 million of the Preferred Series 1989A, and \$70.3 million of the Preferred Series 1989B. This redemption is reflected in the March 31, 1994 capital ratios.

First Bank System is a regional bank holding company headquartered in Minneapolis. The Company provides complete financial services to individuals and institutions through 13 banks and other financial companies with more than 200 offices, primarily in Minnesota, Colorado, Montana, North Dakota, South Dakota, Wisconsin and Illinois.

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First Bank System, Inc. and Subsidiaries
Consolidated Statement of Income

<TABLE>
<CAPTION>

| (In Millions, Except Per-Share Data) (Unaudited) | Three Months Ended | | | | |
|---|--------------------|-------------|--------------|---------|----------|
| | March 31 | December 31 | September 30 | June 30 | March 31 |
| | 1994 | 1993 | 1993 | 1993 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| Interest Income | | | | | |
| Loans | \$338.2 | \$352.6 | \$353.9 | \$348.6 | \$343.5 |
| Investment securities: | | | | | |
| Taxable | 46.4 | 46.9 | 52.9 | 58.4 | 60.0 |
| Exempt from federal income taxes | 3.0 | 4.7 | 3.2 | 3.3 | 3.4 |
| Trading account | 0.6 | 1.1 | 1.3 | 1.2 | 1.0 |
| Federal funds sold and resale agreements | 4.3 | 5.7 | 3.5 | 5.9 | 8.6 |
| Deposits with banks | -- | -- | 0.1 | -- | 2.0 |
| Total interest income | 392.5 | 411.0 | 414.9 | 417.4 | 418.5 |

| | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|
| Interest Expense | | | | | |
| Deposits | 85.1 | 94.0 | 102.1 | 107.0 | 120.6 |
| Federal funds purchased and repurchase agreements | 9.1 | 7.6 | 9.0 | 7.5 | 7.7 |
| Other short-term funds borrowed | 3.6 | 4.9 | 5.1 | 5.1 | 3.9 |
| Long-term debt | 13.4 | 14.9 | 13.4 | 13.0 | 13.1 |
| ----- | | | | | |
| Total interest expense | 111.2 | 121.4 | 129.6 | 132.6 | 145.3 |
| ----- | | | | | |
| Net interest income | 281.3 | 289.6 | 285.3 | 284.8 | 273.2 |
| Provision for credit losses | 24.0 | 27.0 | 27.0 | 33.1 | 38.1 |
| ----- | | | | | |
| Net interest income after provision for credit losses | 257.3 | 262.6 | 258.3 | 251.7 | 235.1 |
| ----- | | | | | |
| Noninterest Income | | | | | |
| Trust fees | 38.5 | 37.5 | 36.6 | 36.5 | 35.5 |
| Credit card fees | 36.0 | 37.5 | 36.6 | 34.5 | 28.5 |
| Service charges on deposit accounts | 29.4 | 28.4 | 28.6 | 28.0 | 30.3 |
| Insurance commissions | 5.0 | 5.3 | 5.8 | 4.5 | 5.3 |
| Trading account profits and commissions | 2.7 | 2.2 | 2.4 | 2.9 | 2.6 |
| Investment securities gains | -- | -- | -- | -- | 0.3 |
| Other | 40.2 | 35.0 | 32.0 | 34.1 | 38.7 |
| ----- | | | | | |
| Total noninterest income | 151.8 | 145.9 | 142.0 | 140.5 | 141.2 |
| ----- | | | | | |
| Noninterest Expense | | | | | |
| Salaries | 94.2 | 95.0 | 97.3 | 97.3 | 99.5 |
| Employee benefits | 23.7 | 19.6 | 20.0 | 21.9 | 24.8 |
| Net occupancy | 21.5 | 22.8 | 22.8 | 23.2 | 24.6 |
| Furniture and equipment | 19.1 | 19.2 | 17.8 | 18.5 | 17.2 |
| FDIC insurance | 11.5 | 11.5 | 11.4 | 11.7 | 11.8 |
| Advertising | 8.1 | 4.7 | 6.0 | 5.1 | 4.7 |
| Amortization of goodwill and other intangible assets | 8.0 | 7.7 | 7.7 | 7.7 | 7.5 |
| Other personnel costs | 7.7 | 8.5 | 7.2 | 6.6 | 5.2 |
| Professional services | 6.5 | 10.7 | 9.1 | 8.6 | 8.3 |
| Data processing | 3.5 | 4.7 | 5.8 | 8.4 | 8.1 |
| Other real estate | -- | (0.1) | 2.2 | 0.9 | (0.8) |
| Merger, integration and restructuring | -- | -- | -- | 72.2 | -- |
| Other | 49.5 | 51.0 | 48.4 | 49.9 | 46.6 |
| ----- | | | | | |
| Total noninterest expense | 253.3 | 255.3 | 255.7 | 332.0 | 257.5 |
| ----- | | | | | |
| Income before income taxes | 155.8 | 153.2 | 144.6 | 60.2 | 118.8 |
| Applicable income taxes | 57.3 | 57.3 | 53.5 | 26.7 | 41.3 |
| ----- | | | | | |
| Net income | 98.5 | 95.9 | 91.1 | 33.5 | 77.5 |
| ===== | | | | | |
| Net income applicable to common equity | \$93.0 | \$90.4 | \$83.7 | \$26.1 | \$70.0 |
| ===== | | | | | |
| Earnings Per Common Share | | | | | |
| Primary average common and common equivalent shares | 110,771,619 | 111,278,886 | 113,721,471 | 113,392,157 | 113,982,746 |
| Primary net income | \$0.84 | \$0.81 | \$0.74 | \$0.23 | \$0.61 |
| ===== | | | | | |
| Fully diluted average common and common equivalent shares | 114,546,109 | 114,983,271 | 117,818,585 | 113,471,564 | 118,084,155 |
| Fully diluted net income | \$0.83 | \$0.80 | \$0.73 | \$0.23 | \$0.61 |
| ===== | | | | | |

</TABLE>

First Bank System, Inc. and Subsidiaries
CONSOLIDATED BALANCE SHEET

| <TABLE> | | | | | |
|--|----------|-------------|--------------|---------|----------|
| <CAPTION> | | | | | |
| (In Millions) | March 31 | December 31 | September 30 | June 30 | March 31 |
| (Unaudited, Except December 31, 1993) | 1994 | 1993 | 1993 | 1993 | 1993 |
| <S> | <C> | <C> | <C> | <C> | <C> |
| ASSETS | | | | | |
| Cash and due from banks | \$1,932 | \$1,682 | \$1,773 | \$1,713 | \$1,477 |
| Federal funds sold | 131 | 1,032 | 47 | 201 | 849 |
| Securities purchased under agreements to resell | 268 | 306 | 362 | 257 | 212 |
| Interest-bearing deposits with banks | -- | -- | 1 | -- | 2 |
| Trading account securities | 60 | 55 | 140 | 102 | 111 |
| Available-for-sale securities | 4,334 | 3,319 | 72 | 216 | 145 |
| Investment securities (market value: 9/30/93-\$3,870; 6/30/93-\$4,013; 3/31/93-\$4,246) | -- | -- | 3,794 | 3,937 | 4,163 |
| Loans | 18,256 | 18,779 | 18,568 | 17,964 | 16,918 |
| Less allowance for credit losses | 442 | 423 | 427 | 435 | 443 |
| ----- | | | | | |
| Net loans | 17,814 | 18,356 | 18,141 | 17,529 | 16,475 |
| Bank premises and equipment | 387 | 382 | 393 | 381 | 406 |
| Interest receivable | 141 | 129 | 143 | 141 | 147 |
| Customers' liability on acceptances | 143 | 186 | 167 | 133 | 143 |
| Other assets | 1,299 | 938 | 908 | 970 | 1,023 |

| Total assets | \$26,509 | \$26,385 | \$25,941 | \$25,580 | \$25,153 |
|--|----------|----------|----------|----------|----------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Deposits: | | | | | |
| Noninterest-bearing | \$ 6,808 | \$ 7,489 | \$ 6,882 | \$ 6,589 | \$ 5,593 |
| Interest-bearing | 13,960 | 13,542 | 13,584 | 13,777 | 14,467 |
| Total deposits | 20,768 | 21,031 | 20,466 | 20,366 | 20,060 |
| Federal funds purchased | 414 | 553 | 602 | 692 | 564 |
| Securities sold under agreements to repurchase | 640 | 369 | 373 | 290 | 336 |
| Other short-term funds borrowed | 365 | 412 | 332 | 361 | 246 |
| Long-term debt | 1,090 | 1,015 | 1,030 | 857 | 808 |
| Acceptances outstanding | 143 | 186 | 167 | 133 | 143 |
| Other liabilities | 800 | 574 | 695 | 552 | 676 |
| Total liabilities | 24,220 | 24,140 | 23,665 | 23,251 | 22,833 |
| Shareholders' Equity: | | | | | |
| Preferred stock | 106 | 266 | 269 | 379 | 379 |
| Common stock | 145 | 144 | 144 | 143 | 142 |
| Capital surplus | 731 | 676 | 676 | 676 | 666 |
| Retained earnings | 1,320 | 1,328 | 1,236 | 1,182 | 1,184 |
| Treasury stock | (13) | (169) | (49) | (51) | (51) |
| Total shareholders' equity | 2,289 | 2,245 | 2,276 | 2,329 | 2,320 |
| Total liabilities and shareholders' equity | \$26,509 | \$26,385 | \$25,941 | \$25,580 | \$25,153 |

</TABLE>

First Bank System, Inc. and Subsidiaries
CONSOLIDATED QUARTERLY AVERAGE BALANCE SHEET

<TABLE>

<CAPTION>

| (In Millions, Unaudited) | March 31 1994 | December 31 1993 | September 30 1993 | June 30 1993 | March 31 1993 |
|--|------------------|---------------------|----------------------|-----------------|------------------|
| <S> | <C> | <C> | <C> | <C> | <C> |
| ASSETS | | | | | |
| Securities: | | | | | |
| U.S. Treasury | \$1,664 | \$1,664 | \$1,786 | \$1,849 | \$1,820 |
| Mortgage-backed securities | 1,348 | 1,356 | 1,459 | 1,657 | 1,473 |
| State & political subdivisions | 183 | 189 | 197 | 195 | 186 |
| U.S. agencies and other | 328 | 311 | 450 | 512 | 611 |
| Total securities | 3,523 | 3,520 | 3,892 | 4,213 | 4,090 |
| Unrealized gain on available-for-sale securities | 45 | -- | -- | -- | -- |
| Net securities | 3,568 | 3,520 | 3,892 | 4,213 | 4,090 |
| Trading account securities | 64 | 125 | 139 | 108 | 97 |
| Deposits with banks | -- | -- | 1 | -- | 229 |
| Federal funds sold and resale agreements | 547 | 713 | 402 | 758 | 1,103 |
| Loans: | | | | | |
| Commercial: | | | | | |
| Commercial | 6,445 | 6,222 | 6,039 | 6,038 | 5,974 |
| Financial institutions | 1,715 | 2,131 | 1,893 | 1,191 | 906 |
| Real Estate: | | | | | |
| Commercial mortgage | 1,504 | 1,501 | 1,495 | 1,535 | 1,509 |
| Construction | 230 | 205 | 199 | 199 | 224 |
| Total commercial | 9,894 | 10,059 | 9,626 | 8,963 | 8,613 |
| Consumer: | | | | | |
| Residential mortgage | 2,358 | 2,463 | 2,515 | 2,567 | 2,592 |
| Residential mortgage held for sale | 643 | 1,247 | 1,023 | 878 | 639 |
| Credit card | 1,736 | 1,707 | 1,763 | 1,727 | 1,738 |
| Other | 3,403 | 3,343 | 3,261 | 3,157 | 3,103 |
| Total consumer | 8,140 | 8,760 | 8,562 | 8,329 | 8,072 |
| Total loans | 18,034 | 18,819 | 18,188 | 17,292 | 16,685 |
| Allowance for credit losses | 438 | 437 | 442 | 448 | 460 |
| Net loans | 17,596 | 18,382 | 17,746 | 16,844 | 16,225 |
| Other earning assets | 110 | 93 | 88 | 84 | 63 |
| Total earning assets* | 22,278 | 23,270 | 22,710 | 22,455 | 22,267 |
| Cash and due from banks | 1,646 | 1,889 | 1,710 | 1,701 | 1,570 |
| Other assets | 1,532 | 1,544 | 1,576 | 1,639 | 1,676 |
| Total Assets | \$25,063 | \$26,266 | \$25,554 | \$25,347 | \$25,053 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Noninterest-bearing deposits | \$6,401 | \$7,505 | \$6,585 | \$6,272 | \$5,277 |

| | | | | | |
|--|----------|----------|----------|----------|----------|
| Interest-bearing deposits: | | | | | |
| Interest checking | 2,571 | 2,517 | 2,438 | 2,428 | 2,410 |
| Money market accounts | 3,978 | 3,948 | 3,949 | 3,874 | 3,944 |
| Other savings accounts | 1,382 | 1,357 | 1,365 | 1,447 | 1,479 |
| Savings certificates | 4,259 | 4,488 | 4,744 | 5,049 | 5,567 |
| Certificates over \$100,000 | 1,013 | 1,115 | 1,167 | 1,214 | 1,239 |
| ----- | | | | | |
| Total interest-bearing deposits | 13,203 | 13,425 | 13,663 | 14,012 | 14,639 |
| Short-term borrowings | 1,399 | 1,270 | 1,367 | 1,192 | 1,206 |
| Long-term debt | 1,056 | 1,072 | 916 | 847 | 817 |
| ----- | | | | | |
| Total interest-bearing liabilities | 15,658 | 15,767 | 15,946 | 16,051 | 16,662 |
| Other liabilities | 784 | 769 | 682 | 696 | 799 |
| Preferred equity | 209 | 268 | 367 | 379 | 379 |
| Common equity | 2,011 | 1,957 | 1,974 | 1,949 | 1,936 |
| ----- | | | | | |
| Total Liabilities and Shareholders' Equity | \$25,063 | \$26,266 | \$25,554 | \$25,347 | \$25,053 |

</TABLE>

* Before deducting the allowance for credit losses and excluding the unrealized gain on available-for-sale securities.

First Bank System, Inc. and Subsidiaries
CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

<TABLE>

<CAPTION>

| For the Three Months Ended March 31 (In Millions, Unaudited) | 1994 | | | 1993 | | | % Change Average Balance Increase (Decrease) |
|---|----------|----------|------------------------------------|----------|----------|------------------------------------|--|
| | Balance | Interest | Interest Yields and Rates | Balance | Interest | Interest Yields and Rates | |
| | | | | | | | |
| ASSETS | | | | | | | |
| Securities: | | | | | | | |
| U.S. Treasury | \$1,664 | \$21.6 | 5.26 | \$1,820 | \$26.5 | 5.91 | (8.6)% |
| Mortgage-backed securities | 1,348 | 19.2 | 5.78 | 1,473 | 25.0 | 6.88 | (8.5) |
| State & political subdivisions | 183 | 4.9 | 10.86 | 186 | 5.0 | 10.90 | (1.6) |
| U.S. agencies and other | 328 | 4.0 | 4.95 | 611 | 8.0 | 5.31 | (46.3) |
| ----- | | | | | | | |
| Total securities | 3,523 | 49.7 | 5.72 | 4,090 | 64.5 | 6.40 | (13.9) |
| Unrealized gain on available-for-sale securities | 45 | | | -- | | | |
| ----- | | | | | | | |
| Net securities | 3,568 | | | 4,090 | | | |
| Trading account securities | 64 | 0.6 | 3.80 | 97 | 1.1 | 4.60 | (34.0) |
| Deposits with banks | -- | -- | | 229 | 2.0 | 3.54 | (100.0) |
| Federal funds sold and resale agreements | 547 | 4.3 | 3.19 | 1,103 | 8.4 | 3.09 | (50.4) |
| Loans: | | | | | | | |
| Commercial: | | | | | | | |
| Commercial | 6,445 | 110.9 | 6.98 | 5,974 | 104.4 | 7.09 | 7.9 |
| Financial institutions | 1,715 | 11.7 | 2.77 | 906 | 7.1 | 3.18 | 89.3 |
| Real Estate: | | | | | | | |
| Commercial mortgage | 1,504 | 30.7 | 8.28 | 1,509 | 31.4 | 8.44 | (0.3) |
| Construction | 230 | 4.1 | 7.23 | 224 | 4.4 | 7.97 | 2.7 |
| ----- | | | | | | | |
| Total commercial | 9,894 | 157.4 | 6.45 | 8,613 | 147.3 | 6.94 | 14.9 |
| Consumer: | | | | | | | |
| Residential mortgage | 2,358 | 43.6 | 7.50 | 2,592 | 53.7 | 8.40 | (9.0) |
| Residential mortgage held for sale | 643 | 10.5 | 6.62 | 639 | 12.1 | 7.68 | 0.6 |
| Credit card | 1,736 | 56.2 | 13.13 | 1,738 | 60.9 | 14.21 | (0.1) |
| Other | 3,403 | 72.7 | 8.66 | 3,103 | 72.8 | 9.51 | 9.7 |
| ----- | | | | | | | |
| Total consumer | 8,140 | 183.0 | 9.12 | 8,072 | 199.5 | 10.02 | 0.8 |
| ----- | | | | | | | |
| Total loans | 18,034 | 340.4 | 7.66 | 16,685 | 346.8 | 8.43 | 8.1 |
| Allowance for credit losses | 438 | | | 460 | | | (4.8) |
| ----- | | | | | | | |
| Net loans | 17,596 | | | 16,225 | | | 8.4 |
| Other earning assets | 110 | 1.2 | 4.42 | 63 | 0.7 | 4.51 | 74.6 |
| ----- | | | | | | | |
| Total earning assets* | 22,278 | 396.2 | 7.21 | 22,267 | 423.5 | 7.71 | -- |
| Cash and due from banks | 1,646 | | | 1,570 | | | 4.8 |
| Other assets | 1,532 | | | 1,676 | | | (8.6) |
| ----- | | | | | | | |
| Total assets | \$25,063 | | | \$25,053 | | | -- |
| ===== | | | | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | | | |
| Noninterest-bearing deposits | \$6,401 | | | \$5,277 | | | 21.3 % |
| Interest-bearing deposits: | | | | | | | |
| Interest checking | 2,571 | 8.7 | 1.37 | 2,410 | 13.9 | 2.34 | 6.7 |
| Money market accounts | 3,978 | 24.2 | 2.47 | 3,944 | 24.0 | 2.47 | 0.9 |
| Other savings accounts | 1,382 | 6.4 | 1.88 | 1,479 | 8.0 | 2.19 | (6.6) |
| Savings certificates | 4,259 | 30.8 | 2.93 | 5,567 | 56.9 | 4.15 | (23.5) |

| | | | | | | | |
|---|----------|---------|-------|----------|---------|-------|--------|
| Certificates over \$100,000 | 1,013 | 15.0 | 6.01 | 1,239 | 17.8 | 5.83 | (18.2) |
| Total interest-bearing deposits | 13,203 | 85.1 | 2.61 | 14,639 | 120.6 | 3.34 | (9.8) |
| Short-term borrowings | 1,399 | 12.7 | 3.68 | 1,206 | 11.6 | 3.90 | 16.0 |
| Long-term debt | 1,056 | 13.4 | 5.15 | 817 | 13.1 | 6.50 | 29.3 |
| Total interest-bearing liabilities | 15,658 | 111.2 | 2.88 | 16,662 | 145.3 | 3.54 | (6.0) |
| Other liabilities | 784 | | | 799 | | | (1.9) |
| Preferred equity | 209 | | | 379 | | | (44.9) |
| Common equity | 2,011 | | | 1,936 | | | 3.9 |
| Total liabilities and shareholders' equity | \$25,063 | | | \$25,053 | | | -- |
| Net interest income | | \$285.0 | | | \$278.2 | | |
| Gross interest margin | | | 4.33% | | | 4.17% | |
| Gross interest margin without taxable-equivalent increments | | | 4.27 | | | 4.08 | |
| Net interest margin | | | 5.19 | | | 5.07 | |
| Net interest margin without taxable-equivalent increments | | | 5.12 | | | 4.98 | |

</TABLE>

Interest and rates are presented on a fully taxable-equivalent basis under a tax rate of 35 percent.

Interest income and rates on loans include loan fees. Nonaccrual loans are included in average loan balances.

* Before deducting the allowance for credit losses and excluding the unrealized gain on available-for-sale securities.

First Bank System, Inc. and Subsidiaries
SUPPLEMENTAL FINANCIAL DATA
(Dollars in Millions, Except Per Share Data)

<TABLE>

<CAPTION>

| | March 31 1994 | December 31 1993 | September 30 1993 | June 30 1993 | March 31 1993 |
|-------------------------------------|------------------|---------------------|----------------------|-----------------|------------------|
| Loan Portfolio: | | | | | |
| Commercial and Financial | \$8,083 | \$8,180 | \$8,057 | \$7,437 | \$6,905 |
| HLTs | 191 | 183 | 134 | 209 | 230 |
| Commercial Real Estate | 1,861 | 1,726 | 1,731 | 1,699 | 1,741 |
| Residential Mortgage Held for Sale | 355 | 1,088 | 1,106 | 1,068 | 624 |
| Consumer | 7,766 | 7,602 | 7,540 | 7,551 | 7,418 |
| Total Loans | \$18,256 | \$18,779 | \$18,568 | \$17,964 | \$16,918 |
| Ending Common Shares Outstanding | 115,901,974 | 109,401,664 | 113,233,763 | 113,054,767 | 112,242,896 |
| Book Value per Common Share | \$18.84 | \$18.09 | \$17.72 | \$17.25 | \$17.29 |
| Intangibles: | | | | | |
| Goodwill | \$309 | \$168 | \$170 | \$173 | \$174 |
| Purchased Mortgage Servicing Rights | 48 | 53 | 49 | 71 | 72 |
| Other Intangibles | 131 | 103 | 104 | 110 | 113 |
| Total Intangibles | \$488 | \$324 | \$323 | \$354 | \$359 |
| Excess Servicing Fee Receivable | \$16 | \$17 | \$19 | \$24 | \$26 |

Three Months Ended

| | March 31 1994 | December 31 1993 | September 30 1993 | June 30 1993 | March 31 1993 |
|---|------------------|---------------------|----------------------|-----------------|------------------|
| Net Interest Income* | \$285.0 | \$293.3 | \$289.6 | \$289.5 | \$278.2 |
| Net Interest Margin* | 5.19% | 5.00% | 5.06% | 5.17% | 5.07% |
| Efficiency Ratio | 58.0% | 58.1% | 59.2% | 60.4%** | 61.4% |
| Interest Yield on Average Loans | 7.66% | 7.48% | 7.78% | 8.16% | 8.43% |
| Rate Paid on Average Interest Bearing Liabilities | 2.88% | 3.05% | 3.22% | 3.31% | 3.54% |
| Return on Average Assets | 1.59% | 1.45% | 1.41% | 1.32%** | 1.25% |
| Return on Average Common Equity | 18.8% | 18.3% | 16.8% | 15.7%** | 14.7% |
| Preferred Dividends | \$5.5 | \$5.5 | \$7.4 | \$7.4 | \$7.5 |
| Gross Charge-offs | \$48.1 | \$46.2 | \$57.7 | \$59.9 | \$61.2 |
| Gross Recoveries | \$22.5 | \$15.2 | \$23.1 | \$18.3 | \$18.4 |
| Average Full-Time Equivalent Employees | 11,815 | 11,981 | 12,110 | 12,375 | 12,735 |

</TABLE>

* On a taxable-equivalent basis

** Excluding merger-related charges