[LOGO OF FIRST BANK SYSTEM]

FIRST BANK SYSTEM 1994 INTEGRATED ANNUAL REPORT AND FORM 10-K

(See page 78 for 10-K cover page and cross-reference table)

-COVER-

Locations

[MAP OF UNITED STATES APPEARS ON THIS PAGE]

Iowa, Kansas, Nebraska and Wyoming were added as the result of the Metropolitan Financial Corporation acquisition in January, 1995.

ABOUT THE COMPANY

First Bank System, Inc., (FBS) is a regional bank holding company serving 11 Midwestern and Rocky Mountain states through more than 300 locations. Headquartered in Minneapolis, FBS is the 26th largest U.S. commercial bank holding company with $34.1 billion in assets. Our market capitalization is now over $5 billion, placing us among the top 20 U.S. banks. This reflects our January 24, 1995, acquisition of Metropolitan Financial Corporation (MFC).

FBS has four core businesses and a culture that is focused on creating value for shareholders. Our banking franchise has leading market shares in most of our region's major markets. We are a leader in electronic payment systems, as the nation's largest issuer of Visa Corporate and Purchasing Cards, and as the seventh largest processor of Visa and MasterCard transactions. Our Commercial Bank's focus on building strong client relationships has translated into attractive returns for shareholders. We are among the 10 largest providers of corporate trust services and our investment management services are growing rapidly. These attributes have made us one of the nation's top performing banks.

The purpose of this report is to reflect FBS's financial condition at December 31, 1994, and therefore it does not include MFC. To obtain a copy of our supplemental restated financials on Form 8-K, which include MFC, please turn to the inside back cover for instructions.

FBS is listed on the New York Stock Exchange under the ticker symbol FBS and FtBkSy.

RETURN ON AVERAGE COMMON EQUITY
(Percent)

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EARNINGS PER SHARE
(Dollars)

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SHAREHOLDERS' EQUITY TO ASSETS RATIO
(Percent)

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[INSIDE FRONT COVER]

Financial Summary

(Dollars in Millions, Except Per Share Amounts)	1994	1993	% Change 1993-1994
FOR THE YEAR			
Income before Merger-related Charges	$ 419.8	$ 348.0	20.6
Merger-related Charges	-	(50.0)	**
Net Income	$ 419.8	$ 298.0	40.9
PER COMMON SHARE			
Income before Merger-related Charges	$ 3.57	$ 2.83	26.1
Merger-related Charges	-	(.44)	**
Net Income	$ 3.57	$ 2.39	49.4
Dividends Paid	$ 1.16	$ 1.00	16.0
Common Shareholders' Equity	$ 19.25	$ 18.09	6.4
RETURN ON AVERAGE ASSETS			
Before Merger-related Charges	1.63%	1.36%	**
Merger-related Charges	-	(0.19)	**
Return on Average Assets	1.63%	1.17%	**
RETURN ON AVERAGE COMMON EQUITY			
Before Merger-related Charges	19.3%	16.4%	**
Merger-related Charges	-	(2.6)	**
Return on Average Common Equity	19.3%	13.8%	**
Net Interest Margin	5.28%	5.07%	**
Efficiency Ratio before Merger-related Charges	57.2%	59.8%	**
AT YEAR END			
Loans	$19,281	$18,779	2.7%
Allowance for Credit Losses	434	423	2.6
Assets	26,219	26,385	(.6)
Total Shareholders' Equity	2,275	2,245	1.3
Common Equity to Total Assets	8.3%	7.5%	**
Shareholders' Equity to Total Assets	8.7	8.5	**
Tier 1 Capital Ratio	8.0	9.2	**
Total Risk-based Capital Ratio	12.5	13.3	**

**Not meaningful

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RETURN ON AVERAGE ASSETS*
(Percent)

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EFFICIENCY RATIO*
(Percent)

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ALLOWANCE COVERAGE RATIO OF NONPERFORMING LOANS
(Percent)

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To Our Shareholders

When I think about the growth prospects for First Bank System, I am optimistic because we derive tremendous leverage from our ability to increase revenues against a low cost structure. While this formula for earnings growth is simple and straightforward, developing the means to execute it is not.

Over the past several years, we have built an ingrained cost control discipline that focuses on value in each decision. Strong, fee-generating payment systems businesses complement our core banking franchise. Our retail banking paradigm quickly brings new products to market through a multiple distribution system attuned to customer needs. Innovation, speed, and productivity permeate our culture, so that our strategic advantages translate into daily action.

SHAREHOLDER FOCUS As we have said consistently over the past five years, we strive for profits, not size. We have built shareholder value analysis into our budgeting and management processes, which provides a disciplined method for allocating resources to high-growth businesses. Our goal is to build a quality earnings stream - one that combines stability and diversity- to weather any industry or economic climate. In short, we are managing First Bank System to be a superior long-term investment.

Our shareholder focus also guides us in deciding what we won't do. We won't play the yield curve with bets on the direction of interest rates. Several banks that did were hurt this past year as rates climbed. Nor will we make acquisitions that don't make economic sense or don't create value for existing FBS shareholders. The penalty for overpaying for acquisitions is harsh and long in terms of lost credibility and diminished financial performance.

GROWTH POTENTIAL First Bank System is sustaining growth in two ways. First, we are expanding market share in key segments of our core banking businesses, which operate in a region where employment, household incomes, and loan delinquency rates are better than the national averages. For example, our portfolio of home equity loans has grown an average of 26 percent annually over the past five years. Loans to small- and medium-sized businesses have achieved strong increases for three consecutive years. The tremendous growth of our WorldPerks(R) credit card business has created huge cross-selling opportunities. Investment product sales are growing rapidly. Innovative new products, improved customer service, and a developing sales culture should fuel continued market share growth in these core businesses.

New businesses are contributing an important second growth stream. In just five years, we turned our corporate and purchasing card businesses from test products into the nation's largest Visa issuers. Merchant processing continues to grow rapidly, placing First Bank nationally among the industry's largest providers. This report includes separate financial information on these increasingly important payment systems products. These and other fee-generating businesses accounted for more than one-third of our total revenue.

OVER THE PAST FIVE YEARS, THE TOTAL RETURN OF FIRST BANK SYSTEM'S STOCK HAS GROWN AT A COMPOUNDED ANNUAL RATE OF 19.4 PERCENT.

FIVE-YEAR TOTAL RETURN
(Percent)

[PERFORMANCE GRAPH APPEARS HERE]

As for acquisitions, we're content to wait for the right opportunity at the

right price. But once we make an acquisition, we move quickly. Thanks to our standardized products and centralized operations, we can fully integrate an acquired bank's products and operations with our own much faster than other banks. For example, we will complete the integration of the $8 billion-asset Metropolitan Financial Corporation within just one month of closing. Speedy integration means we achieve a higher level of cost takeouts and see the results faster than other banks. We will continue to pursue value-creating acquisitions. However, if acquisition prices are too high, we will simply continue to buy back stock, increase dividends, or both. During the past two years, we have repurchased $700 million of common and preferred stock. In 1995, we increased the dividend by 25 percent, to $1.45 per share, and announced our intention to repurchase 16 million shares of common stock by the end of 1996.

COST CONTROL We have fortified the expense side of our leverage equation with standardized products and centralized operations. Because we support virtually all products with a single set of systems, we can add significant new business while adding little incremental cost. Another key factor is our compensation system, which ties pay to profitable revenue generation. All of our employees are eligible for variable pay, and nearly a fifth of our people have a substantial portion of their total compensation based on the performance of FBS, their business line, and their individual results. In addition, our top 174 managers participate in one of the industry's most aggressive management stock ownership programs. Linking compensation - by far our largest expense - to performance places the long-term goal of shareholder value squarely in the realm of everyday action.

We are among the nation's most efficient banks. Our ratio of noninterest expenses to revenues fell to 57 percent in 1994 from nearly 80 percent five years ago. It's still too high, but we're confident that we can drive the efficiency ratio to the low 50s in the next few years.

This month marks my fifth anniversary with First Bank System. I'm proud of our accomplishments, but one stands out in my mind as being particularly important. Our culture has changed from that of a traditional bank to one that highly values innovation, inspires a sense of urgency, and is dedicated to increasing productivity. That has made the achievement of every other goal possible. And that is why I'm confident that First Bank System will continue to win the loyalty of our customers and the trust of our investors.

/s/ John F. Grundhofer
John F. Grundhofer
Chairman, President and Chief Executive Officer
February 15, 1995

INNOVATION, SPEED, AND PRODUCTIVITY PERMEATE OUR CULTURE, SO THAT OUR STRATEGIC ADVANTAGES TRANSLATE INTO DAILY ACTION.

Progress on Priorities

Records. First Bank System set a lot of them in 1994. Record earnings, record profitability, and record efficiency. The numbers are gratifying not only because they are among the best in the banking industry, but equally important, they reflect progress made against long-term management objectives. These fundamentals may be familiar since we have long held them as guideposts for creating shareholder wealth. We believe there is great value in this consistency. Our people know what is expected of them and they in turn can drive those values deeper into our organization. Our priorities remain: core business focus, productivity, disciplined acquisitions, asset quality, and effective capital management.

CORE BUSINESS FOCUS We continue to build our core businesses while investing in new revenue sources. Our traditional strengths in retail and community banking, commercial banking, and trust and investment services are now joined by a fourth: payment systems. Formerly part of retail banking, this fast-growing

collection of card and transaction processing businesses has become a major focus of First Bank System's future. Together, these four business lines provide earnings stability over the long term, especially in a changing interest rate environment.

We are continuously investing in our businesses and assessing new revenue sources. This long-term vision is reflected in the tremendous technology investments we've made in recent years to deepen customer relationships and maximize product profitability.

PRODUCTIVITY Although our stated near-term goal is a ratio of expenses to revenues in the low 50s, there really is no end point to productivity gains. The reason is that rapidly evolving technology is creating productivity improvements that were unthinkable five years ago. More improvements are on the horizon. With enhancements to our Earnings Analysis System, we are building stronger links between our management accounting and other computer systems to generate deeper levels of information about product cost and profitability. This also will provide a framework for analyzing the profitability of individual customer segments.

In fact, technology is reshaping the way we deliver financial products and services. Customers now have the choice of traditional bank branches, automated teller machines, telephones, and other electronic options. Currently, approximately half of First Bank System's consumer transactions are initiated outside of our branch network. We will continue to invest in technology that maximizes customer convenience and sales productivity.

[PHOTO OF FIRST BANK SENIOR MANAGEMENT TEAM]

FIRST BANK SENIOR MANAGEMENT TEAM:
Front from left: RICHARD A. ZONA, vice chairman and chief financial officer, and JOHN F. GRUNDHOFER, chairman, president and chief executive officer. Back from left: WILLIAM F. FARLEY, vice chairman, Distribution Group; J. ROBERT HOFFMANN, executive vice president and chief credit officer; DANIEL C. ROHR, executive vice president, Commercial Banking; PHILIP G. HEASLEY, vice chairman and president, Retail Products Group; JOHN M. MURPHY, JR., chairman and chief investment officer, First Trust N.A.; MICHAEL J. O'ROURKE, executive vice president and general counsel; and ROBERT H. SAYRE, executive vice president for human resources.

Acquisitions also present excellent opportunities for economies of scale through branch consolidation and systems integration. We have a proven integration model that helps us realize cost savings more quickly than anyone in the industry. We fully integrated Metropolitan Financial Corporation, an $8 billion institution with 300,000 customer households, within one month of closing.

DISCIPLINED ACQUISITIONS We expanded our region and strengthened our existing market presence through acquisitions this past year. In March we entered Illinois with the acquisition of Boulevard Bancorp, Inc., a $1.6 billion bank holding company in Chicago. The Metropolitan Financial Corporation acquisition - the largest in our history - gives us a presence in Iowa, Kansas, Nebraska and Wyoming, four states contiguous to our existing region. It also strengthened our share in four of our current states, making Metropolitan an excellent fit both strategically and economically.

These new states have fragmented banking industries that offer high potential for building market share through acquisition. We have a strong record of doing just that. In 1994 we completed or announced five in-market acquisitions in Colorado, Minnesota, North Dakota, and South Dakota.

We also strengthened our national leadership position as a corporate trust services provider with the completion of our previously announced acquisition of J.P. Morgan's domestic corporate trust business.

ASSET QUALITY Despite the rise in interest rates, we expect our asset quality to continue to remain at a very high level. At year-end, the ratio of nonperforming assets to loans and other real estate owned was .79 percent. Higher interest rates may prompt some companies to compromise their credit

standards. First Bank System will not be one of them. Maintaining high standards and pricing based upon risk is the only way to add profitable business.

Our lending strategy remains unchanged. Led by people with exceptional backgrounds in credit administration, we continue to focus locally where we can turn our superior market knowledge into superior credit judgments. These markets have proven more resilient than other parts of the country during recent economic downturns.

EFFECTIVE CAPITAL MANAGEMENT We manage our capital to maximize shareholder value and provide a strong base for acquisitions. During the past two years we repurchased $700 million of common and preferred stock. We also have increased our common dividend rate for five consecutive years, including our most current increase of 25 percent in February, 1995.

THESE FUNDAMENTALS MAY BE FAMILIAR SINCE WE HAVE LONG HELD THEM AS GUIDEPOSTS FOR CREATING SHAREHOLDER WEALTH. WE BELIEVE THERE IS GREAT VALUE IN THIS CONSISTENCY.

[TABLE FOR FBS LEADING MARKET SHARES ON THIS PAGE]

[TABLE FOR RECENT ACQUISITION ON THIS PAGE]

RETAIL & COMMUNITY BANKING

COMMUNITY BANKING

BUSINESS DESCRIPTION

FBS serves more than 1.4 million households in seven states through 200 banking locations, 1,055 Fastbank(R) automated teller machines, and 24-hour FastLine(SM) telephone service. Our core customers - those with checking accounts - have an average of 3.8 accounts with FBS.

1994 HIGHLIGHTS

. Achieved consumer loan growth of 17 percent to $4 billion. . Increased retail sales of investment products 21 percent to $428 million. . Deepened core household penetration to an average of 3.8 accounts from 3.2 accounts a year ago. . Improved the cross-sell ratio on home equity sales to an average of 2.2 new products per customer, up from 1.8 in the 1993 promotions. . Boosted branch productivity 17 percent over the past two years to 4,092 monthly transactions per full-time equivalent teller.
. Serviced more than 24 million customer calls, up 34 percent over 1993, and increased calls serviced entirely by our audio response unit to 70 percent.
. Improved customer satisfaction with branch bank service to 90 percent from 85 percent. . Opened four new private banking locations in Minnesota.

BUSINESS BANKING

BUSINESS DESCRIPTION

FBS serves approximately 150,000 small and middle-market businesses through 37 business banking hubs and three Mainstreet Loan Centers that are designed to quickly serve the needs of this important market. At year-end, our portfolio of $5.2 billion in business loans accounted for 27 percent of FBS's entire loan portfolio.

1994 HIGHLIGHTS

. Increased business banking loans 16 percent. . Increased business checking accounts 13 percent. . Earned approval as a Small Business Administration loan underwriter in every market we serve.

MORTGAGE BANKING

BUSINESS DESCRIPTION

FBS Mortgage is one of the largest residential mortgage lenders in our region. Home loan origination totaled $1.6 billion in 1994. At year-end, our mortgage servicing portfolio was $9.8 billion.

1994 HIGHLIGHTS

. Introduced several products, including Combination Lock & Loan, which offers pre-approval, three-day approval, and rate protection options; a construction-to-perm loan that provides both construction and permanent mortgage financing with just one closing; and a "mega-Jumbo" product for borrowers with loan needs exceeding $1 million.
. Increased loans to low-income households 47 percent and loans to minorities 70 percent. . Improved customer satisfaction rating on loan originations and servicing to 90 and 88 percent, respectively, from 87 and 74 percent.
. Achieved loan servicing costs that are 12 percent below those of our peer banks. . Maintained a delinquency rate that was less than half the national average.

PERCENT OF FBS NET INCOME
EFFICIENCY RATIO (Percent)
NET INTEREST INCOME (Millions)
[THESE PERFORMANCE GRAPHS APPEAR ON THIS PAGE]

LOOKING AHEAD

NEW TECHNOLOGY: DEEPENING CUSTOMER RELATIONSHIPS

A sophisticated new management system that focuses on entire customer relationships across product lines will improve our ability to sell and service our customers. The Relationship Management System (RMS) leverages our existing customer data to improve customer service, cross-selling effectiveness, and productivity. RMS will provide detailed relationship strategies based on four customer dimensions: profitability, risk, potential for attrition, and propensity to buy additional products or services.

We are a bank industry leader in broadly applying customer management practices to our retail business. This new technology will help us better understand our customers by linking multiple account usage information to demographics and analysis. It marks an important shift from account management to relationship management.

DIRECT MARKETING: A POWERFUL SALES TOOL FBS is developing marketing alternatives to our branch bank system so that customers can conveniently bank anytime, anywhere. Direct marketing, which includes direct origination of customer leads for either branch or centralized fulfillment, has been a major contributor to improved sales results. Last year we converted into new product sales 35 percent of approximately 680,000 customer calls to our centralized telephone bank center in response to advertising or direct mail solicitations. Highly targeted, outbound telemarketing calls resulted in the sale of 68,000 products, a 13 percent conversion rate.

Direct marketing is increasing our household penetration and market share while lowering the acquisition cost per account and delivering high-quality service. Over the past four years, retail asset balances originated through direct marketing have grown rapidly. Last year, nearly 60 percent of our new retail asset accounts were originated by direct marketing. The number of calls converted into sales has increased significantly while the cost per new account has dropped roughly one-third for inbound and outbound calls.

BUSINESS BANKING: AGGRESSIVE PURSUIT OF SALES Aggressive marketing, expansion of our business banking hubs, and a favorable economy helped spark solid growth

in loans over the past three years to companies with annual sales of $25 million or less. Excluding acquisitions, our core business banking loans increased 9 percent or $350 million. Growth in loans to businesses with less than $1 million in annual sales resulted from new performance incentives and standard loan processing at our Mainstreet Loan Centers. These changes have empowered our personal bankers to sell business loans. Free of loan under-writing responsibility, bankers now focus on calling customers.

BRANCH PRODUCTIVITY: USING TECHNOLOGY EFFECTIVELY FBS has steadily improved the efficiency and productivity of its retail banking operations over the past five years. Our productivity, as measured by daily transactions per teller, is among the best at 195, which is substantially above the industry average. We've set our sights on further productivity gains this year by placing FastLine telephones in selected branches to shift more customer service inquiries to our centralized phone bank. We're also encouraging greater use of automatic teller machines (ATMs) to improve customer service and lower transaction costs. Tests include extending hours for same-day crediting on ATM deposits and replacing drive-up tellers with ATMs. Another initiative is the roll-out of Desktop Expert, a two-way video conferencing system that enhances customer service and cross-selling. It allows bankers and customers to immediately access a mortgage or investment specialist when one is unavailable on-site.

NET INCOME (millions)

NONINTEREST INCOME (millions)

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PAYMENT SYSTEMS

CORPORATE PAYMENT

BUSINESS DESCRIPTION
- --------------------

FBS offers card products to help companies and government entities of all sizes efficiently manage expenses. Three cards comprise this group:

. Corporate Card, a non-revolving Visa card issued to employees of corporations with annual travel and entertainment expenses of $1 million or more. National rank: second. Estimated market: $130 billion annually.

. Purchasing Card, a Visa charge card that reduces the processing cost of small-dollar purchases and lowers the risk of inappropriate purchases through client-specified controls. National rank: first. Estimated market: $300-$400 billion annually.

. Business Card, a revolving Visa credit card for companies with annual travel and entertainment expenses under $1 million. Estimated market: 8 million companies.

1994 HIGHLIGHTS
- ---------------

. Increased the number of corporate and purchasing card relationships with Fortune 100 companies to 43 and with Fortune 500 Industrial and Service companies to more than 150. . Added more than 1,000 U.S. and state government entities to our purchasing card program.
. Introduced a new Visa WorldPerks Business Card that provides frequent flier mileage credit through Northwest Airlines. . Introduced FirstView/SM/, a desk-top report-writing software that allows purchasing card and corporate card customers to more closely track their company's expenses.
. Developed and piloted the relocation card product, designed and serviced in concert with FBS Mortgage, to streamline the relocation process for Fortune 1000 customers.

CREDIT PRODUCTS

BUSINESS DESCRIPTION

FBS is one of the nation's 10 largest issuers of Visa credit cards. We have more than 2.2 million cards, $2.4 billion in outstanding balances, and annual sales exceeding $6 billion.

1994 HIGHLIGHTS

. Introduced the new FBSWorldPerks(R) Visa Card and attracted almost 400,000 cardholders and outstanding receiveables of $600 million. Annualized sales volume is more than $4 billion.
. Increased total credit outstandings 37 percent to $2.4 billion. . Launched a test of Direct Cash, an unsecured line of credit for low- and moderate-income customers. . Selected as first U.S. bank to test Visa TravelMoney, an international prepaid travel card which is an alternative to traveler's cheques.

MERCHANT PROCESSING

BUSINESS DESCRIPTION

FBS is the nation's seventh largest processor of Visa and MasterCard transactions, serving approximately 60,000 merchant locations nationwide.

1994 HIGHLIGHTS

. Increased merchant processing volume 31 percent to $13.4 billion, our third year of growth of 25 percent or more. . Completed a conversion of all processing to an improved merchant system.

AGENT BUSINESSES

BUSINESS DESCRIPTION

FBS is the nation's third largest deployer of off-premise automated teller machines (ATMs), with more than 1,474 locations in 14 states. FBS distributes its retail card products through more than 800 independent financial institutions with more than two million consumer checking accounts. FBS currently offers two ATM network brands, Fastbank and PEAK, in the Upper Midwest and Rocky Mountain regions, respectively.

1994 HIGHLIGHTS

. Expanded ATM network with an agreement to place more than 1,000 new machines in Circle K convenience stores. . Increased ATM transaction volume 8 percent to 66 million.
. Piloted the Visa Interlink program in Colorado, which allows customers to use their ATM cards to make purchases at selected retailers. . Launched Visa check card program to Fastbank agents in the Upper Midwest.

PERCENT OF FBS NET INCOME
EFFICIENCY RATIO (Percent)
NET INTEREST INCOME (Millions)

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LOOKING AHEAD

PAYMENT SYSTEMS: OPPORTUNITY TO GAIN MARKET SHARE
As banking's historic role as a financial intermediary moves from a physical to

an electronic environment, we see enormous opportunity to further strengthen our position in the regional payment system. The payment system controls the processing of transactions between consumers and businesses. It is a highly profitable volume business with steep barriers to entry. Unlike most financial institutions, we aggressively pursue both sides of the payment system by providing both payment vehicles, such as credit, charge, debit, and ATM cards, as well as payment processing and treasury management services (see page 11). In addition to generating more fees, "closing the loop" on the payment system creates competitive advantages by generating a unique level of information, efficiency and control.

NEW TECHNOLOGY: INCREASING EFFICIENCY AND FLEXIBILITY
We are developing a sophisticated computer system that will consolidate systems that run our card and credit line products. The Cards and Lines System (CLS) will cut operating expenses and increase flexibility to enhance or introduce products. The development of CLS is another example of FBS's commitment to using technology to improve productivity and profitability.

CORPORATE CARD: A RAPID GROWTH BUSINESS Controlling information about the business traveller is the key to success in the corporate card business. In this regard, we have several competitive advantages that bode well for continued strong growth. One is Visa's unmatched worldwide acceptance. More than 11 million locations means that more data is captured; data is power when managing costs or negotiating vendor discounts. Widespread presence also allows companies to eliminate expensive cash advances to travelling employees. Another benefit for cost-conscious corporate customers is Visa's superior acceptance at more low- to medium-priced restaurants and hotels. We will expand our entry into the global market through partnerships with international institutions capable of extending our product expertise. Development of proprietary technology and specific product enhancements is expected to limit new competition in this attractive market.

PURCHASING CARD: EMERGING MARKET, HUGE POTENTIAL The $300-$400 billion annual market for purchasing cards is still in its infancy, and we intend to continue to market aggressively and consistently deliver the innovative products that made us the market leader. We also expect the purchasing card to continue to help sell our merchant processing business because the large volumes enable us to offer incentives for signing key vendors to accept Visa. In addition to more deeply penetrating the Fortune 100 and 500, we are successfully carving a niche among state governments and federal agencies.

WORLDPERKS VISA CARD: STRONG FEES AND CROSS-SELLING OPPORTUNITIES A key piece was added to our regional payment systems strategy last year with the award of the WorldPerks Visa Card partnership with Northwest Airlines. We have already attracted almost 400,000 cardholders, far exceeding our initial expectations. We expect to double the WorldPerks card sales volume in five years to approximately $8 billion. In the meantime, we will pursue the tremendous cross-selling opportunity that lies in the fact that only about 15 percent of our cardholders have a pre-existing account relationship with First Bank System.

NET INCOME (Millions)

NONINTEREST INCOME (Millions)

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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.

1994 HIGHLIGHTS

. Achieved excellent core loan growth. Average outstanding loans increased 8 percent over 1993. . Reduced nonperforming assets 36 percent to $56 million.

MORTGAGE BANKING SERVICES

BUSINESS DESCRIPTION

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

1994 HIGHLIGHTS

. Managed business effectively during a cyclical decline in loans to mortgage bankers and rapid industry consolidation. Previous efforts to strengthen client relationships reduced turnover.

REAL ESTATE LENDING

BUSINESS DESCRIPTION

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

1994 HIGHLIGHTS

. Continued to build our real estate portfolio and deepen client relationships.
. Continued to build a strong account team. Our relationship managers have an average of more than 10 years of real estate market experience.

TREASURY MANAGEMENT SERVICES

BUSINESS DESCRIPTION

FBS, one of the region's largest treasury management services providers, helps companies achieve effective treasury operations through a full range of domestic and international cash management, information reporting, and trade finance services.

1994 HIGHLIGHTS

. Achieved a leadership position in the evolving electronic data interchange business through the introduction of six new EDI services. . Joined EDI Bank Alliance Network Exchange (EDIBANX), a revolutionary new EDI service. Both moves broaden our clients' ability to originate and receive financial EDI transactions. . Worked closely with clients to develop Gallery(TM), an innovative Windows-based system that enhances the delivery of domestic and international information reporting and transaction initiation services.
. Established Hong Kong-based subsidiary to issue import letters of credit.
. Introduced Faxport, accelerating the delivery of letters of credit to exporters through automation. . Enhanced ACH positive pay and cash vault transaction reporting.

CORPORATE FINANCE AND LOAN SYNDICATIONS

BUSINESS DESCRIPTION

FBS meets the broad financial needs of our clients by syndicating credit facilities and placing capital with investors.

1994 HIGHLIGHTS

. Originated and syndicated more than $2.5 billion in loans, meeting the full credit needs of FBS clients while prudently managing FBS portfolio concentrations.

PERCENT OF FBS NET INCOME
EFFICIENCY RATIO (Percent)
NET INTEREST INCOME (Millions)

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LOOKING AHEAD

COMMERCIAL BANK CULTURE: VALUES FOR SUCCESS Our goal is simple yet ambitious: to meet our clients' expectations for a superior banking relationship. The significant characteristics include knowledgeable people, responsiveness, understanding the client's business, maintaining a long-term commitment to the client, and competitive pricing.

To accomplish this, we are building a culture that focuses on the client and rewards initiative, innovation and teamwork. We are continuing to develop strong leaders to advance the business, not just manage it. Using a rigorous and disciplined process, based on facts and data, we are embedding core values into everyday business activity. Only by continuously evaluating and shaping how we think and act can we make lasting changes that result in consistently superior performance.

CORPORATE BANKING: A CORE BUSINESS STRENGTH Commercial Banking is a vital part of FBS's overall strategy of building a balanced earnings stream. By developing strong client relationships with businesses in our geographic region, we can translate superior market knowledge into sound credit judgments and, ultimately, into attractive returns for shareholders.

This past year was one of exceptionally strong growth in our core lending portfolio, which helped offset a cyclical decline in loans to the rapidly consolidating mortgage banking industry. Credit quality improved significantly, which continues a five-year trend that reflects our increasingly strong credit culture. We will not retreat on credit quality, despite rising competitive pressures.

We remain committed to our long-term goal of deepening client relationships through innovative thinking and excellence in client service. As part of these efforts, we will continue to build our corporate finance expertise as commercial banking continues its evolution into an advisory business.

ELECTRONIC COMMERCE: THE WAY TO DO BUSINESS FBS has become a leader in the rapid movement among companies of all sizes from paper-based payments to electronic payments. Although we have provided electronic data interchange (EDI) services for five years, we moved into an industry leadership position with our charter membership in EDI Bank Alliance Network Exchange (EDIBANX). EDIBANX, a strategic alliance of 13 of the country's leading treasury management banks, is advancing the future of EDI. The network helps facilitate electronic commerce by providing clients with an efficient means to exchange EDI transactions with other EDI-capable businesses.

Our leadership position in EDI ensures that FBS clients will have access to information and services that will help them effectively implement EDI programs, thereby taking advantage of cost and operating efficiencies. It also further strengthens our position as a regional leader in payment systems (see pages 8 and 9 for Payment Systems discussion).

Another important effort to help companies transact business efficiently is Gallery(TM), one of the first Windows-based computer software services to combine international and domestic information reporting and transaction initiation services. Scheduled for introduction in 1995, Gallery enhances the value of financial information by enabling clients to integrate data into their systems through the use of client/server technology. Companies also can use Gallery to initiate ACH transactions, domestic and international wire transfers, foreign drafts, and letters of credit.

FBS also is introducing image services to deliver check images to clients through a variety of media. Clients will use these images to assist in the verification and reconciliation of check processing functions.

NET INCOME (Millions)

NONINTEREST INCOME (Millions)

[THESE PERFORMANCE GRAPHS APPEAR ON THIS PAGE]

TRUST & INVESTMENT GROUP

CORPORATE TRUST

BUSINESS DESCRIPTION
- --------------------

FBS is one of the nation's 10 largest providers of domestic trusteeship, paying agency, and custody services to debt issuers. We have in excess of $250 billion in administered assets and 12 offices that provide a coast-to-coast presence.

1994 HIGHLIGHTS
- ---------------

. Completed the acquisition of J.P. Morgan's domestic corporate trust business. . Ranked first nationally in the principal amount ($13.5 billion) of new long-term municipal issues awarded to trustees in 1994.
. Awarded $5.9 billion in corporate finance issues. . Implemented a new bondholder recordkeeping system.

INVESTMENT MANAGEMENT

BUSINESS DESCRIPTION
- --------------------

FBS provides asset management services to individuals and institutions through common, collective, and mutual funds, and individual portfolios.

1994 HIGHLIGHTS
- ---------------

. Increased assets under management 13 percent to $24.5 billion. . Grew proprietary First American mutual fund assets more than 65 percent to $4.7 billion, despite declining market.
. Introduced five new mutual funds for a total of 27. . Launched B class or "back-end" load mutual fund shares.

INVESTMENT SERVICES

BUSINESS DESCRIPTION
- --------------------

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

1994 HIGHLIGHTS
- ---------------

. Became one of the first major banks to create a unified sales force, making one-stop shopping for investment products possible. . Increased investment sales force to 166 from 135 people.
. Established approximately 23,000 new retail account relationships, an increase of 83 percent over 1993.

PERSONAL FINANCIAL SERVICES

BUSINESS DESCRIPTION
- --------------------

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

1994 HIGHLIGHTS

. Developed new organizational structure that eliminates internal barriers to superior client service. . Began creating teams of specialists from trust, private banking, and investment services to serve affluent households.

INSTITUTIONAL TRUST

BUSINESS DESCRIPTION

FBS provides trustee, investment management, and custodial services, primarily for 401(k) and other employee benefit plans.

1994 HIGHLIGHTS

. Nearly doubled the size of the Diamond program, our bundled 401(k) product for small and medium-sized businesses, to 178 plans with $197 million in assets.
. Expanded Diamond program to appeal to companies with up to 1,500 employees.
. Implemented new accounting system and standardized traditional recordkeeping.
. Grew First Stable Fund, which invests in guaranteed investment contracts, 95 percent to $182 million in assets.
. Developed a measurement system that provides custody clients with an independent, consistent and consolidated performance evaluation.
. Enhanced First Access, a Windows-based, on-line computer system that allows clients to review their portfolios.
. Expanded institutional trust sales force.

PERCENT OF FBS NET INCOME
EFFICIENCY RATIO (Percent)
NET INTEREST INCOME (Millions)

[THESE PERFORMANCE GRAPHS APPEAR ON THIS PAGE]

LOOKING AHEAD

CORPORATE TRUST: TECHNOLOGY INCREASES PROFITABILITY A new bondholder recordkeeping system installed last year has significantly cut our operating costs, making us a low-cost provider of domestic corporate trust services. This single system enables us to handle all types of securities, eliminating the need for multiple systems that most of our competitors use. It also enables us to integrate acquisitions quickly and completely. Improved technology and lower costs are essential in a scale business such as corporate trust.

ASSET MANAGEMENT: THE KEY TO GROWTH One of our long-term goals is to significantly increase the Trust & Investment Group's revenue contribution to First Bank System. To help accomplish this, we completed a major study last year that identified initiatives for quickly growing assets managed for both individuals and institutions. We intend to leverage our 105 years of money management experience to capture a larger slice of this rapidly growing industry:

. RETAIL MARKET. Last year our 83 percent growth in new investment product accounts easily outpaced the industry. We will continue to strengthen the sales efforts and build recognition for the 27 First American Investment Funds, our proprietary mutual fund family. New products, mutual fund wholesaling, and a significant technology investment in a new workstation for brokers will fuel future growth.

. AFFLUENT MARKET. FBS is moving toward a fully integrated approach to serving the complex needs of our most affluent clients with household incomes of at least $150,000. Our new Private Financial Services group creates client teams

whose expertise spans our traditional trust, private banking, and investment areas. These teams are designed to satisfy client desire for easy access to a broad range of financial products and services through a single relationship manager. Focusing on each client's entire relationship with FBS provides superior service and cross-selling opportunities in this rapidly growing market.

. INSTITUTIONAL MARKET. We see enormous opportunity in the fact that only 9 percent of U.S. companies with fewer than 100 employees have 401(k) plans. Our Diamond 401(k) plan, with its standard features, overcomes the primary barrier of cost. Diamond plan sales nearly doubled last year almost exclusively on referrals from business banking. We've only begun to tap the cross-selling potential of FBS's deep regional penetration in the business banking market. We have begun marketing our ability to customize the Diamond program to appeal to larger companies, those with up to 1,500 employees. We also are strengthening our distribution system by training business bankers to sell the Diamond plan, doubling our sales force, and developing aggressive marketing and advertising campaigns.

INVESTMENT PERFORMANCE: A COMPETITIVE ADVANTAGE

Despite the dismal year in 1994 for the mutual fund industry, all 12 First American Investment Funds with a track record of longer than one year outperformed their peer group average. Nine of those funds ranked among the top 20 percent of their investment category, according to Lipper Analytical Services, Inc. In addition, our core institutional equity product has outperformed the Standard & Poor's Index of 500 stocks over the past one, three and five years. Superior investment performance and a diverse range of investment styles give us a distinct competitive advantage over other asset managers.

NET INCOME (Millions)
NONINTEREST INCOME (Millions)

[THESE PERFORMANCE GRAPHS APPEAR ON THIS PAGE]

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

EARNINGS SUMMARY - First Bank System, Inc. (the "Company") reported net income in 1994 of $419.8 million ($3.57 per share), an increase of $121.8 million, or 40.9 percent, from 1993. Net income for 1993 of $298.0 million ($2.39 per share) included after-tax merger-related charges of $50.0 million ($.44 per share) recorded in connection with the acquisition of Colorado National Bankshares, Inc. ("CNB"). Earnings in 1994 increased $71.8 million, or 20.6 percent, from 1993, excluding merger-related charges. Net income for 1992 of $311.8 million ($2.67 per share) included after-tax merger-related charges of $81.8 million ($.78 per share) related to the acquisitions 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.

Return on average common equity increased to 19.3 percent in 1994 from 13.8 percent in 1993 and return on average assets increased to 1.63 percent from 1.17 percent for the same periods. Excluding merger-related charges, return on average common equity was 16.4 percent and return on average assets was 1.36 in 1993. The efficiency ratio improved to 57.2 percent in 1994 from 59.8 percent in 1993, excluding merger-related charges.

The improvement in earnings reflects increases in net interest income on a taxable-equivalent basis of $59.3 million, or 5.2 percent, and noninterest income of $58.4 million, or 10.3 percent, together with a reduction in provision for credit losses of $32.2 million, or 25.7 percent, and controlled noninterest expense growth of $24.8 million, or 2.4 percent (excluding merger-related charges in 1993). Compared with noninterest expense for 1993, adjusted to include the operations of Boulevard Bancorp, Inc. ("Boulevard") and the acquired corporate trust unit of J.P. Morgan and Co., Incorporated, ("J.P. Morgan") on a pro forma basis, noninterest expense in 1994 declined $33.2 million, or 3.1 percent. For further information on the specific components of the 1994

operating results, see the "Statement of Income Analysis" on page 18.

Nonperforming assets dropped to $153.0 million at December 31, 1994, a decrease of $73.0 million, or 32.3 percent, from December 31, 1993, despite the addition of $29.3 million in nonperforming assets from the acquisition of Boulevard in the first quarter of 1994. The ratio of the allowance for credit losses to nonperforming loans increased to 385 percent, from 269 percent at December 31, 1993.

ACQUISITIONS - On January 24, 1995, the Company issued approximately 21.7 million shares in connection with the acquisition of Metropolitan Financial Corporation ("MFC"), a regional financial services holding company headquartered in Minneapolis, Minnesota. As of December 31, 1994, MFC had approximately $7.9 billion in assets, $5.5 billion in deposits and 211 offices principally in North Dakota, Minnesota, Nebraska, lowa, Kansas, South Dakota, Wisconsin, and Wyoming. The transaction will be accounted for as a pooling-of-interests.

On September 2, 1994, the Company completed the acquisition of the domestic corporate trust business of J. P. Morgan. 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.

On March 25, 1994, the Company completed the acquisition of Boulevard Bancorp, Inc., a commercial bank holding company based in Chicago, Illinois, with $1.6 billion in assets and $1.2 billion in deposits. The Company exchanged approximately 6.2 million shares of its common stock for all of the outstanding common stock of Boulevard and accounted for the transaction as a purchase. The Company also repurchased existing shares of its common stock approximately equal to the number of shares issued at the time of closing of the Boulevard acquisition.

TABLE 1. Selected Financial Data

(Dollars in Millions, Except Per Share Amounts)	1994	1993	1992	1991	1990
CONDENSED INCOME STATEMENT:					
Net interest income (taxable-equivalent basis)	$1,209.9	$1,150.6	$1,017.8	$ 941.2	$ 872.7
Provision for credit losses	93.0	125.2	183.4	202.2	215.4
Net interest income after provision for credit losses	1,116.9	1,025.4	834.4	739.0	657.3
Noninterest income	628.0	569.6	535.7	497.7	437.6
Merger-related charges (including $26.4 related to ORE in 1992)	-	72.2	110.4	-	-
Other noninterest expense	1,053.1	1,028.3	1,003.9	969.3	981.0
Income before income taxes and cumulative effect of changes in accounting principles	691.8	494.5	255.8	267.4	113.9
Taxable-equivalent adjustment	15.1	17.7	22.7	34.4	48.1
Income taxes	256.9	178.8	78.6	25.9	8.5
Income before cumulative effect of changes in accounting principles	419.8	298.0	154.5	207.1	57.3
Cumulative effect of changes in accounting principles	-	-	157.3	-	-
Net income	$ 419.8	$ 298.0	$ 311.8	$ 207.1	$ 57.3
Return on average assets	1.63%	1.17%	1.32%	.90%	.22%
Return on average common equity	19.3	13.8	16.4	13.1	2.7
Net interest margin	5.28	5.07	4.85	4.50	3.70
Efficiency ratio	57.2	64.0	71.8	67.8	75.1
Efficiency ratio, excluding merger-related charges	57.2	59.8	64.7	67.8	75.1
PER SHARE DATA:					
Primary income before cumulative effect of accounting changes	$ 3.57	$ 2.39	$ 1.18	$ 1.79	$ .36
Cumulative effect of accounting changes	-	-	1.49	-	-
Primary net income	$ 3.57	$ 2.39	$ 2.67	$ 1.79	$ .36
Fully diluted income before cumulative effect of accounting changes	$ 3.52	$ 2.38	$ 1.21	$ 1.78	$ .36
Cumulative effect of accounting changes	-	-	1.43	-	-
Fully diluted net income	$ 3.52	$ 2.38	$ 2.64	$ 1.78	$ .36
Common dividends paid*	$ 1.16	$ 1.00	$ .88	$ .82	$ .82
AVERAGE BALANCE SHEET DATA:					
Total loans	$ 18,562	$ 17,756	$ 16,257	$16,341	$18,104
Total earning assets	22,901	22,695	20,983	20,916	23,597
Total assets	25,762	25,575	23,592	23,075	25,856
Total deposits	19,142	20,347	18,774	18,215	19,564
Long-term debt	1,232	913	927	1,214	1,652
Common equity	2,121	1,957	1,720	1,402	1,246
Total shareholders' equity	2,252	2,305	2,099	1,684	1,510
YEAR-END BALANCE SHEET DATA:					

Total loans	$ 19,281	$ 18,779	$ 17,076	$16,365	$16,829
Total assets	26,219	26,385	26,625	23,851	24,804
Total deposits	18,791	21,031	21,188	19,145	19,378
Long-term debt	1,483	1,015	822	948	1,506
Common equity	2,169	1,979	1,939	1,474	1,336
Total shareholders' equity	2,275	2,245	2,318	1,852	1,600

*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 $1.8 million in 1991 and 1990 ($.16 per CNB share). WCIC did not pay dividends in the years shown.

The Company completed the acquisition of four additional institutions and announced the planned acquisition of a fifth in markets in which the Company has an existing presence, serving to strengthen the Company's retail banking market shares in these communities. On October 18, 1994, the Company announced an agreement to acquire First Western Corporation ("FWC"), a $323 million bank holding company based in Sioux Falls, South Dakota. FWC owns Western Bank, which has nine branches in South Dakota. The acquisition received regulatory approvals in January 1995 and is expected to close in the first quarter of 1995. On February 28, 1994, the Company completed the acquisition of American Bancshares of Mankato, a $116 million bank holding company. On April 29, 1994, the Company completed the acquisition of First Financial Investors, Inc., which had approximately $200 million in assets. The United Bank of Bismarck acquisition, with approximately $121 million in assets, closed on September 9, 1994. Green Mountain Bancorporation, Inc., located in Lakewood, Colorado, with approximately $35 million in assets, was acquired on September 30, 1994. For further information regarding acquisitions, refer to Note C on page 45.

Line of Business Financial Review

Each of the Company's four business lines -- Retail and Community Banking, Payment Systems, Commercial Banking, and Trust and Investment Group -- contributed to the strong financial performance in 1994. Compared with 1993 results, before merger-related expenses, earnings increases for the four business lines were 28.6 percent, 32.7 percent, 7.9 percent, and 3.6 percent, respectively. Each business line made significant productivity improvements, as measured by its efficiency ratio, and includes the operating results of Boulevard since its acquisition date.

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

The business unit profitability system allocates capital based upon credit, operational and business risks. 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. Capital is assigned to certain lines of business, such as the Trust and Investment Group, which have no significant balance sheet components, after taking into consideration operational risk, capital levels of independent organizations operating similar businesses and regulatory minimum requirements. Management accounting system enhancements or product line changes may affect designations, assignments, and allocations from time to time. During 1994 certain methodologies were changed, and accordingly, results for 1993 have been restated to conform to the current presentation basis.

RETAIL AND COMMUNITY BANKING - Retail and Community Banking, which includes consumer, small business and middle market banking services, and residential

mortgage lending, achieved strong revenue growth while containing costs. Net income increased 28.6 percent to $177.0 million in 1994, with a return on assets of 1.15 percent compared with .88 percent in 1993. Return on equity increased to 14.9 percent from 12.7 percent for the previous year.

TABLE 2. Line of Business Financial Performance

(Dollars in Millions)	Retail and Community Banking		Payment Systems		Commercial Banking		Trust and Investment Group		Consolidated Company	
	1994	1993	1994	1993	1994	1993	1994	1993	1994	1993
CONDENSED INCOME STATEMENT:										
Net interest income (taxable-equivalent basis)	$ 780.5	$ 743.9	$184.7	$147.7	$218.5	$227.3	$ 26.2	$ 31.7	$1,209.9	$1,150.6
Provision for credit losses	20.6	42.8	69.4	61.9	3.0	20.5	-	-	93.0	125.2
Noninterest income.........	187.1	179.1	195.7	157.2	59.5	60.3	185.7	173.0	628.0	569.6
Noninterest expense*.......	655.3	656.3	158.5	129.2	89.1	97.0	150.2	145.8	1,053.1	1,028.3
Income taxes and taxable-equivalent adjustment	114.7	86.3	59.9	44.0	73.1	65.6	24.3	22.8	272.0	218.7
Income before merger-related charges....	$ 177.0	$ 137.6	$ 92.6	$ 69.8	$112.8	$104.5	$ 37.4	$ 36.1	419.8	348.0
Merger-related charges (after tax)...............									-	50.0
Net income.............									$ 419.8	$ 298.0
AVERAGE BALANCE SHEET DATA:										
Commercial loans...........	$ 4,755	$ 4,172	$ 505	$ 255	$4,842	$4,902	$ -	$ -	$ 10,102	$ 9,329
Consumer loans.............	6,406	6,694	2,054	1,733	-	-	-	-	8,460	8,427
Assets.....................	15,417	15,676	3,274	2,649	6,233	6,516	838	734	25,762	25,575
Deposits...................	15,905	16,720	26	16	2,299	2,692	912	919	19,142	20,347
Common equity	1,191	1,087	320	283	437	456	173	131	2,121	1,957
Return on average assets*	1.15%	.88%	2.83%	2.63%	1.81%	1.60%	**	**	1.63%	1.36%
Return on average common equity*...................	14.9	12.7	28.9	24.7	25.8	22.9	21.6%	27.6%	19.3	16.4
Efficiency ratio*..........	67.7	71.1	41.7	42.4	32.1	33.7	70.9	71.2	57.2	59.8

*Excluding merger-related charges
**Not meaningful
Note: Preferred dividends are not allocated to the business lines.

Both revenue growth and cost savings contributed to the improved earnings. The increases in net interest income and noninterest income are attributable to strong home equity loan promotions, aggressive small- and middle-market business lending, and growth in mutual fund sales. The decline in average consumer loans reflects the run off of residential mortgage loans of $204 million and the reduction in residential mortgages held for sale of $595 million. The decrease in the provision for credit losses reflects improved credit quality. Noninterest expense decreased slightly, despite the acquisition of Boulevard in the first quarter of 1994. The efficiency ratio improved to 67.7 percent in 1994 from 71.1 percent in 1993.

PAYMENT SYSTEMS - Payment Systems, which includes consumer credit card, corporate and purchasing card services, card-accessed secured and unsecured lines of credit, ATM processing, and merchant processing, achieved net earnings of $92.6 million in 1994, up 32.7 percent over 1993. Return on assets increased to 2.83 percent from 2.63 percent in 1993. Return on equity increased to 28.9 percent from 24.7 percent for the previous year.

The strong growth in earnings is due to higher net interest income and noninterest income, partially offset by increases in the provision for credit losses and noninterest expense. The increases in net interest income and fee-based noninterest income are attributable to growth in the Corporate Card, the Purchasing Card, the Northwest Airlines WorldPerks credit card, and merchant processing. The increase in the provision for credit losses reflects growth in the loan portfolios and an acceleration of the timing of charge-offs for fraud losses on credit card and other consumer loan balances. Noninterest expense increased due to the overall growth in the sales volumes and number of products

offered by this business line. Payment Systems continues to be cost effective as measured by its efficiency ratios of 41.7 percent in 1994 and 42.4 percent in 1993.

COMMERCIAL BANKING - Commercial Banking, which provides lending, treasury management, and other financial services to middle market, large corporate, and mortgage banking companies, contributed net earnings of $112.8 million in 1994, a 7.9 percent increase over 1993. Return on assets rose to 1.81 percent in 1994 from 1.60 percent in 1993. Similarly, return on equity increased to 25.8 percent in 1994 from 22.9 percent in the previous year.

The earnings increase reflects continuing improvement in credit quality and further reduction of noninterest expense. Commercial Banking's average loans, excluding loans to mortgage banking companies, increased $319 million, or 9.0 percent from 1993. The efficiency ratio improved to 32.1 percent compared with 33.7 percent in 1993.

TRUST AND INVESTMENT GROUP - Net income for the Trust and Investment Group, which includes personal, institutional and corporate trust services, investment management services, and a full-service brokerage company, increased 3.6 percent to $37.4 million in 1994. The return on average equity declined to 21.6 percent in 1994 from 27.6 percent in 1993 due to additional equity assigned to the business line for 1994 acquisitions.

Much of the gain resulted from stronger noninterest income, which increased primarily due to growth in corporate trust, investment sales and management fees. Assets under management totaled $24.5 billion at year-end 1994, up from $21.6 billion at the previous year-end. Net interest income decreased, reflecting a reduction in balances from mortgage custody accounts. The increase in noninterest expense reflects costs associated with recent acquisitions; however, the efficiency ratio improved to 70.9 percent in 1994 from 71.2 percent in 1993.

Statement of Income Analysis

NET INTEREST INCOME - Net interest income on a taxable-equivalent basis was $1.21 billion in 1994, compared with $1.15 billion in 1993 and $1.02 billion in 1992. The improvement in net interest income reflects increases in average loan yields and average loan balances. The average yield on loans for 1994 was 8.19 percent, or 25 basis points higher than the average yield of 7.94 percent in 1993, reflecting the rising rate environment which increased rates on variable rate loans. Average loans totaled $18.6 billion in 1994, an increase of $806 million, or 4.5 percent, from 1993, reflecting significant growth in both consumer and commercial loans, partially offset by decreases in the balance of loans to mortgage bankers and residential first mortgage loans. Excluding these first mortgage-related balances, average loans for the year increased by $2.0 billion, or 15.7 percent from 1993, reflecting increases in credit cards, home equity loans, and consumer lines of credit, as well as small business and middle-market commercial loans, including loans acquired with Boulevard. The average balance of interest-bearing liabilities in 1994 increased $574 million, or 3.6 percent, over 1993, as short-term borrowings replaced noninterest-bearing deposits related to loans to mortgage bankers.

The improvement in net interest income from 1992 to 1993 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 Bank Shares Incorporated ("BSI") acquisition, higher production in residential mortgage banking and increases in secured loans to mortgage banking companies. The decline in nonperforming assets also contributed to the growth in net interest income in both years.

TABLE 3. Analysis of Net Interest Income

(Dollars in Millions)	1994	1993	1992
Net interest income (taxable-equivalent basis)	$1,209.9	$1,150.6	$1,017.8
Average balances of earning assets supported by:			
Interest-bearing liabilities	$ 16,688	$ 16,114	$ 15,997
Noninterest-bearing liabilities	6,213	6,581	4,986
Total earning assets	$ 22,901	$ 22,695	$ 20,983
Average yields and weighted average rates (taxable-equivalent basis):			
Earning assets yield	7.69%	7.40%	8.12%
Rate paid on interest-bearing liabilities	3.31	3.28	4.29
Gross interest margin	4.38%	4.12%	3.83%
Net interest margin	5.28%	5.07%	4.85%
Net interest margin without taxable-equivalent increments	5.22%	4.99%	4.74%

The net interest margin, on a taxable-equivalent basis, was 5.28 percent in 1994, an increase of 21 basis points from 5.07 percent in 1993 and 43 basis points from 4.85 percent in 1992. The improvement in the net interest margin in 1994 over 1993 resulted from both a shift in the mix of loans and increases in the reference rate on variable-rate loans. There was a decrease in lower-margin mortgage-related loans and an increase in higher yield consumer and commercial loans. The improvement from 1992 to 1993 is attributable to two factors having approximately equal effects on the Company's ratios. The Company's balance sheet mix 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 economic factors 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.

TABLE 4. Changes in Rate and Volume

	1994 COMPARED WITH 1993			1993 COMPARED WITH 1992		
(In Millions)	Volume	Yield/Rate	Total	Volume	Yield/Rate	Total
Increase (decrease) in:						
Interest income:						
Loans	$ 65.2	$ 44.7	$109.9	$126.0	$(151.5)	$ (25.5)
Taxable securities	(9.8)	(4.6)	(14.4)	59.5	(27.5)	32.0
Nontaxable securities	(1.9)	(1.1)	(3.0)	3.2	(.3)	2.9
Federal funds sold and resale agreements	(12.5)	6.7	(5.8)	(17.3)	(5.5)	(22.8)
Other	(2.7)	(1.3)	(4.0)	(12.5)	1.4	(11.1)
Total	38.3	44.4	82.7	158.9	(183.4)	(24.5)

Interest expense:						
Savings deposits and time deposits less than $100,000...	(16.4)	(22.6)	(39.0)	9.2	(123.9)	(114.7)
Time deposits over $100,000.....	(14.5)	2.9	(11.6)	(17.6)	(12.7)	(30.3)
Short-term borrowings...........	49.8	9.1	58.9	7.1	(7.7)	(.6)
Long-term debt..................	18.1	(3.0)	15.1	(1.0)	(10.7)	(11.7)
Total........................	37.0	(13.6)	23.4	(2.3)	(155.0)	(157.3)
Increase (decrease) in net interest income..............	$ 1.3	$ 58.0	$ 59.3	$161.2	$ (28.4)	$ 132.8

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 $93.0 million in 1994, down $32.2 million from the provision of $125.2 million in 1993, and $90.4 million from the provision of $183.4 million in 1992. Improved credit quality caused the decrease in the provision. Nonperforming assets declined to $153.0 million at December 31, 1994, from $226.0 million at December 31, 1993, and $412.1 million at December 31, 1992. Net charge-offs declined to $104.6 million in 1994 from $150.0 million in 1993, and $203.1 million in 1992. 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.

NONINTEREST INCOME - Noninterest income was $628.0 million in 1994, compared with $569.6 million in 1993, an increase of $58.4 million, or 10.3 percent. Noninterest income was $535.7 million in 1992. The increases in both 1994 and 1993 were primarily due to higher credit card and trust fees. Credit card and trust fees increased $55.0 million, or 19.4 percent, from 1993. From 1992 to 1993, these fees increased by $38.5 million, or 15.7 percent.

Credit card fees were $179.0 million in 1994, up $41.9 million, or 30.6 percent, from $137.1 million in 1993. Credit card fees in 1993 were up $20.2 million, or 17.3 percent higher than 1992 credit card fees which totaled $116.9 million. Most of the 1994 increase in credit card fees is attributable to increased volumes for the Company's payment systems products, including the Corporate Card, the Purchasing Card, the Northwest Airlines WorldPerks credit card, and merchant processing. Most of the 1993 increase is attributable to increased volumes for the Corporate Card product.

Trust fees in 1994 were $159.2 million, up $13.1 million, or 9.0 percent, from $146.1 million in 1993. Trust fees in 1994 reflect growth in corporate and institutional trust fees, including income from the March acquisition of Boulevard and the September acquisition of the domestic corporate trust business of J.P. Morgan. Trust fees in 1993 increased $18.3 million, or 14.3 percent, from $127.8 million in 1992. Trust fees for 1993 reflect growth from the BSI acquisition 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 assets under management were $24.5 billion at December 31, 1994, compared with $21.6 billion in 1993 and $19.1 billion in 1992.

Service charges on deposit accounts totaled $115.6 million in 1994, compared with $115.3 million in 1993 and $108.4 million in 1992.

TABLE 5. Noninterest Income

(Dollars in Millions)	1994	1993	1992

Credit card fees	$179.0	$137.1	$116.9
Trust fees	159.2	146.1	127.8
Services charges on deposit accounts	115.6	115.3	108.4
Insurance commissions	23.8	20.9	27.3
Trading account profits and commissions	9.3	10.1	10.5
Securities gains (losses)	(3.8)	.3	1.9
Other	144.9	139.8	142.9
Total noninterest income	$628.0	$569.6	$535.7

Insurance commissions were $23.8 million in 1994, compared with $20.9 million in 1993, reflecting increased commission income on annuity sales. In 1992, the Company decided to reduce its focus on traditional insurance products and concentrate on other retail and community banking efforts in the regions, including annuities. The Company sold its Montana insurance agencies in December 1992, and in the first quarter of 1993, the Company sold its Twin Cities Metro insurance agency.

Trading account profits were $9.3 million in 1994, down slightly from $10.1 million in 1993 and $10.5 million in 1992. Sales of securities resulted in net losses of $3.8 million in 1994, and sales of investment securities resulted in net gains of $.3 million in 1993 and $1.9 million in 1992. Sales of available-for-sale securities are effected to improve the overall return of the portfolio through the reinvestment of the proceeds at higher rates.

Other noninterest income increased 3.6 percent to $144.9 million in 1994 from $139.8 million in 1993. Included in 1993 were net charges of approximately $28 million 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. Other noninterest income totaled $142.9 million in 1992.

NONINTEREST EXPENSE - Noninterest expense was $1.05 billion, a decrease of $47.4 million, or 4.3 percent, from 1993. Included in 1993 noninterest expense are merger and integration charges totaling $72.2 million relating to the CNB acquisition. Noninterest expense in 1992 also included merger-related charges of $110.4 million associated with the acquisition of WCIC and BSI. These accruals were made to reflect the disposal of problem assets and to provide for other merger-related costs.

Excluding the effects of the 1993 merger-related provisions, noninterest expense for the year increased $24.8 million, or 2.4 percent. The modest increase in expenses reflects the addition of the operations of Boulevard and J.P. Morgan domestic corporate trust business, offset by the benefits realized through integrating recent acquisitions. Compared with noninterest expense for 1993, adjusted to include the expenses of Boulevard and the acquired corporate trust business on a pro forma basis and excluding merger-related charges, noninterest expense for the year declined by $33.2 million, or 3.1 percent. Excluding merger-related charges, noninterest expense in 1993 increased $24.4 million, or 2.4 percent, from $1.00 billion in 1992 due to the December 31, 1992, acquisition of BSI. Compared with noninterest expense for 1992, adjusted to include 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 the CNB, WCIC and BSI acquisitions in 1993.

TABLE 6. Noninterest Expense

(Dollars in Millions, Except Per Employee Data)	1994	1993	1992

Salaries	$ 395.7	$ 389.1	$ 388.7
Employee benefits	91.6	86.3	85.5
Total personnel expense	487.3	475.4	474.2
Net occupancy	86.3	93.4	87.9
Furniture and equipment	78.3	72.7	67.2
FDIC insurance	46.0	46.4	42.2
Advertising	29.7	20.5	20.0
Amortization of goodwill and other intangible assets	39.6	30.6	25.2
Other personnel costs	32.2	27.5	20.2
Professional services	33.8	36.7	38.7
Data processing	13.9	21.3	22.4
Printing, stationery and supplies	20.0	21.9	21.0
Postage	19.1	19.4	19.1
Telephone	21.1	18.7	16.5
Other real estate (includes $26.4 merger-related charge in 1992)	(2.9)	2.2	41.2
Merger and integration	-	72.2	84.0
Other	148.7	141.6	134.5
Total noninterest expense	$1,053.1	$1,100.5	$1,114.3
Efficiency ratio*	57.2%	64.0%	71.8%
Efficiency ratio, excluding merger-related charges	57.2	59.8	64.7
Average number of full-time equivalent employees**	11,997	12,300	12,553
Personnel expense per employee	$ 40,619	$ 38,650	$ 37,776

*Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income net of securities gains and losses.

The efficiency ratio improved to 57.2 percent in 1994 from 59.8 percent in 1993 and 64.7 percent in 1992, excluding merger-related charges. The Company's efficiency ratio now ranks among the top five banks of its peer group. The keys to the high productivity are the tight cost control culture throughout the organization and the successful integration of acquisitions. Each acquisition completed has been integrated at a progressively faster pace, enabling the Company to realize substantial cost reductions.

Salaries and employee benefits expenses in 1994 were $487.3 million, up only slightly from 1993's total of $475.4 million. Including the operations of Boulevard and the corporate trust unit of J.P. Morgan on a pro forma basis in 1993, salaries and benefits expense in 1994 decreased $17.6 million, or 3.5 percent. In 1992, salaries and employee benefits expenses were $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.

Net occupancy expense totaled $86.3 million in 1994, a decrease of $7.1 million, or 7.6 percent, from 1993, reflecting efforts to improve productivity in the Company's distribution network by subleasing excess office space. Furniture and equipment expense increased $5.6 million, or 7.7 percent, from 1993. This increase included costs associated with acquisitions and recent investments in communication and data processing technology.

FDIC insurance premiums remained relatively constant at $46.0 million in 1994, compared with $46.4 million and $42.2 million in 1993 and 1992, respectively. The increase in premiums of $4.2 million, or 10.0 percent, during 1993 resulted from generally higher deposit levels, primarily related to BSI.

Advertising expense was $29.7 million in 1994, compared with $20.5 million in 1993 and $20.0 million in 1992, reflecting expanded marketing efforts in the growing consumer asset businesses.

Amortization of goodwill and other intangible assets was $39.6 million in 1994, $30.6 million in 1993, and $25.2 million in 1992. The increases are

primarily attributable to the additional goodwill and intangible assets resulting from the Boulevard and J.P. Morgan acquisitions in 1994 and the BSI and the corporate trust unit acquisitions in 1993 and 1992.

Other personnel costs were $32.2 million in 1994, $27.5 million in 1993, and $20.2 million in 1992. The increased use of temporary labor related to system improvements and conversions caused the increases in both 1994 and 1993.

The Company recorded merger-related charges of $72.2 million relating to the CNB acquisition in 1993. The charges relate to the closing of redundant facilities and consolidation of operations and include $29.7 million in conversion and required customer communications costs, $22.8 million in severance, $14.3 million in premises and equipment write-downs, and $5.4 million in other merger-related costs. Merger-related charges of $84.0 million relating primarily to the acquisition of WCIC were recorded in 1992. The charges include $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 required customer communications costs.

INCOME TAX EXPENSE - The provision for income taxes was $256.9 million in 1994, compared with $178.8 million in 1993 and $78.6 million in 1992. The increase is primarily a result of the higher level of taxable income along with a continued decline in tax-exempt interest income. The provision for 1993 reflects a one percent increase in the corporate income tax rate, but the effect was partially offset by the favorable impact of recording the related increase in deferred tax assets.

At December 31, 1994, the Company's net deferred tax asset was $220.2 million, net of valuation allowances of $14.0 million, compared with a net deferred tax asset of $160.0 million, net of valuation allowances of $19.6 million, at December 31, 1993. The acquisition of Boulevard caused most of the increase over last year. In determining that realization of the deferred tax 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 57.

Balance Sheet Analysis

LOANS - On an aggregate basis, the Company's loan portfolio increased $502 million, or 2.7 percent, to $19.3 billion at year-end 1994 from $18.8 billion at year-end 1993. An increase of $2.8 billion primarily in the commercial, credit card, and home equity and second mortgage portfolios was offset by a $2.3 billion decrease in loans to mortgage bankers and residential mortgages.

TABLE 7. Loan Portfolio Distribution

	1994		1993		1992		1991		1990	
At December 31 (Dollars in Millions)	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
COMMERCIAL:										
Commercial	$ 7,196	37.3%	$ 6,176	32.8%	$ 5,675	33.3%	$ 5,842	35.8%	$ 6,898	41.0%
Financial institutions	787	4.1	2,004	10.7	1,132	6.6	1,001	6.1	568	3.4
Real estate:										
Commercial mortgage	1,822	9.4	1,495	8.0	1,539	9.0	1,445	8.8	1,438	8.5
Construction	327	1.7	231	1.2	234	1.4	295	1.8	358	2.1
HLTs	283	1.5	183	1.0	284	1.7	334	2.0	577	3.4
Total commercial	10,415	54.0	10,089	53.7	8,864	52.0	8,917	54.5	9,839	58.4
CONSUMER:										
Residential mortgage	2,273	11.8	2,422	12.9	2,568	15.0	2,006	12.3	1,967	11.7
Residential mortgage held for sale	162	.8	1,088	5.8	705	4.1	758	4.6	643	3.8
Home equity and second mortgage	2,199	11.4	1,755	9.3	1,362	8.0	992	6.1	884	5.3
Credit card	2,409	12.5	1,757	9.4	1,782	10.5	1,709	10.4	1,232	7.3
Revolving credit	694	3.6	690	3.7	600	3.5	573	3.5	350	2.1
Automobile	392	2.0	342	1.8	519	3.0	726	4.4	1,124	6.7
Installment	401	2.1	376	2.0	430	2.5	444	2.7	572	3.4
Student loans held for sale	336	1.8	260	1.4	246	1.4	240	1.5	218	1.3

Total consumer.............	8,866	46.0	8,690	46.3	8,212	48.0	7,448	45.5	6,990	41.6
Total loans................	$19,281	100.0%	$18,779	100.0%	$17,076	100.0%	$16,365	100.0%	$16,829	100.0%

COMMERCIAL: Commercial loans totaled $7.2 billion at year-end 1994, up $1.0 billion, or 16.5 percent, from year-end 1993. Year-end 1993 commercial loans were $6.2 billion, up $.5 billion, or 8.8 percent from year-end 1992. The increase in commercial loans includes growth of $583 million in small and middle market business lending and $250 million in the Corporate Payment System which issues Visa corporate, business and purchasing cards to businesses.

At December 31, 1994, the significant industry groups based on commercial loans outstanding were consumer product manufacturers (29 percent), service industries, including both business and consumer services (26 percent), and wholesalers (20 percent). This mix is similar to those in 1993 and 1992.

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, Illinois, Montana, North Dakota, and South Dakota.

FINANCIAL INSTITUTIONS: The portfolio of loans to financial institutions dropped to $.8 billion at December 31, 1994, from $2.0 billion at December 31, 1993, and $1.1 billion at December 31, 1992. The significant decrease from prior years is attributable to the cyclical nature of the Company's secured loans to mortgage banking firms. The mortgage banking firms' loan volume has decreased due to a decline in refinancings related to a rise in market interest rates.

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 secures these loans primarily with first liens on single family residences.

COMMERCIAL REAL ESTATE: The Company's portfolio of commercial real estate mortgages and construction loans grew approximately $400 million to $2.1 billion at December 31, 1994, compared with $1.7 billion at December 31, 1993, and $1.8 billion at December 31, 1992. The Company has seen increased activity in commercial real estate loans as market prices stabilized and vacant space declined, allowing more projects to meet the Company's high credit standards.

Commercial mortgages outstanding were $1.8 billion at December 31, 1994, compared with $1.5 billion at December 31, 1993. Real estate construction loans outstanding at December 31, 1994, totaled $327 million, compared with $231 million from year-end 1993. The Company maintains the real estate construction designation on a loan 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 $23 million of construction loans were transferred to the commercial mortgage portfolio in 1994.

The Company's commercial real estate mortgages and construction loans had combined unfunded commitments of $355 million at December 31, 1994, and $206 million at December 31, 1993. At year-end 1994, real estate interests secured $176 million of tax-exempt industrial development loans and commitments and $295 million of standby letters of credit. At year-end 1993, these exposures totaled $218 million and $301 million, respectively. Table 8 shows the breakdown of these real estate exposures by property type and geographic location.

TABLE 8. Commercial Real Estate Exposure by Property Type and Geography

	Percentage of Total at December 31	
PROPERTY TYPE	1994	1993
Mixed-use office......................	19.3%	18.0%

Retail	18.8	15.0
Office building	17.2	14.6
Multi-family	10.9	11.3
Hotel/motel	5.8	6.0
Single-family residential	5.2	5.4
Land	2.3	2.5
Other, primarily owner-occupied	20.5	27.2
	100.0%	100.0%

GEOGRAPHY		
Minnesota	31.2%	32.5%
Colorado	23.8	28.0
Montana, North Dakota and South Dakota	11.9	11.8
Wisconsin	10.5	12.8
Illinois	5.3	.4
Total FBS region	82.7	85.5
Other West	8.3	3.7
Southeast	3.1	3.0
Other Southwest	3.0	3.5
Other Midwest	2.6	4.1
Mid-Atlantic	.3	.2
	100.0%	100.0%

Other real estate totaled $39.9 million at December 31, 1994. These properties are valued at estimated market value, and year-end 1994 book value represents approximately 32 percent of the aggregate original investment. In-substance foreclosures, which are included in the other real estate balance at year-end 1994, 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 adoption of SFAS 114,

"Accounting by Creditors for Impairment of a Loan," effective January 1, 1995, will require the reclassification of certain of the in-substance foreclosure assets to nonperforming loans. These amounts are not material.

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 $342 million at December 31, 1994, and $286 million at December 31, 1993.

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"), remained at relatively low levels. At December 31, 1994, the Company had HLT outstandings totaling $283 million and was committed under definitive loan agreements to lend an additional amount of approximately $179 million. Total exposure was $233 million at December 31, 1993, and $375 million at December 31, 1992. The increase in HLT originations is consistent with industry and economic trends. The Company continues to have stringent underwriting criteria and monitoring procedures for its HLT lending.

CONSUMER: Consistent with the Company's strategy, growth in retail lending is of continuing importance to the Company. Total consumer loan outstandings were $8.9 billion at December 31, 1994, up $176 million from $8.7 billion at year-end 1993. Excluding a $1.1 billion decrease in first mortgage residential loans and residential mortgage loans held for sale, the other consumer loans increased $1.3 billion, or 24.2 percent.

Home equity and second mortgages increased $444 million, or 25.3 percent, primarily due to successful promotions. In addition, credit card loans, including the new Northwest Airlines WorldPerks credit card, grew $652 million, or 37.1 percent. Revolving credit loans remained relatively constant at $.7

billion at December 31, 1994, and 1993. During 1994, automobile loans increased $50 million, or 14.6 percent, to $392 million and installment loans increased $25 million, or 6.6 percent, to $401 million. At December 31, 1994, student loans totaled $336 million, up $76 million from the prior year.

The rising interest rate environment in 1994 resulted in decreased activity in the Company's residential mortgage loan portfolio. Residential mortgage outstandings decreased $149 million, or 6.2 percent, to $2.3 billion, and residential mortgages held for sale decreased $926 million, or 85.1 percent. Loan production was approximately $1.6 billion in 1994, a 76.5 percent decrease from 1993. Included in 1993 loan production was $3.1 billion related to correspondent business and $2.0 billion more in refinance business than occurred in 1994. The Company's decision to exit the correspondent business contributed to approximately half of the 1994 loan production decline. The effect of this decision on net income was not material. Table 7 on page 23 shows the breakdown of the Company's consumer loan portfolio by type of loan.

Consumer lending is based primarily in the Company's operating region of Minnesota, Colorado, Montana, North Dakota, South Dakota, Illinois, and Wisconsin. Of total consumer balances outstanding, approximately 80 percent are to customers located in the Company's operating region. See page 27 for a discussion of the general economic conditions within the Company's operating region.

ALLOWANCE FOR CREDIT LOSSES--At December 31, 1994, the allowance for credit losses was $433.8 million, compared with an allowance of $423.2 million at year-end 1993 and $448.0 million at year-end 1992. The ratio of the allowance for credit losses to nonperforming loans increased to 385 percent at December 31, 1994, from 269 percent at December 31, 1993, and 179 percent at December 31, 1992. For further information on the allowance for credit losses, refer to "Corporate Risk Profile," beginning on page 27.

SECURITIES--At December 31, 1994, the Company's available-for-sale securities portfolio was $3.15 billion compared with $3.32 billion at December 31, 1993. Securities sales and attrition more than offset the growth related to acquisitions, including the $770 million portfolio acquired with the Boulevard purchase. The relative mix of the securities portfolio has not changed significantly from the prior years with U.S. Treasury and mortgage-backed securities representing the majority of the portfolio.

TABLE 9. Available-for-sale Securities Portfolio Average Maturity

At December 31, 1994	Average Maturity
U.S. Treasury	3 years, 2 months
Other U.S. Agencies	3 years, 0 months
State and Political	14 years, 2 months
Other*	4 years, 7 months
Total	4 years, 5 months

*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 10. Available-for-sale Securities Portfolio Amortized Cost, Fair Value and Yield by Maturity Date

MATURING:	WITHIN 1 YEAR			1-5 YEARS			5-10 YEARS		
At December 31, 1994 (Dollars in Millions)	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield

U.S. Treasury.............	$ 61.8	$ 61.5	5.06%	$ 892.9	$ 863.0	6.24%	$207.2	$173.8	5.22%
Mortgage-backed securities*.............	-	-	-	-	-	-	-	-	-
Other U.S. Agencies........	31.0	30.9	5.27	117.4	111.0	5.55	41.8	38.6	6.86
State and Political***.....	3.1	3.1	7.86	20.1	20.2	9.79	39.2	39.1	9.02
Other......................	13.6	13.5	5.89	83.7	82.5	7.67	39.9	38.8	6.18
	$109.5	$109.0	5.30%	$1,114.1	$1,076.7	6.34%	$328.1	$290.3	6.00%

MATURING:	OVER 10 YEARS			MORTGAGE-BACKED SECURITIES			TOTAL		
At December 31, 1994 (Dollars in Millions)	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield	Amortized Cost	Fair Value	Yield
U.S. Treasury.............	$ -	$ -	-%	$ -	$ -	-%	$1,161.9	$1,098.3	6.00%
Mortgage-backed securities*.............	-	-	-	1,497.4	1,414.3	6.47	1,497.4	1,414.3	6.47
Other U.S. Agencies........	.6	.6	9.51	-	-	-	190.8	181.1	5.81
State and Political***.....	112.8	116.0	11.35	-	-	-	175.2	178.4	10.59
Other......................	137.6	141.4	6.86**	-	-	-	274.8	276.2	7.04**
	$251.0	$258.0	10.81%**	$1,497.4	$1,414.3	6.47%	$3,300.1	$3,148.3	6.51%**

*Adjustable rate mortgage securities (ARMs) represent 46% 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.

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 earning assets consist of federal funds sold, reverse repurchase agreements, deposits with banks, and equity securities that do not have readily determinable fair values. Trading account and other earning assets averaged $.6 billion in 1994 compared with $1.0 billion in 1993.

DEPOSITS - Noninterest-bearing deposits averaged $6.1 billion in 1994, down $359 million from the 1993 average of $6.4 billion. The decrease in noninterest-bearing deposits resulted from reduced loan production at mortgage banking firms that generate noninterest-bearing deposits.

Average interest-bearing deposits include certificates of deposit, savings certificates, and money market and interest checking products. These deposits averaged $13.1 billion in 1994 compared with $13.9 billion in 1993. The relatively low market interest rate environment throughout 1994 caused deposits to decline.

SHORT-TERM BORROWINGS - Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, averaged $2.4 billion in 1994, or $1.1 billion more than in the prior year. These borrowings were obtained at competitive rates during 1994 and replaced the lower level of deposits in 1994.

LONG-TERM DEBT - Intermediate- and long-term debt averaged $1.2 billion in 1994, up from $913 million in 1993. In October 1994, First Bank National Association ("FBNA"), the Company's lead bank, completed a $100 million subordinated debt issuance in the form of 10-year noncallable notes. The notes were priced at 8.35 percent, or 70 basis points over the 10-year Treasury note. In June 1994, the Company placed $100 million in subordinated debt in the form of 10-year noncallable notes. The notes

were priced at 7.55 percent, or 64 basis points over the 10-year Treasury note. During 1993, the Company placed three $100 million subordinated debt issuances.

Medium-term notes outstanding totaled $514 million at December 31, 1994, compared with $248 million at December 31, 1993. During 1994, the Company issued $355 million of medium-term notes with maturities of one to three years and $50

million of notes with maturities of less than one year. Maturities and retirement of medium-term notes during 1994 totaled $139 million.

Corporate Risk Profile

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 - The Company continued to maintain its high level of credit quality in 1994. Nonperforming assets declined for the fifth consecutive year during 1994, reflecting the Company's disciplined credit culture characterized by individual lender accountability and prudent credit policies, the reduced risk profile of the loan portfolio, and improved economic conditions in the Company's lending region. The ratio of nonperforming assets to loans plus other real estate declined to .79 percent at year-end 1994 from 1.20 percent at year-end 1993 and 2.39 percent at year-end 1992. The risk reduction in the portfolio is a result of the Company's focus on middle market lending in its region and a shift toward more consumer lending. Consistent with the Company's strategy, the acquisitions made during the past three years have enhanced middle market and consumer loan portfolios. The ratio of the allowance for credit losses to nonperforming loans increased to 385 percent indicating strong reserve coverage. This coverage ratio was 269 percent at year-end 1993 and 179 percent at year-end 1992.

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's credit management process includes central credit policy and administration functions and standard underwriting criteria for specialized lending categories, such as mortgage banking, real estate construction, and consumer credit. Regular credit examinations conducted by the credit administration function support the Company's credit management process. Quarterly, management reviews large loans and all loans experiencing deterioration of credit quality. A standard credit scoring system is used to assess consumer credit risks and to price consumer products relative to their assigned risk rating.

The Company operates principally in Minnesota, Colorado, Illinois, 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 3.5 percent and 3.3 percent, respectively, compared to the national unemployment rate of 5.1 percent at December 31, 1994. Through September 30, 1994, the national foreclosure rate was .92 percent, compared with .58 percent in Minnesota and .36 percent in Colorado.

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 31.

TABLE 11. Summary of Allowance for Credit Losses

(Dollars in Millions)	1994	1993	1992	1991	1990
Balance at beginning of period	$423.2	$448.0	$426.9	$454.0	$480.0
CHARGE-OFFS					
Commercial:					
Commercial	53.3	45.5	58.8	93.3	96.8
Financial institutions	1.1	6.5	--	2.0	3.0
Real estate:					
Commercial mortgage	16.0	55.5	45.6	72.0	66.3
Construction	.2	.4	6.1	6.3	32.0
HLTs	3.8	8.0	27.0	11.5	15.9
Total commercial	74.4	115.9	137.5	185.1	214.0
Consumer:					
Residential mortgage	3.0	1.9	5.1	5.1	6.9
Credit card	78.5	71.6	85.5	68.4	43.7
Other	31.9	35.6	45.6	47.1	37.2
Total consumer	113.4	109.1	136.2	120.6	87.8
Total	187.8	225.0	273.7	305.7	301.8
RECOVERIES:					
Commercial:					
Commercial	36.4	31.0	37.1	27.6	30.4
Financial institutions	.4	7.0	--	--	.7
Real estate:					
Commercial mortgage	17.5	10.3	5.9	11.7	4.2
Construction	.9	1.3	1.9	1.2	4.7
HLTs	6.4	2.4	3.0	5.3	3.1
Total commercial	61.6	52.0	47.9	45.8	43.1
Consumer:					
Residential mortgage	.9	1.4	2.1	1.6	2.0
Credit card	9.1	9.7	8.0	6.0	4.3
Other	11.6	11.9	12.6	10.0	10.5
Total consumer	21.6	23.0	22.7	17.6	16.8
Total	83.2	75.0	70.6	63.4	59.9
NET CHARGE-OFFS					
Commercial:					
Commercial	16.9	14.5	21.7	65.7	66.4
Financial institutions	.7	(.5)	--	2.0	2.3
Real estate:					
Commercial mortgage	(1.5)	45.2	39.7	60.3	62.1
Construction	(.7)	(.9)	4.2	5.1	27.3
HLTs	(2.6)	5.6	24.0	6.2	12.8
Total commercial	12.8	63.9	89.6	139.3	170.9
Consumer:					
Residential mortgage	2.1	.5	3.0	3.5	4.9
Credit card	69.4	61.9	77.5	62.4	39.4
Other	20.3	23.7	33.0	37.1	26.7
Total consumer	91.8	86.1	113.5	103.0	71.0
Total	104.6	150.0	203.1	242.3	241.9
Provision charged to operating expense	93.0	125.2	183.4	202.2	215.4
Additions related to acquisitions	22.2	--	40.8	13.0	.5
Balance at end of period	$433.8	$423.2	$448.0	$426.9	$454.0
Allowance as a percentage of period-end loans	2.25%	2.25%	2.62%	2.61%	2.70%
Allowance as a percentage of nonperforming loans	385	269	179	142	104
Allowance as a percentage of nonperforming assets	284	187	109	78	68

ANALYSIS AND ALLOCATION OF ALLOWANCE FOR CREDIT LOSSES--The allowance for credit losses provides for credit losses inherent in the Company's loan portfolio and related off-balance sheet commitments. The provision for credit losses increases and net charge-offs decrease the allowance. 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, any stagnation or reversals in the economy could cause an increase in the required level of the allowance for credit losses.

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.

Management allocates components of the allowance to certain industry sectors based on its assessment of the relative risk characteristics of the loan portfolio. Table 12 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. Consumer allocations are based on an analysis of historical and expected delinquency and charge-off statistics.

At December 31, 1994, the allowance for credit losses was $433.8 million, or 2.25 percent of loans. This compares with an allowance of $423.2 million, or 2.25 percent of loans, at year-end 1993 and $448.0 million, or 2.62 percent of loans, at December 31, 1992. The allowance increased to 385 percent of nonperforming loans at December 31, 1994, compared with 269 percent at December 31, 1993, and 179 percent at December 31, 1992.

The unallocated allowance increased to $268.1 million at year-end 1994 from $254.9 million and $202.7 million at December 31, 1993, and 1992, respectively. Generally, the increase in the unallocated allowance reflects the trend of improving credit quality in the portfolio and the lower level of charge-offs. 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

	Allocation Amount at December 31					Allocation as a Percent of Loans Outstanding				
(Dollars in Millions)	1994	1993	1992	1991	1990	1994	1993	1992	1991	1990
COMMERCIAL:										
Commercial and financial institutions............	$ 74.4	$ 70.8	$ 83.7	$102.6	$133.9	.93%	.87%	1.23%	1.50%	1.79%
Real estate:										
Commercial mortgage....	18.7	36.8	52.8	77.2	127.5	1.03	2.46	3.43	5.34	8.87
Construction...........	1.9	1.0	7.3	5.3	3.6	.58	.43	3.12	1.80	1.01
HLTs.....................	4.3	9.0	21.8	23.1	31.5	1.52	4.92	7.68	6.92	5.46
Total commercial.......	99.3	117.6	165.6	208.2	296.5	.95	1.17	1.87	2.33	3.01
CONSUMER:										
Residential mortgage.....	8.9	11.9	13.0	13.9	12.1	.37	.34	.40	.50	.46
Credit card.............	32.5	22.0	38.9	39.7	31.0	1.35	1.25	2.18	2.32	2.52
Other....................	25.0	16.8	27.8	15.0	24.1	.62	.49	.88	.50	.77
Total consumer.........	66.4	50.7	79.7	68.6	67.2	.75	.58	.97	.92	.96
Total allocated..........	165.7	168.3	245.3	276.8	363.7	.86	.90	1.44	1.69	2.16
Unallocated portion......	268.1	254.9	202.7	150.1	90.3	1.39	1.35	1.18	.92	.54
Total allowance........	$433.8	$423.2	$448.0	$426.9	$454.0	2.25%	2.25%	2.62%	2.61%	2.70%

ANALYSIS OF NET LOAN CHARGE-OFFS - As shown in Table 11 on page 28, net loan charge-offs decreased $45.4 million to $104.6 million from the $150.0 million reported in 1993 primarily due to decreases in commercial mortgage net charge-offs. Consumer loan net charge-offs in 1994 were $5.7 million higher than in 1993, reflecting an acceleration of the timing of charge-offs for fraud losses

on credit card and other consumer loan balances. Net charge-offs were $203.1 million in 1992. Table 13 shows net charge-offs as a percentage of average loans outstanding by industry.

TABLE 13. Net Charge-offs as a Percentage of Average Loans Outstanding by Industry

	1994	1993	1992	1991	1990
COMMERCIAL:					
Commercial................................	.20%	.33%	.78%	1.06%	.95%
Financial institutions....................	.06	(.03)	-	.28	.41
Real Estate:					
Commercial mortgage......................	(.09)	2.99	2.64	4.34	4.84
Construction.............................	(.27)	(.43)	1.63	1.55	5.87
Total commercial.........................	.13	.68	1.03	1.51	1.60
CONSUMER:					
Residential mortgage......................	.08	.01	.11	.13	.13
Credit card...............................	3.38	3.57	4.53	4.17	3.61
Other.....................................	.55	.74	1.11	1.26	1.01
Total consumer...........................	1.09	1.02	1.51	1.44	.96
Total....................................	.56%	.84%	1.25%	1.48%	1.34%

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, 1994, nonperforming assets totaled $153.0 million, a decrease of $73.0 million, or 32.3 percent, from year-end 1993. The ratio of nonperforming assets to loans plus other real estate improved to .79 percent at December 31, 1994, compared with 1.20 percent at year-end 1993 and 2.39 percent at year-end 1992. The most significant reductions in nonperforming assets occurred in commercial, HLT, and residential mortgage nonperforming loans and other real estate. Commercial nonperforming loans declined $16.1 million, or 38.2 percent, HLT nonperforming loans declined $10.2 million, or 50.7 percent, residential mortgage nonperforming loans declined $13.6 million, or 30.4 percent, and other real estate declined $27.5 million, or 40.8 percent.

At December 31, 1993, nonperforming assets were $226.0 million, down $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. The decrease in HLT nonperforming loans was related to one credit totaling $37.5 million which was paid 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. Government-sponsored mortgage insurance supports these loans, and the Company does not anticipate any significant losses related to these loans.

Interest payments are currently received on approximately 20 percent of the Company's nonperforming assets. The payments are typically applied against principal and not recorded as income.

TABLE 14. Nonperforming Assets

	At December 31				
(Dollars in Millions)	1994	1993	1992	1991	1990
Nonaccrual loans..........................	$112.6	$157.6	$246.7	$284.8	$412.1
Restructured loans........................	.1	-	3.5	16.7	25.7
Nonperforming loans......................	112.7	157.6	250.2	301.5	437.8
Other real estate.........................	39.9	67.4	158.2	229.9	207.1
Other nonperforming assets................	.4	1.0	3.7	18.3	20.3

Nonperforming assets.....................	$153.0	$226.0	$412.1	$549.7	$665.2
Accruing loans 90 days or more past due....	$ 26.0	$ 31.2	$ 30.2	$ 43.4	$ 33.0
Nonperforming loans to total loans.........	.59%	.84%	1.47%	1.84%	2.60%
Nonperforming assets to total loans plus other real estate...................	.79	1.20	2.39	3.31	3.90
Net interest lost on nonperforming loans...	$ 7.6	$ 10.2	$ 13.8	$ 22.3	$ 31.1

Accruing loans 90 days or more past due at December 31, 1994, totaled $26.0 million, compared with $31.2 million at December 31, 1993, and $30.2 million at December 31, 1992. Consumer loans 30 days or more past due were 1.8 percent of the total consumer portfolio at December 31, 1994, compared with 2.1 percent at December 31, 1993. Consumer loans 90 days or more past due at December 31, 1994, totaled .7 percent of the total consumer loan portfolio, compared to 1.0 percent at December 31, 1993. The decreases were primarily due to the improvement in delinquent residential mortgages purchased in 1993 in connection with a sale of mortgage loan servicing rights. Government-sponsored mortgage insurance supports all of these loans.

TABLE 15. Nonperforming Assets by Industry

	At December 31		1994 Compared with 1993	
(Dollars in Millions)	1994	1993	Amount	Percent
COMMERCIAL:				
Commercial....................	$ 26.1	$ 42.2	$(16.1)	(38.2)%
Financial institutions........	-	.9	(.9)	(100.0)
Real estate:				
Commercial mortgage.........	33.6	36.9	(3.3)	(8.9)
Construction................	1.6	2.2	(.6)	(27.3)
HLTs..........................	9.9	20.1	(10.2)	(50.7)
Total commercial...........	71.2	102.3	(31.1)	(30.4)
CONSUMER:				
Residential mortgage..........	31.2	44.8	(13.6)	(30.4)
Credit card...................	9.9	10.3	(.4)	(3.9)
Other.........................	.4	.2	.2	100.0
Total consumer.............	41.5	55.3	(13.8)	(25.0)
Total nonperforming loans...	112.7	157.6	(44.9)	(28.5)
OTHER REAL ESTATE..............	39.9	67.4	(27.5)	(40.8)
OTHER NONPERFORMING ASSETS......	.4	1.0	(.6)	(60.0)
Total nonperforming assets..	$153.0	$226.0	$(73.0)	(32.3)%

INTEREST RATE RISK MANAGEMENT - The Company's principal objective for interest rate risk management is to control exposure of net interest income to risks associated with interest rate movements. The Company uses derivative financial instruments ("derivatives") to hedge on-balance sheet items and, to a lesser extent, in connection with intermediated transactions for customers. The market risk on intermediated transactions is limited by entering into generally matching or offsetting positions. The Company does

not enter into derivative contracts for speculative purposes.

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, simulation modeling which produces projections

of net interest income under various interest rate scenarios and balance sheet strategies, and valuation modeling which measures the sensitivity of various components of the balance sheet under various interest rate scenarios. The significant assumptions include rate sensitivities, prepayment risks, and the timing of changes in prime and deposit rates compared with changes in money market rates.

Table 16 shows the Company's interest rate repricing gap position at several repricing maturities. As of December 31, 1994, the Company had a cumulative positive repricing gap position at one year of $869 million, 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 differences in adjusting the interest rates of certain assets and liabilities that have varying sensitivities to market interest rates. As a result, management places a greater reliance on simulation and valuation 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 over a 12-month period assuming an immediate and sustained 100 basis point change in interest rates. 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 the changes in these rates will follow historic patterns, adjusted as necessary for current competitive factors and market conditions.

TABLE 16. Interest Rate Sensitivity Gap Analysis

	REPRICING MATURITIES						
At December 31, 1994 (In Millions)	Less Than 3 Months	3-6 Months	6-12 Months	1-5 Years	More Than 5 Years	Non-Rate Sensitive	Total
Assets:							
Loans	$11,125	$ 800	$1,457	$3,662	$2,121	$ 116	$19,281
Available-for-sale securities	654	190	202	1,470	773	(141)	3,148
Other earning assets	548	-	-	-	-	-	548
Nonearning assets	217	-	-	270	1,397	1,358	3,242
Total assets	$12,544	$ 990	$1,659	$5,402	$4,291	$ 1,333	$26,219
Liabilities and Equity:							
Deposits	$ 6,576	$ 802	$1,156	$6,169	$4,052	$ 36	$18,791
Other purchased funds	2,798	-	-	4	20	-	2,822
Long-term debt	749	1	-	21	712	-	1,483
Other liabilities	28	-	-	-	-	820	848
Equity	-	-	-	-	-	2,275	2,275
Total liabilities and equity	$10,151	$ 803	$1,156	$6,194	$4,784	$ 3,131	$26,219
Effect of off-balance sheet hedging instruments:							
Receiving fixed	$ 115	$ 130	$ 215	$1,489	$ 725	$ -	$ 2,674
Paying floating	(2,499)	(25)	(150)	-	-	-	(2,674)
Total effect of off-balance sheet hedging instruments	$(2,384)	$ 105	$ 65	$1,489	$ 725	$ -	$ -
Repricing gap	$ 9	$ 292	$ 568	$ 697	$ 232	$(1,798)	$ -
Cumulative repricing gap	9	301	869	1,566	1,798	-	

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: approximately fifty percent of regular savings, interest-bearing checking, and money market checking balances and sixty-eight percent of money market savings balances are reflected in the Less Than 3 Months category, with the remainder placed in the 1-5 Years category. Approximately seventy-three percent of demand deposits and related nonearning asset accounts is allocated in the More Than 5 Years category, fifteen percent is allocated in the 1-5 Years category with the remaining allocated in the Less Than 3 Months category.

The Company invests in fixed rate assets or receives the fixed rate on interest rate swaps as a hedge to maintain acceptable rate risk levels. The derivatives the Company uses to achieve its hedging objectives are primarily interest rate swaps, caps, and floors. 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. As of December 31, 1994, the Company receives payments on $2.7 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 6.91 percent and an average variable rate, which is tied to various LIBOR rates, of 6.09 percent. The maturity of these agreements ranges from one month to 10 years with an average remaining maturity of 4.0 years.

TABLE 17. Interest Rate Swap Hedging Portfolio Notional Balances and Yields by Maturity Date

At December 31, 1994 (Dollars in Millions)

Receive Fixed Swaps* Maturity Date	Notional Amount	Weighted Average Interest Rate Received	Weighted Average Interest Rate Paid
1995	$ 460	7.36%	6.17%
1996	433	7.96	6.17
1997	250	6.36	5.95
1998	356	5.77	6.06
1999	550	6.83	6.20
After 1999**	625	6.80	5.94
Total	$2,674	6.91%	6.09%

*At December 31, 1994, the Company did not have any swaps in its portfolio which required it to pay fixed-rate interest.

**At December 31, 1994, all swaps with a maturity after 1999 hedge fixed rate subordinated notes.

Swaps contributed to the Company's net interest margin by reducing interest expense for the years ended December 31, 1994, 1993, and 1992, by $63.6 million, $88.8 million, and $80.6 million, respectively.

The Company also uses interest rate caps and floors to minimize the impact of fluctuating interest rates on earnings. Interest rate floor counterparties will pay the Company 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, 1994, was $950 million with an average strike level of 3-month LIBOR at 3.50 percent and an average remaining maturity of 3.0 years. The impact of floors on net interest income was not material for the year ended December 31, 1994. Note M on page 59 has further information on interest rate swaps and options.

Forward contracts, totaling $196 million at December 31, 1994, hedge the interest rate risk of the fixed rate mortgage loans originated and held for sale by the Company's mortgage subsidiary. The Company enters into foreign currency commitments primarily as an intermediary for customers. Derivative contracts which are not hedges are primarily customer-driven. The Company limits its exposure to market risk on these contracts by entering into generally matching or offsetting positions. The Company also manages its credit risk on all derivative contracts through counterparty and credit limit approvals and monitoring credit concentration risks.

Another objective of the interest rate risk measurement and management process is to quantify the sensitivity of the market value of the Corporation's balance sheet components to changes in interest rates. 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. The general definition of financial instruments is cash, equity instruments or investments and contractual obligations to pay or receive cash or other financial instruments. The Statement indicates quoted market prices are the

preferred means of estimating the fair value of a specific instrument, but in the cases where market quotes are not available, various valuation techniques, such as discounted cash flow

calculations, or pricing models or services, should be used to determine fair values. Due to the nature of its business and the financing needs of its customers, the Company uses a large number of financial instruments, the majority of which are not actively traded. Accordingly, the Company uses 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 61.

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.

Several rating agencies recognized the sustained improvement in the Company's credit quality, liquidity, capital and earnings. As of December 31, 1994, Moody's Investors Service, Standard & Poors, and Thomson BankWatch rated the Company's senior debt as "A2," "A," and "A+," respectively. The strong debt ratings allowed the Company to obtain negotiated funding, which includes term certificates of deposit, foreign branch time deposits, national federal funds purchased, bank notes, and medium-term notes, at competitive rates. Negotiated funding increased to $3.1 billion at year-end 1994, compared with $.7 billion at year-end 1993 and $.8 billion at year-end 1992. Although negotiated funding has increased, the Company continues to focus its funding opportunities primarily on deposits within its operating region. Approximately 82 percent of the Company's funding comes from retail deposits within its operating region. The Company's purchased funds index, calculated as negotiated funding and repurchase agreements, net of federal funds sold and resale agreements, divided by loans and securities, remains relatively low at 12.7 percent at December 31, 1994, compared with a peer group average of 20.2 percent.

Holding company assets totaled $3.5 billion at December 31, 1994, compared with $3.1 billion at December 31, 1993, and $3.2 billion at December 31, 1992. The increase in holding company assets during 1994 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 1994, holding company long-term debt, including medium-term notes, increased to $1.0 billion from $.7 billion at year-end 1993. The Company placed subordinated debt issuances of $100 million during both 1994 and 1993. FBNA, the Company's lead bank, placed subordinated debt issuances of $100 million during 1994 and $200 million during 1993. In 1994, three of the Company's bank subsidiaries registered a $2 billion medium-term bank note program. Notes issued under this program may mature from 30 days to 15 years after issuance and bear fixed or floating interest rates. Proceeds from the sale of the notes will be used for general corporate purposes. At December 31, 1994, there were no notes issued under this program.

Long-term debt maturing in 1995 is approximately $195 million. These debt obligations will be met through medium-term note or subordinated debt issuance, as well as from the approximately $374 million of holding company cash and cash equivalents on hand at December 31, 1994. 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.

Capital Management

At December 31, 1994, total shareholders' equity was $2.275 billion, or 8.7 percent of assets, compared with 8.5 percent at year-end 1993 and 8.7 percent at year-end 1992. Common shareholders' equity at December 31, 1994, was $2.169 billion, or $19.25 per share, compared with $1.979 billion, or $18.09 per share, at year-end 1993 and $1.939 billion, or $17.09 per share, at year-end 1992. The common equity-to-assets ratio increased 77 basis points from year-end 1993 to 8.3 percent at December 31, 1994. The common equity-to-assets ratio increased 20 basis points to 7.5 percent at year-end 1993 from 7.3 percent at year-end 1992. Compared to 1993, earnings retention has offset the decrease caused by stock repurchases.

TABLE 18. Capital Ratios

At December 31 (Dollars in Millions)	1994	1993	1992
Common equity	$2,169	$1,979	$1,939
As a percent of assets	8.3%	7.5%	7.3%
Tangible common equity*	$1,844	$1,811	$1,764
As a percent of assets	7.1%	6.9%	6.7%
Total shareholders' equity	$2,275	$2,245	$2,318
As a percent of assets	8.7%	8.5%	8.7%
Tier 1 capital	$1,902	$1,971	$2,008
As a percent of risk-adjusted assets	8.0%	9.2%	9.5%
Total risk-based capital	$2,962	$2,863	$2,669
As a percent of risk-adjusted assets	12.5%	13.3%	12.6%
Leverage ratio	7.5	7.6	7.8

*Defined as common equity less goodwill.

During 1994, the Company repurchased approximately 6.3 million shares of its common stock, of which 4.4 million shares related to acquisitions. On January 18, 1995, and February 15, 1995, the Board of Directors authorized additional repurchase programs of 2.0 million and 14.0 million shares of common stock, respectively. The Company will use those shares in connection with previously announced acquisitions, stock option plans, dividend reinvestment plans, employee stock purchase plans, and other corporate purposes.

On April 1, 1994, the Company completed the redemption of $159.3 million of its preferred stock, consisting of $89 million of Preferred Stock Series 1989A and $70.3 million of Preferred Stock Series 1989B. During 1993, the Company redeemed its $100 million Series 1983A Adjustable Rate Cumulative Preferred Stock.

The Company's risk-based capital ratios, which take into account the different credit risks among banking organizations' assets, have remained strong over the past three years. Tier 1 and total risk-based capital ratios were 8.0 percent and 12.5 percent, respectively, on December 31, 1994, compared with 9.2 percent and 13.3 percent at December 31, 1993, and 9.5 percent and 12.6 percent at December 31, 1992. The decrease in the ratios was due to the preferred stock redemptions and common stock repurchases discussed above. In accordance with the regulatory guidelines, unrealized gains and losses on the securities portfolio are excluded from the risk-based capital calculations, and equity capital created by the adoption of SFAS 109, related to deferred tax assets, is subject to limitations for inclusion in risk-based capital.

At December 31, 1994, the Company's leverage ratio, the ratio of Tier 1 capital to total quarterly average assets, was 7.5 percent compared with 7.6 percent and 7.8 percent at December 31, 1993, and 1992, respectively.

The Federal Deposit Insurance Corporation ("FDIC") typically defines a bank to be "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 19 on page 36, all of the Company's bank subsidiaries met the "well capitalized" designation at December 31, 1994.

Table 19. Bank Subsidiary Capital Ratios

	At December 31, 1994			
(Dollars in Millions)	Tier 1 Capital	Total Risk-based Capital	Leverage	Total Assets
Regulatory Capital Requirements:				
Minimum..	4.0%	8.0%	3.0%	
Well-capitalized.......................................	6.0	10.0	5.0	
Bank Subsidiaries:				
First Bank National Association (Minnesota).............	7.4	11.6	7.3	$14,567
Colorado National Bank..................................	10.6	12.6	7.5	6,702
First Bank National Association (Illinois)..............	18.1	19.4	10.4	1,383
First Bank of South Dakota (National Association)........	8.1	11.7	8.1	1,290
First Bank Montana, National Association................	10.2	12.1	9.7	1,214
First Bank (N.A.) (Wisconsin)...........................	8.7	11.1	9.0	1,166
First Bank of North Dakota, National Association.........	9.6	12.8	9.4	881
Colorado National Bank Aspen............................	25.4	26.7	12.6	54
First National Bank of East Grand Forks.................	15.7	18.5	9.8	42

Note: These balances and ratios were prepared in accordance with regulatory accounting principles as disclosed in the banks' Call Reports.

During 1994, total dividends on common stock were $130.9 million compared with $109.7 million in 1993 and $73.1 million in 1992. On a per share basis, dividends paid to common shareholders totaled $1.16 in 1994, $1.00 in 1993, and $.88 in 1992. On February 15, 1995, the Board of Directors increased the quarterly dividend rate paid to common shareholders from $.29 to $.3625. At this dividend rate, the annual dividend is equivalent to $1.45 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 66.

Accounting Changes

The Company will adopt SFAS 114, "Accounting by Creditors for Impairment of a Loan," in January 1995. 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 Statement also requires the reclassification of in-substance foreclosures from other real estate to nonperforming loans. The adoption of SFAS 114 is not expected to have a material effect on the Company.

Effective December 31, 1993, the Company adopted the provisions of SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," and reported its entire $3.3 billion of investment securities as available for sale. SFAS 115 requires that investments in debt securities and equity securities with readily determinable fair values be classified into three categories which then establish the accounting treatment. The accounting for two of the categories, trading securities and held-to-maturity securities, is essentially the same as prior practice. The other category, available-for-sale securities, is accounted for at fair value with unrealized holding gains or losses being reported in shareholders' equity. At December 31, 1994, the Company's available for sale securities portfolio was $3.1 billion, with an after-tax loss of $94.1 million recorded in shareholders' equity.

Impact of Inflation

The assets and liabilities of a financial institution are primarily monetary in nature. As such, future changes in prices do not affect the obligations to pay or receive fixed and determinable amounts of money. 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.

Fourth Quarter Summary

In the fourth quarter of 1994, the Company reported net income of $110.5 million, or $.95 per share, compared with $95.9 million, or $.81 per share, in the fourth quarter of 1993. Return on average assets and return on average common equity in the fourth quarter of 1994 were 1.69 percent and 19.9 percent, respectively, compared with returns of 1.45 percent and 18.3 percent in the fourth quarter of 1993. The strong results for the fourth quarter reflect a higher net interest margin, growth in fee income, ongoing expense control, continued improvement in credit quality and effective capital management.

Table 20. Fourth Quarter Summary

	Three Months Ended December 31	
(Dollars in Millions)	1994	1993
CONDENSED INCOME STATEMENT:		
Net interest income (taxable-equivalent basis).........	$314.6	$293.3
Provision for credit losses..........................	23.0	27.0
Net interest income after provision for credit losses	291.6	266.3
Noninterest income...................................	163.1	145.9
Noninterest expense..................................	270.7	255.3
Income before income taxes..........................	184.0	156.9
Taxable-equivalent adjustment........................	3.6	3.7
Income taxes...	69.9	57.3
Net income..	$110.5	$ 95.9
Return on average assets.............................	1.69%	1.45%
Return on average common equity......................	19.9	18.3
Net interest margin (taxable-equivalent basis).........	5.42	5.00
Efficiency ratio.....................................	56.5	58.1
PER SHARE DATA:		
Net income...	$ .95	$ .81
Common dividends paid................................	.29	.25

Net interest income on a taxable equivalent basis was $314.6 million in the fourth quarter of 1994, an increase of $21.3 million, or 7.3 percent, from the fourth quarter of 1993. The net interest margin on a taxable-equivalent basis was 5.42 percent compared with 5.00 percent a year ago. Net interest income and the margin improved principally due to increases in the average loan yield, resulting from increases in the Company's reference rate on variable rate loans during 1994, and a shift in the mix of loans from lower-margin mortgage-related balances to higher yield consumer and commercial loans. Total average earning assets were $23.0 billion during the fourth quarter of 1994, down $.3 billion from the level of $23.3 billion in the same period of 1993.

The provision for credit losses was $23.0 million in the fourth quarter of 1994 compared with $27.0 million in the fourth quarter of 1993. The reduction in the provision was driven by continued declines in net charge-offs and nonperforming assets. See "Provision for Credit Losses" on page 20 and "Credit Management" on page 27 for further information regarding the provision, net charge-offs and the allowance for credit losses.

Noninterest income was $163.1 million in the fourth quarter of 1994, an increase of $17.2 million, or 11.8 percent, from the same quarter a year ago. The increase reflects higher trust and credit card fees. Credit card fees were up as a result of higher sales volume for Corporate Card, Purchasing Card, merchant processing, and the Northwest Airlines WorldPerks credit card. Trust fees increased due to the growth in corporate and institutional trust fees, including the J.P. Morgan corporate trust unit and Boulevard acquisitions.

Fourth quarter noninterest expense in 1994 was $270.7 million, an increase of only $15.4 million, from the fourth quarter of 1993, despite the addition of expenses associated with Boulevard and the domestic corporate trust business of J.P. Morgan. Compared with noninterest expense for the fourth quarter of 1993, adjusted to include the expenses of Boulevard and the acquired corporate trust business on a pro forma basis, noninterest expense for the fourth quarter of 1994 declined by $6.4 million, or 2.3 percent. The efficiency ratio for the fourth quarter of 1994 improved to 56.5 percent from 58.1 percent for the same quarter last year.

CONSOLIDATED BALANCE SHEET

At December 31 (In Millions, Except Shares)	1994	1993
ASSETS		
Cash and due from banks	$ 1,621	$ 1,682
Federal funds sold	135	1,032
Securities purchased under agreements to resell	336	306
Trading account securities	77	55
Available-for-sale securities	3,148	3,319
Loans	19,281	18,779
Less allowance for credit losses	434	423
Net loans	18,847	18,356
Bank premises and equipment	391	382
Interest receivable	153	129
Customers' liability on acceptances	178	186
Other assets	1,333	938
Total assets	$26,219	$26,385
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits:		
Noninterest-bearing	$ 5,777	$ 7,489
Interest-bearing	13,014	13,542

Total deposits	18,791	21,031
Federal funds purchased	1,630	553
Securities sold under agreements to repurchase	534	369
Other short-term funds borrowed	658	412
Long-term debt	1,483	1,015
Acceptances outstanding	178	186
Other liabilities	670	574
Total liabilities	23,944	24,140
Shareholders' equity:		
Preferred stock	106	266
Common stock, par value $1.25 a share-authorized 200,000,000 shares; issued: 1994 - 116,300,108 shares; 1993 - 114,793,547 shares	145	144
Capital surplus	721	676
Retained earnings	1,429	1,328
Less cost of common stock in treasury: 1994 - 3,621,450 shares; 1993 - 5,391,883 shares	(126)	(169)
Total shareholders' equity	2,275	2,245
Total liabilities and shareholders' equity	$26,219	$26,385

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31 (In Millions, Except Per-Share Data)	1994	1993	1992
INTEREST INCOME			
Loans	$ 1,510.7	$ 1,398.6	$ 1,418.8
Securities:			
Taxable	199.2	218.2	186.4
Exempt from federal income taxes	12.0	14.6	12.0
Other interest income	25.2	30.4	64.1
Total interest income	1,747.1	1,661.8	1,681.3
INTEREST EXPENSE			
Deposits	373.1	423.7	568.7
Federal funds purchased and repurchase agreements	91.2	31.8	37.1
Other short-term funds borrowed	18.5	19.0	14.3
Long-term debt	69.5	54.4	66.1
Total interest expense	552.3	528.9	686.2
Net interest income	1,194.8	1,132.9	995.1
Provision for credit losses	93.0	125.2	183.4
Net interest income after provision for credit losses	1,101.8	1,007.7	811.7
NONINTEREST INCOME			
Credit card fees	179.0	137.1	116.9
Trust fees	159.2	146.1	127.8
Service charges on deposit accounts	115.6	115.3	108.4
Securities gains (losses)	(3.8)	.3	1.9
Other	178.0	170.8	180.7
Total noninterest income	628.0	569.6	535.7
NONINTEREST EXPENSE			
Salaries	395.7	389.1	388.7
Employee benefits	91.6	86.3	85.5
Net occupancy	86.3	93.4	87.9
Furniture and equipment	78.3	72.7	67.2
FDIC insurance	46.0	46.4	42.2
Advertising	29.7	20.5	20.0
Amortization of goodwill and other intangible assets	39.6	30.6	25.2
Other personnel costs	32.2	27.5	20.2
Professional services	33.8	36.7	38.7
Data processing	13.9	21.3	22.4
Other real estate	(2.9)	2.2	41.2
Merger and integration	-	72.2	84.0
Other	208.9	201.6	191.1
Total noninterest expense	1,053.1	1,100.5	1,114.3
Income before income taxes and cumulative effect of changes in accounting principles	676.7	476.8	233.1
Applicable income taxes	256.9	178.8	78.6
Income before cumulative effect of changes in accounting principles	419.8	298.0	154.5
Cumulative effect of changes in accounting principles	-	-	157.3
Net income	$ 419.8	$ 298.0	$ 311.8

Net income applicable to common equity	$ 408.6	$ 270.2	$ 281.6
EARNINGS PER COMMON SHARE			
Average common and common equivalent shares	114,544,806	113,075,429	105,361,022
Income before cumulative effect of changes in accounting principles	$ 3.57	$ 2.39	$ 1.18
Cumulative effect of changes in accounting principles	-	-	1.49
Net income	$ 3.57	$ 2.39	$ 2.67

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	Unrealized Gains/(Losses) on Securities, Net of Taxes	Treasury Stock**	Total
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 Siouxland 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	1,294.6	34.0	(169.4)	2,245.0
Net income					419.8			419.8
Dividends declared:								
Preferred					(11.2)			(11.2)
Common					(130.9)			(130.9)
Purchase of treasury stock	(6,305,882)						(220.4)	(220.4)
Repurchase of stock warrants				(2.3)				(2.3)
Acquisition of Boulevard Bancorp, Inc. for common stock, warrants, and stock options	6,227,649		1.9	54.9			149.4	206.2
Other acquisitions	1,385,806				(13.9)		48.1	34.2
Issuance of common stock:								
Dividend reinvestment	185,890			.2			6.3	6.5
Stock option and stock purchase plans	1,285,965			(8.7)	(17.6)		42.7	16.4
Stock warrants exercised	497,566				(10.4)		17.0	6.6
Redemption of preferred stock		(160.0)			(7.0)			(167.0)
Change in unrealized gains/(losses)						(128.1)		(128.1)
BALANCE DECEMBER 31, 1994	112,678,658	$ 105.9	$145.4	$720.5	$1,523.4	$ (94.1)	$(126.3)	$2,274.8

*Defined as total common shares less common stock held in treasury.
**Ending treasury shares were 3,621,450 at December 31, 1994, 5,391,883 at December 31, 1993, and 253,920 at December 31, 1991.
See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended December 31 (In Millions)	1994	1993	1992
Operating Activities			
Net income	$ 419.8	$ 298.0	$ 311.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for credit losses	93.0	125.2	183.4
Depreciation and amortization of bank premises and equipment	63.1	58.4	48.6

Provision for deferred income taxes	75.7	64.0	22.2
Amortization of goodwill and other intangible assets	39.6	30.6	25.2
Amortization and write-downs of loan servicing related intangibles	13.5	55.5	14.3
Write-downs of other real estate	2.5	18.1	47.5
Provision for merger and integration	--	72.2	84.0
Cumulative effect of accounting changes	--	--	(157.3)
Changes in operating assets and liabilities, excluding the effects of purchase acquisitions:			
(Increase) decrease in trading account securities	(22.6)	39.3	57.2
Decrease (increase) in loans held for sale	854.1	(379.8)	(191.4)
Decrease in securities held for sale	--	429.9	183.4
Decrease (increase) in accrued receivables	47.6	(10.2)	23.3
(Decrease) increase in accrued liabilities	(22.5)	(152.3)	1.0
Other--net	(37.6)	(81.6)	15.0
Net cash provided by operating activities	1,526.2	567.3	668.2
INVESTING ACTIVITIES			
Net cash provided (used) by:			
Interest-bearing deposits with banks	9.1	322.5	85.7
Loans outstanding	(556.1)	(1,428.3)	160.8
Securities purchased under agreements to resell	(30.5)	(93.4)	(76.7)
Securities transactions:			
Sales	1,090.1	46.8	35.5
Maturities	730.5	1,235.5	970.7
Purchases	(1,011.7)	(889.4)	(1,555.5)
Proceeds from sales/repayments of other real estate	65.8	99.5	95.8
Proceeds from sales of bank premises and equipment	6.4	31.5	9.7
Purchases of bank premises and equipment	(61.9)	(111.6)	(99.3)
Purchases of loans	(29.9)	(32.6)	(56.8)
Cash and cash equivalents of acquired subsidiaries	74.5	--	197.1
Business acquisitions, net of cash received	(57.4)	(3.0)	67.4
Sale of unconsolidated subsidiaries	--	12.8	--
Other--net	(12.2)	(26.3)	33.2
Net cash provided (used) by investing activities	216.7	(836.0)	(132.4)
FINANCING ACTIVITIES			
Net cash provided (used) by:			
Deposits	(3,812.3)	(68.6)	138.8
Federal funds purchased and securities sold under agreements to repurchase	936.6	(198.9)	12.5
Short-term borrowings	226.2	57.0	(32.5)
Long-term debt transactions:			
Proceeds	611.5	440.0	160.8
Principal payments	(160.2)	(256.2)	(294.2)
Redemption of preferred stock	(167.0)	(115.2)	--
Proceeds from dividend reinvestment, stock option, and stock purchase plans	22.9	34.5	30.2
Purchase of treasury stock and stock warrants	(222.7)	(187.1)	--
Stock warrants exercised	6.6	--	--
Cash dividends	(142.1)	(137.5)	(103.3)
Net cash used by financing activities	(2,700.5)	(432.0)	(87.7)
Change in cash and cash equivalents	(957.6)	(700.7)	448.1
Cash and cash equivalents at beginning of year	2,713.5	3,414.2	2,966.1
Cash and cash equivalents at end of year	$ 1,755.9	$ 2,713.5	$ 3,414.2

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE A. Significant Accounting Policies

First Bank System, Inc. ("The Company") is a regional, multibank 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.

HELD-TO-MATURITY 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 accreted into 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 accreted into 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 periodic evaluations 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. The Company does not enter into these contracts for speculative purposes. 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 hedged instrument is disposed of, the swap agreement is marked to market with any resulting gain or loss 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 forwards, options, caps, and floors for managing its interest rate risk, as a financial

intermediary and in its trading operations. For interest rate contracts that 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 hedged asset or liability are treated in the same manner as interest rate swaps. All other interest rate contracts are marked to market and the resulting gain or loss is recorded currently in trading account profits and commissions.

BANK PREMISES AND EQUIPMENT - Bank premises and equipment are stated at cost less accumulated depreciation and amortized 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, 1994, goodwill totaled $324.7 million, net of accumulated amortization of $64.5 million. Other intangible assets, net of accumulated amortization, include corporate trust customer relationships of $82.4 million, purchased mortgage servicing rights of $43.0 million, cardholder relationships of $29.7 million, core deposits of $59.6 million, and other intangibles of $4.8 million at December 31, 1994. 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) 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 and 1994 Stock Incentive Plans, 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 BY CREDITORS FOR IMPAIRMENT OF A LOAN - In January 1995, the Company will adopt 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 Statement also requires in-substance foreclosures to be reclassified from other real estate to nonperforming loans. The adoption of SFAS 114 is not expected to have a material effect on the Company.

NOTE C. Business Combinations and Pending Acquisitions

METROPOLITAN FINANCIAL CORPORATION - On January 24, 1995, the Company completed the previously announced acquisition of Metropolitan Financial Corporation ("MFC"), a regional financial services holding company headquartered in Minneapolis, Minnesota, resulting in 21.7 million shares being issued. As of December 31, 1994, MFC had approximately $7.9 billion in assets, $5.5 billion in deposits, and 211 offices principally in North Dakota, Minnesota, Nebraska, Iowa, Kansas, South Dakota, Wisconsin, and Wyoming. The Company will use the pooling of interests method to account for the transaction. The following pro formas represent a combination of the results of operations of FBS and MFC for each period presented.

	Years Ended December 31,		
(In Millions, Except Per-Share Amounts)	1994	1993	1992
Net interest income	$1,434.5	$1,355.9	$1,175.7
Cumulative effect of changes in accounting principles	-	-	233.2
Net income	306.5	363.2	448.9
Net income per share	2.16	2.48	3.35

BOULEVARD BANCORP, INC. - On March 25, 1994, the Company completed the acquisition of Boulevard Bancorp, Inc. ("Boulevard"), a commercial bank holding company headquartered in Chicago, Illinois. Under the terms of the purchase agreement, 6.2 million shares of the Company's common stock were issued. In addition, Boulevard's outstanding stock options and warrants were converted into stock options and warrants for the Company's common stock, at the same conversion rate.

In connection with the Boulevard acquisition, the Company bought back existing shares of its common stock approximately equal to the number of shares issued at the time of closing of the Boulevard acquisition. The repurchase of these shares began in October 1993 and was completed in June 1994.

The acquisition of Boulevard was accounted for under the purchase method of accounting, and accordingly, the purchase price of $206.2 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 $23 million are amortized over the estimated lives of the deposits of approximately 10 years, and goodwill of $144 million is amortized over 25 years.

The total assets acquired and liabilities assumed at the time of acquisition were $1.6 billion and $1.5 billion, respectively. The results of operations of Boulevard are included in the Company's Consolidated Statement of Income since the date of acquisition.

The following pro forma operating results of the Company assume that the Boulevard acquisition had occurred at the beginning of each period presented below. 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, principally amortization of intangibles.

(In Millions, Except Per-Share Amounts)	Years Ended December 31, 1994	1993
Net interest income	$1,206.8	$1,186.1
Net income	403.7	299.0
Net income per share	3.38	2.26

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 or which may be obtained in the future.

COLORADO NATIONAL BANKSHARES, INC. AND WESTERN CAPITAL INVESTMENT CORPORATION - 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. Approximately 20.6 million shares of the Company's common stock were issued for all of 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.

BANK SHARES INCORPORATED - On December 31, 1992, the Company acquired Bank Shares Incorporated ("BSI"), a $2.1 billion bank holding company headquartered in Minneapolis, Minnesota, in a stock-for-stock exchange. Under the terms of the purchase agreement, 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 results of operations of BSI have been included in the Company's Consolidated Statement of Income since the acquisition date.

The following pro forma operating results of the Company assume that the BSI acquisition had occurred at the beginning of 1992. 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.

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

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 or which may be obtained in the future.

OTHER ACQUISITIONS - During the past three years, the Company completed several acquisitions and has one pending acquisition in markets in which the Company has an existing presence, serving to strengthen the Company's retail banking market shares in these communities. On October 18, 1994, the Company signed a definitive purchase agreement to acquire First Western Corporation ("FWC"), a $323 million bank holding company based in Sioux Falls, South Dakota. FWC owns Western Bank, which has nine branches in South Dakota. The transaction received regulatory approval in January 1995 and is expected to close in the first quarter of 1995. On September 30, 1994, the Company completed the acquisition of Green Mountain Bancorporation, the holding company for the $35 million Green Mountain Bank, located in Lakewood, Colorado. On September 9, 1994, the Company completed its acquisition of the $121 million United Bank of Bismarck, located in Bismarck, North Dakota. On April 29, 1994, the Company completed the acquisition of First Financial Investors, Inc., a $200 million savings bank holding company located in Duluth, Minnesota. On February 28, 1994, the Company completed the acquisition of American Bancshares of Mankato, a $116 million bank holding company. During 1992, the Company acquired Siouxland Bank Holding Company, a $174 million institution headquartered in Fargo, North Dakota.

The Company also completed the purchase of several corporate trust businesses serving to strengthen the strategic direction of the Company. On September 2, 1994, the Company acquired the domestic corporate trust business of J.P. Morgan & Co., Incorporated, which provides trust services for approximately 650 clients with 3,800 bond issues in the areas of municipal, revenue, housing and corporate bond indenture trusteeships. In March 1993, the Company acquired the corporate trust business of two U.S. Bancorp subsidiaries in Washington and Oregon, and in July 1992, the Company acquired the corporate trust business of Bankers Trust Company of California.

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 $389 million for the quarter ended December 31, 1994.

NOTE E. Available-for-sale Securities

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

	1994				1993			
(In Millions)	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
U.S. Treasury..........	$1,162	$ 1	$ (65)	$1,098	$1,527	$25	$(11)	$1,541
Mortgage-backed securities...........	1,497	1	(84)	1,414	1,286	18	(4)	1,300
Other U.S. agencies....	191	-	(10)	181	51	1	-	52
State and political....	175	3	-	178	184	12	-	196
Other..................	275	11	(9)	277	216	16	(2)	230
Total..............	$3,300	$16	$(168)	$3,148	$3,264	$72	$(17)	$3,319

The Company adopted SFAS 115, "Accounting for Certain Investments in Debt and Equity Securities," at December 31, 1993, and at that date, all the Company's investment securities were classified as available for sale. At December 31, 1994, the Company's available-for-sale securities portfolio was $3.1 billion, with an after-tax unrealized loss of $94.1 million recorded in shareholders' equity. Securities transactions reported in the Consolidated Statement of Cash Flows in 1994 reflect available-for-sale securities while transactions in 1993

and 1992 reflect held-to-maturity securities.

Securities carried at $1.2 billion at December 31, 1994, and $.8 billion at December 31, 1993, were pledged to secure public and trust deposits and for other purposes required by law. Securities sold under agreements to repurchase had an amortized cost of $.5 billion and $.4 billion at December 31, 1994, and 1993, respectively.

Gross realized gains and losses on securities were as follows:

(In Millions)	1994	1993	1992
Gross realized gains	$ 2.0	$ 3.3	$ 1.9
Gross realized losses	(5.8)	(3.0)	--
Net realized gains (losses)	$(3.8)	$ .3	$ 1.9

For amortized cost, fair value and yield by maturity date of available-for-sale securities outstanding as of December 31, 1994, see Table 10 on page 26 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)	1994	1993
COMMERCIAL:		
Commercial	$ 7,196	$ 6,176
Financial institutions	787	2,004
Real estate:		
Commercial mortgage	1,822	1,495
Construction	327	231
HLTs	283	183
Total commercial loans	10,415	10,089
CONSUMER:		
Residential mortgage	2,273	2,422
Residential mortgage held for sale	162	1,088
Home equity and second mortgage	2,199	1,755
Credit card	2,409	1,757
Revolving credit	694	690
Automobile	392	342
Installment	401	376
Student loans held for sale	336	260
Total consumer loans	8,866	8,690
Total loans	$19,281	$18,779

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, 1994, and 1993. The aggregate dollar amounts of these loans were $8.4 million and $18.6 million at December 31, 1994, and 1993, respectively. During 1994, additions totaled $88.5 million and repayments totaled $98.7 million.

Nonaccrual and renegotiated loans totaled $113 million, $158 million, and $250 million at December 31, 1994, 1993, and 1992, respectively. The effect of nonaccrual and renegotiated loans on interest income was as follows:

(In Millions)	1994	1993	1992
Interest income that would have been accrued at original contractual rates	$9.7	$13.6	$21.6
Amount recognized as interest income	2.1	3.4	7.8
Foregone revenue	$7.6	$10.2	$13.8

Commitments to lend additional funds to customers whose loans were classified as nonaccrual or renegotiated at December 31, 1994, totaled $6.7 million. During 1994, 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)	1994	1993	1992
Balance at beginning of year	$423.2	$448.0	$426.9
Add:			
Provision charged to operating expense	93.0	125.2	183.4
Deduct:			
Loans charged off	187.8	225.0	273.7
Less recoveries of loans charged off	83.2	75.0	70.6
Net loans charged off	104.6	150.0	203.1
Additions from acquisitions	22.2	-	40.8
Balance at end of year	$433.8	$423.2	$448.0

NOTE G. Bank Premises and Equipment

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

(In Millions)	1994	1993
Land	$ 74	$ 73
Buildings and improvements	346	332
Furniture, fixtures and equipment	338	366
Capitalized building leases	35	33
Capitalized equipment leases	35	31
	828	835
Less accumulated depreciation and amortization	437	453
Total	$391	$382

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)	1994	1993
FIRST BANK SYSTEM (Parent Company):		
Floating-rate subordinated capital notes -- due November 29, 1996	$ 150	$ 150
Fixed-rate 6.625% subordinated notes -- due May 15, 2003	100	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	514	248
Capitalized lease obligations and other	15	15
	1,011	745
SUBSIDIARIES:		
Fixed-rate 6.00% subordinated notes -- due October 15, 2003	100	100
Fixed-rate 7.55% subordinated notes -- due June 15, 2004	100	-
Fixed-rate 8.35% subordinated notes -- due November 1, 2004	100	-
Step-up subordinated notes -- due August 15, 2005	100	100
Capitalized lease obligations	39	39
Mortgage indebtedness and notes	33	31
Total	$1,483	$1,015

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, 1994, the interest rate was 6.125 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, 1994, the interest rate was 6.094 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, 1994, mature from February 1995 to November 1997 and have rates of 6.125 percent to 9.91 percent. The weighted average interest rate at December 31, 1994, is 6.47 percent.

Maturities of long-term debt outstanding at December 31, 1994, were:

(In Millions)	Consolidated	Parent Company
1995	$ 195	$ 189
1996	298	291
1997	193	185

1998	2	-
1999	3	1
Thereafter	792	345
Total	$1,483	$1,011

NOTE I. Shareholders' Equity

COMMON STOCK - At December 31, 1994, the Company has 9,936,528 shares of its common stock reserved for future issuances under the Dividend Reinvestment Plan, Employee Stock Purchase Plan, and the Stock Option Plans (see Note K on page 52). Additionally, there are 3,952,000 shares of common stock reserved for issuance upon conversion of the Series 1991A Convertible Preferred Stock, described below under "Preferred Stock."

The Company completed several acquisitions in the past three years with a total of 42.6 million common shares issued in exchange for the stock of the acquired banks. (See Note C on page 45.)

During 1994, the Company repurchased 6.3 million shares of common stock utilized in connection with previously announced acquisitions and other corporate purposes. On January 18, 1995, and February 15, 1995, the Board of Directors authorized additional repurchase programs of 2.0 million and 14.0 million shares of common stock, respectively, for previously announced acquisitions and other corporate purposes.

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 ten 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. In the past two years, the Company redeemed three of the four classes of cumulative preferred stock.

Series 1991A Convertible Preferred Stock, issued in November 1991, has 2,118,500 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 1994, the Company repurchased approximately 15,100 shares. 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.

On April 1, 1994, the Company redeemed the 3,560,000 and 1,405,000 shares of Series 1989A and Series 1989B, respectively, at a cost of $166.0 million. The annual dividend prior to redemption was 10.5 percent on the Series 1989A shares and the average annual dividend rate on the Series 1989B shares was 7.41 percent and 8.24 percent in 1993 and 1992, respectively.

In September 1993, the Company redeemed the 1,000,000 shares of Series 1983A at the stated value of $100 per share. There was an average 6.5 percent dividend on the Series 1983A shares during 1992.

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 are 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 was also 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 which 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 will also expire on the date which 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 which 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 and Integration Charges

In 1993, the Company recorded merger and integration charges totaling $72.2 million relating to the acquisition of CNB. Charges of $29.7 million were recorded for anticipated integration expenses, system and operational conversions, and required customer communications costs. 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 1992, the Company recorded merger and integration charges totaling $84.0 million relating primarily to the acquisition of WCIC. Premises and equipment write-downs of $31.2 million relate to the closing of redundant main office and branch facilities. Securities and interest rate swap write-downs of $12.6 million reflect the Company's intention to dispose of certain mortgage-backed securities and swaps. Other charges, totaling $40.2 million, primarily involve severance, system conversions, and required customer communications costs.

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 their acquisition dates, when they became participants in the Company's plan, the former CNB and Boulevard employees were covered by separate, noncontributory pension plans that provided defined benefits based on an employee's years of service and compensation during employment.

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 plans at December 31:

(Dollars in Millions)	1994	1993	1992
Actuarial present value of benefit obligations:			
Accumulated benefit obligation, including vested benefits of $267.1 million in 1994, $251.9 million in 1993, and $213.8 million in 1992	$(276.7)	$(260.2)	$(220.2)
Projected benefit obligation for service rendered to date	$(284.6)	$(288.2)	$(247.8)
Plan assets at fair value, primarily listed stocks and U.S. bonds	275.5	260.6	247.0
Deficiency of plan assets over projected benefit obligation	(9.1)	(27.6)	(0.8)
Unrecognized net loss from past experience different from that assumed and effects of changes in assumptions	25.9	38.1	14.3
Unrecognized net asset at end of year (amortized over 15 years)	(23.6)	(27.5)	(26.8)
Accrued pension cost included in other liabilities	$ (6.8)	$ (17.0)	$ (13.3)
Net pension costs include the following components:			
Service cost-benefits earned during the period	$ 19.2	$ 17.2	$ 14.9
Interest cost on projected benefit obligation	21.2	20.8	20.9
Actual return on plan assets	(9.7)	(29.2)	(18.0)
Net amortization and deferral	(18.8)	2.4	(8.8)
Net periodic pension benefit cost	$ 11.9	$ 11.2	$ 9.0

The FBS, CNB and Boulevard plans were valued separately for the years prior to their acquisitions, and each plan independently determined its assumptions.

The aggregate disclosures, therefore, reflect the following weighted average assumptions.

	FBS			CNB	Boulevard	
	1994	1993	1992	1992	1993	1992
Weighted average discount rate	8.0%	7.0%	8.0%	9.0%	7.0%	8.3%
Expected long-term rate of return	9.5	10.0	10.0	9.0	10.0	10.0
Rate of increase in future compensation	5.6	6.0	6.0	5.6	5.0	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.

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 accrues 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)	1994	1993
Accumulated postretirement benefit obligation:		
Retirees	$(41.3)	$(48.5)
Fully eligible active plan participants	(3.6)	(3.4)
Other active plan participants	(9.2)	(12.5)
Total unfunded accumulated postretirement benefit obligation	(54.1)	(64.4)
Unrecognized net loss (gain) from past experience different from that assumed and from changes in assumptions	(9.3)	5.5
Unrecognized implementation obligation	2.1	2.3
Accrued postretirement benefit cost	$(61.3)	$(56.6)

Net periodic postretirement benefit cost includes the

following components:

Service cost -- benefits attributed to service during the period	$ 1.1	$ 1.3
Interest cost on accumulated postretirement benefit obligation	4.0	4.7
Net amortization and deferral	.2	.2
Total postretirement benefit cost	$ 5.3	$ 6.2

For measurement purposes, 11.0 percent and 7.0 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 1994. For 1995 the annual rates of increase were assumed to be 10.0 percent and 6.5 percent, respectively. Both rates were assumed to decrease gradually to 5.5 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, 1994, by $5.3 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost for the year then ended by $.5 million.

The weighted-average discount rate used in determining the accumulated postretirement benefit obligation was 8.0 percent as of December 31, 1994, and 7.0 percent as of December 31, 1993.

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, 1995, 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 1994, shareholders approved a revision to the 1991 Stock Incentive Plan, which increases the authorized issuance up to 5,000,000 shares of the Company's common stock. The Plan extends through April 2001. In April 1994, the shareholders also approved a 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 Plans allow 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, 1994, there were 2,566,778 shares available, subject to adjustment for forfeitures, for grant under the Plans.

Restricted shares granted under the Plans 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 amortized using the midpoint of the vesting period.

Options granted under the Plans 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.

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The option information presented below has been restated to reflect 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, 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
Granted:				
Stock Options.....		6,269,997	-	29.75 -39.00
Restricted Stock..		-	192,732	29.75 -39.00
Exercised..........		(1,535,200)	-	8.41 -35.25
Cancelled/Vested....		(323,856)	(26,084)	8.41 -35.625
DECEMBER 31, 1994*..	2,566,778	7,069,358	427,944	$ 8.41 -39.00

*At December 31, 1994, 1993, 1992 and 1991 options for 2,867,020, 1,184,308, 2,359,958 and 1,511,350 shares, respectively, were exercisable.

NOTE L. Income Taxes

The components of income tax expense were:

(Dollars in Millions)	1994	1993	1992
FEDERAL:			
Current tax..	$147.5	$ 89.7	$38.7
Deferred tax provision...............................	75.3	59.3	21.4
Federal income tax...............................	222.8	149.0	60.1
STATE:			
Current tax..	33.7	25.1	17.7
Deferred tax provision...............................	.4	4.7	.8

State income tax	34.1	29.8	18.5
Total income tax provision	$256.9	$178.8	$78.6

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

(Dollars in Millions)	1994	1993	1992
Tax at statutory rate (35% in 1994 and 1993, 34% in 1992)	$236.8	$166.9	$ 80.4
State income tax, at statutory rates, net of federal tax benefit	22.2	19.4	12.1
Tax effect of:			
Tax-exempt interest:			
Loans	(5.8)	(7.6)	(10.9)
Securities	(4.1)	(4.4)	(4.2)
Amortization of goodwill	8.6	7.3	3.7
Other items	(0.8)	(2.8)	(2.5)
Applicable income taxes	$256.9	$178.8	$ 78.6

At December 31, 1994, for income tax purposes, the Company had the following net operating loss carryforwards available:

(Dollars in Millions)	Amount	Expiration Dates
Federal regular tax operating loss carryforwards	$ 2.2	2002
	3.8	2003
	5.2	2006
	24.6	2008
	$35.8	

In addition, the Company has state net operating loss carryforwards of $206 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 assets and liabilities as of December 31 were as follows:

(Dollars in Millions)	1994	1993
DEFERRED TAX ASSETS:		
Loan loss reserves	$ 169.5	$ 151.0
Adjustment of available-for-sale securities to market value	57.7	(20.9)
Real estate and other asset basis differences	32.4	50.2
Federal operating loss carryforward	12.9	7.2
State operating loss carryforward	12.0	18.1
Deferred gain on sale of buildings	11.2	12.5

Deferred loan fees	10.0	12.5
Accrued severance, pension and retirement benefits	6.7	9.9
Accelerated depreciation	2.0	(4.9)
Alternative minimum tax credit carryforward	--	40.5
Contingent liabilities and other miscellaneous accruals	52.2	50.2
Gross deferred tax assets	366.6	326.3
DEFERRED TAX LIABILITIES:		
Leasing activities	(46.2)	(46.9)
Deferred gains and other investment basis differences	(37.0)	(26.5)
Other deferred liabilities and reserves	(49.2)	(73.3)
Gross deferred tax liabilities	(132.4)	(146.7)
Deferred tax assets valuation reserve	(14.0)	(19.6)
NET DEFERRED TAX ASSETS	$ 220.2	$ 160.0

Effective January 1, 1992, the Company adopted the provisions of SFAS 109, "Accounting for Income Taxes." 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.

Realization of the deferred tax asset over time is dependent upon the Company generating sufficient taxable earnings in future periods. In determining that realization of the deferred tax 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.

The Company's valuation allowance decreased $5.6 million from December 31, 1993, to December 31, 1994. During 1994, the Company realized tax benefits related to state net operating losses and the related valuation allowance was eliminated.

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 were as follows:

(In Millions)	1994	1993
Commitments to extend credit:		
Commercial	$6,980	$5,714
Corporate and purchasing cards	3,210	1,744
Consumer credit card	7,875	5,208
Other consumer	2,385	2,391
Letters of credit:		
Standby	1,318	1,208
Commercial	175	135
Interest rate swap contracts:		
Hedge	2,674	2,811
Intermediated	127	199
Interest rate options contracts:		
Hedge interest rate floors purchased	950	950
Intermediated interest rate caps and floors purchased	127	225

Intermediated interest rate caps and floors written....	127	225
Liquidity support guarantees...........................	142	157
Forward and option contracts...........................	196	1,352
Mortgages sold with recourse...........................	156	198
Commitments to sell loans..............................	875	132
Foreign currency commitments:		
Commitments to purchase..............................	941	1,073
Commitments to sell..................................	941	1,073

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 cancelable 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 and as an intermediary for customers. At December 31, 1994, and 1993, interest rate swaps totaling $2.7 billion and $2.8 billion, respectively, hedged medium-term notes, subordinated debt, deposit notes, long-term certificates of deposit, deposit accounts, savings certificates and commercial loans.

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

(In Millions)	1994	1993	1992
Notional amount outstanding at beginning of year.....................................	$2,810.8	$2,659.8	$2,009.7
Additions....................................	1,275.0	400.0	1,161.0
Maturities...................................	(624.1)	(225.8)	(279.1)
Terminations.................................	(787.9)	(23.2)	(231.8)
Notional amount outstanding at end of year...	$2,673.8	$2,810.8	$2,659.8

For interest rate swaps designated as hedges, the weighted average interest rates to be paid were 6.09 percent and 3.32 percent at December 31, 1994, and

1993, respectively. At these same dates, the weighted average interest rates to be received were 6.91 percent and 6.98 percent. FBS is a receiver of fixed rate interest and a payer of floating rate interest on all hedges as of December 31, 1994.

For notional balances and yields by maturity date of the interest rate swap hedging portfolio as of December 31, 1994, see Table 17 on page 33. For a description of the Company's objectives for using derivative financial instruments, refer to "Interest Rate Risk Management" on pages 31 through 33. Such information is incorporated by reference into these Notes to Consolidated Financial Statements.

At December 31, 1994, and 1993, interest rate floors totaling $950 million with an average remaining maturity of 3.0 years and 4.0 years, respectively, hedged floating rate commercial loans. 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 6.50 percent.

In addition to utilizing 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 and market risks related to these agreements, the Company enters into generally matching or offsetting positions. The total notional amount of customer swap agreements, including the offsetting positions, was $127 million and $199 million at December 31, 1994, and 1993, respectively. The total notional amount of customer option agreements, including the offsetting positions, was $254 million and $450 million at December 31, 1994, and 1993, 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 and options, 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 interest income or expense 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 net interest income by $3.1 million and decreased net interest income by $.9 million during 1994, and 1993, respectively. Unamortized deferred gains were $9.6 million at December 31, 1994. The Company will amortize these 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, 1994, and 1993, the gain position of these contracts, in the aggregate, was approximately $12 million and $172 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 analyses 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 or tax-exempt bonds issued by its customers. The contracts are secured by notes receivable, bonds or private insurance, guaranteeing payment of principal and interest on any unreimbursed 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 - 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, 1994, and 1993,

forward contracts outstanding were $.2 billion and $1.4 billion, respectively. At December 31, 1994, net unamortized deferred gains on the forward agreements were $200,000. 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 $875 million at December 31, 1994, and $132 million at December 31, 1993.

MORTGAGES SOLD WITH RECOURSE - Various recourse provisions, relating to residential and multi-family mortgages sold with recourse, obligate the Company for $156 million at December 31, 1994, and $198 million at December 31, 1993. All of the loans sold are collateralized by real estate mortgages and a portion of some of the loans sold is 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, 1994, 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 75 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, South Dakota, and Illinois. 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, 1994, and 1993, see Table 8 on page 24 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 7 on page 23 under the category "Consumer" as of December 31, 1994, and 1993, which is incorporated by reference into these Notes to Financial Statements. Approximately 80 percent of the total consumer portfolio outstanding at December 31, 1994, 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, both on and off balance sheet, for which it is practicable to estimate their 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 and investing 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 several valuation techniques and considered various assumptions, including the discount rate, the estimated timing and amount of cash flows and the aggregation methods for valuing similar products, to estimate the fair value of the financial instruments. As a result, the 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 financial 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. Furthermore, the required disclosures exclude the estimated values of certain financial instruments and all nonfinancial instrument cash flows. Finally, the fair value disclosure is not intended to provide or estimate a market value of the Company as a whole. The following summarizes the valuation techniques and assumptions used by the Company in estimating the fair value of the financial instruments:

CASH AND CASH EQUIVALENTS - Cash, fed funds sold and investments under repurchase programs have no interest rate risk component and accordingly their carrying value was assumed to approximate fair value.

SECURITIES - Generally, trading securities and available-for-sale securities 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 of which was estimated using discounted cash flow analyses or other valuation techniques. In order to apply discounted cash flow analyses, loans were aggregated into "pools" of similar types and expected repayment terms. The expected cash flows were reduced for estimated historical prepayment experience. The projected cash flows on nonaccrual loans were further reduced by the amount of estimated losses on the portfolio and discounted over an assumed average remaining life of one to two years.

COMMERCIAL AND FINANCIAL INSTITUTIONS: Commercial and financial institution loans were valued using a discounted cash flow analysis. The fixed rate loans in the commercial and financial institutions portfolio (excluding nonaccrual loans) had a weighted average rate of 8.1 percent in 1994 and 7.5 percent in 1993 and a weighted average maturity of 1.7 years in 1994 and 1993. The floating rate loans had a weighted average rate of 8.4 percent in 1994 and 5.7 percent in 1993. The high grade corporate bond yield curve was used to arrive at the discount rates applied to these loans.

CORPORATE CARD: The fair value of corporate cards and business cards was based on an approach that is similar to that used by the Company to evaluate potential acquisitions of portfolios of this type. Estimated net income adjusted for account attrition was discounted using an estimated cost of capital of 13.6 percent in 1994 and 13.7 percent in 1993. The weighted average life was 7.6 years in 1994 and 9.3 years in 1993.

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 nonaccrual loans) had a weighted average interest rate of 8.8 percent and a weighted average remaining maturity of 4.5 years in 1994 compared to 9.0 percent and 4.2 years in 1993. The floating rate portion of this portfolio (excluding nonaccrual loans) had a weighted average interest rate of 9.0 percent and a weighted average remaining maturity of 3.7 years in 1994 compared to 9.0 percent and 4.2 years in 1993. The high grade corporate bond yield curve was used to arrive at the discount rates applied to these loans.

RESIDENTIAL FIRST MORTGAGES: Residential first mortgages were segregated into pools of similar coupons and maturities. These pools were 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 was included in the fair value of the loans. The fixed rate portion of this portfolio had a weighted average interest rate of 8.0 percent in 1994 and 8.1 percent in 1993 with a weighted average contractual

final remaining maturity of 15.3 years in 1994 and 14.2 years in 1993.

CONSUMER INSTALLMENT: Fair value for consumer installment loans was estimated using a discounted cash flow analysis. Prepayment assumptions ranging from 20-25 percent were applied to scheduled cash flows, based upon the Company's experience with these assets. The floating rate portion of the consumer installment loan portfolio had a weighted average rate of 9.0 percent in 1994 and 7.0 percent in 1993. The fixed rate portion of this portfolio had a weighted average rate of 8.8 percent in 1994 and 9.2 percent in 1993 and a weighted average remaining maturity of 1.4 years in 1994 and 1993. The high grade corporate bond yield curve was used to arrive at the discount rates applied to these loans.

REVOLVING HOME EQUITY LINES, SECOND MORTGAGES AND CONSUMER LINES: The fair value of revolving home equity lines, second mortgages and consumer lines was based on an approach similar to that used by the Company to evaluate potential acquisitions of portfolios of this type. Estimated net income adjusted for account attrition was discounted using an estimated cost of capital of 12.1 percent for secured lines and loans and 13.6 for unsecured lines in 1994 and 13.7 percent for both secured and unsecured lines in 1993. The home equity lines had a weighted average interest rate of 10.4 percent in 1994 and 7.8 percent in 1993 with a weighted average life of 5.4 years in 1994 and 5.3 years in 1993. The fixed rate portion of the second mortgage loan portfolio had a weighted average rate of 8.9 percent in 1994 and 9.0 percent in 1993 and a weighted average remaining maturity of 3.6 years in 1994 and 2.3 years in 1993. Retail credit cards had a weighted average interest rate of 16.9 percent in 1994 and 15.4 percent in 1993 with a weighted average life of 7.1 years in 1994 and 7.3 years in 1993. Other revolving lines had a weighted average interest rate of 12.4 percent in 1994 and 10.6 percent in 1993 with a weighted average life of 7.8 years in 1994 and 7.6 years in 1993.

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. 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.

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. Fair values for fixed rate certificates of deposits were estimated using a discounted cash flow analysis using the high grade corporate bond yield curve to establish discount rates. The weighted average interest rate for the certificate of deposits was 5.3 percent in 1994 and 4.4 percent in 1993 and the weighted average maturity was 1.2 years in 1994 and 1.0 year in 1993.

SHORT-TERM BORROWINGS - The majority of the 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 $514 million in 1994 and $123 million in 1993 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 6.5 percent in 1994 and 9.4 percent in 1993 with a weighted average maturity of 1.7 years in 1994 and .7 years in 1993. 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 options and swap cash flows were estimated using a third party pricing model and discounted based on appropriate LIBOR, Euro dollar future and Treasury yield curves.

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

(Dollars in Millions)	1994 Carrying Amount	1994 Fair Value	1993 Carrying Amount	1993 Fair Value
FINANCIAL ASSETS:				
Cash and due from banks	$ 1,621	$ 1,621	$ 1,682	$ 1,682
Federal funds sold and resale agreements	471	471	1,338	1,338
Trading account securities	77	77	55	55
Available-for-sale securities	3,148	3,148	3,319	3,319
Loans:				
Commercial:				
Commercial	7,479	7,623	6,359	6,579
Financial institutions	787	719	2,004	1,828
Commercial real estate and construction	2,149	2,292	1,726	1,968
Consumer:				
Residential mortgage	2,273	2,180	2,422	2,482
Residential mortgage held for sale	162	162	1,088	1,105
Home equity and second mortgage	2,199	2,260	1,755	1,820
Credit card and revolving lines	3,103	3,339	2,447	2,673
Other consumer installment	1,129	1,143	978	1,016
Allowance for credit losses	(434)	-	(423)	-
Total loans	18,847	19,718	18,356	19,471
Total financial assets	24,164	25,035	24,750	25,865
NONFINANCIAL ASSETS:				
Core deposit intangible	60	823	41	220
Mortgage servicing portfolio	43	126	53	80
Total	24,267	$25,984	24,844	$26,165
Other assets	1,952		1,541	
Total Assets	$26,219		$26,385	
FINANCIAL LIABILITIES:				
Deposits:				
Noninterest-bearing deposits	$ 5,777	$ 5,777	$ 7,489	$ 7,489
Interest-bearing checking and other savings	7,696	7,696	8,115	8,115
Savings certificates and certificates (Greater Than)$100,000	5,318	5,217	5,427	5,498
Total deposits	18,791	18,690	21,031	21,102
Federal funds purchased	1,630	1,630	553	553
Securities sold under agreements to repurchase	534	536	369	378
Other short-term funds borrowed	658	658	412	412
Long-term debt	1,483	1,439	1,015	1,036
Total financial liabilities	23,096	$22,953	23,380	$23,481
NONFINANCIAL LIABILITIES	848		760	
SHAREHOLDERS' EQUITY	2,275		2,245	
Total Liabilities and Shareholders' Equity	$26,219		$26,385	
Off-Balance Sheet Financial Instruments:				
Unrecognized gain on interest rate swaps and options	N/A	$ 3	N/A	$ 134
Unrecognized loss on interest rate swaps and options	N/A	121	N/A	11
Loan commitments	N/A		N/A	
Letters of credit	N/A	-	N/A	-

Note O. Commitments and Contingent Liabilities

Rental expense for operating leases amounted to $66.2 million in 1994, $72.1 million in 1993 and $66.4 million in 1992.

Future minimum payments, by year and net of sublease rentals, under capitalized leases and noncancelable operating leases with initial terms of one year or more, consisted of the following at December 31, 1994:

(In Millions)	Capitalized Leases	Operating Leases
1995	$ 10.6	$ 49.1
1996	10.7	42.4
1997	10.7	40.2
1998	4.5	39.4
1999	4.5	79.0
Thereafter	62.9	310.1
Total minimum lease payments	103.9	$560.2
Less amount representing interest	51.1	
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 acquired 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 the remaining space has been sublet through the year 2001. The unamortized portion of the capitalized lease was $23.0 million at December 31, 1994, and $23.3 million at December 31, 1993. 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 $896 million and $1,061 million at December 31, 1994, and 1993, respectively.

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

Year Ended December 31 (In Millions)	1994	1993	1992

	1994	1993	1992
Income taxes paid	$ 147.1	$114.2	$ 53.5
Interest paid	529.0	567.1	716.6
Net noncash transfers to foreclosed property	13.1	26.8	71.6
Noncash merger-related transfers to securities held for sale	-	181.6	-
Change in unrealized gain (loss) on available-for-sale securities, net of taxes of $78.6 in 1994 and $20.9 in 1993	(128.1)	34.0	-
Cash acquisitions of businesses:			
Fair value of noncash assets acquired	276.9	40.8	26.0
Liabilities assumed	(219.5)	(37.8)	(93.4)
Net	$ 57.4	$ 3.0	$ (67.4)
Stock acquisitions of businesses:			
Fair value of noncash assets acquired	$ 1,805.8	-	$ 2,096.0
Net cash acquired	74.5	-	197.1
Liabilities assumed	(1,648.0)	-	(2,060.1)
Net value of common stock issued	$ 232.3	-	$ 233.0

NOTE Q. First Bank System, Inc. (Parent Company)

CONDENSED BALANCE SHEET

December 31 (In Millions)	1994	1993
ASSETS		
Deposits with banks, principally interest-bearing (including $373 and $139 with subsidiaries)	$ 374	$ 140
Available-for-sale securities	149	121
Investments in:		
Bank affiliates and bank holding companies	2,322	2,315
Nonbank affiliates	44	69
Trust affiliates	56	51
Advances to:		
Bank affiliates and bank holding companies	155	141
Nonbank affiliates	100	67
Other assets	270	233
Total assets	$3,470	$3,137
LIABILITIES AND SHAREHOLDERS' EQUITY		
Short-term funds borrowed	$ 6	$ 4
Advances from subsidiaries	30	54
Long-term debt	1,011	745
Other liabilities	148	89
Shareholders' equity	2,275	2,245
Total liabilities and shareholders' equity	$3,470	$3,137

CONDENSED STATEMENT OF INCOME

Year Ended December 31 (In Millions)	1994	1993	1992
INCOME			
Dividends from subsidiaries (including $397.9, $357.4 and $152.0 from bank and bank holding company subsidiaries)	$430.9	$361.4	$158.9
Interest from subsidiaries	19.0	20.4	24.8
Service and management fees from subsidiaries	78.6	69.3	64.9
Other income	23.5	20.3	16.4
Total income	552.0	471.4	265.0
EXPENSES			
Interest on short-term funds borrowed	2.8	2.4	.6
Interest on long-term debt	47.4	44.0	46.6
Operating expenses paid to subsidiaries	8.3	7.0	7.0
Other expenses	91.9	97.1	75.2
Total expenses	150.4	150.5	129.4
Income before income taxes, cumulative effect of changes in accounting principles and equity in undistributed income of subsidiaries	401.6	320.9	135.6
Income taxes (benefit)	(9.2)	(14.3)	47.0

Income before cumulative effect of changes in accounting principles and equity in undistributed income of subsidiaries	410.8	335.2	88.6
Cumulative effect of changes in accounting principles	-	-	40.3
Income of parent company	410.8	335.2	128.9
Equity (deficiency) in undistributed income of subsidiaries:			
Bank affiliates and bank holding companies	23.0	(47.9)	165.2
Nonbank affiliates	(19.5)	4.0	14.3
Trust affiliates	5.5	6.7	3.4
	9.0	(37.2)	182.9
Net income	$419.8	$298.0	$311.8

CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31 (In Millions)	1994	1993	1992
OPERATING ACTIVITIES			
Net income	$ 419.8	$ 298.0	$ 311.8
Adjustments to reconcile net income to net cash provided by operating activities:			
(Equity) deficiency in undistributed income of subsidiaries before cumulative effect of accounting changes	(9.0)	37.2	(182.9)
Cumulative effect of accounting changes	-	-	(40.3)
Decrease (increase) in accrued receivables, net	46.1	(5.7)	.2
(Decrease) increase in accrued liabilities, net	(15.4)	(30.7)	68.5
Amortization of goodwill and other intangibles	5.5	5.4	4.9
Deferred tax provision	53.2	13.4	(7.6)
Other -- net	(39.7)	(31.7)	8.4
Net cash provided by operating activities	460.5	285.9	163.0
INVESTING ACTIVITIES			
Securities transactions:			
Sales and maturities	20.4	22.5	26.9
Purchases	(55.2)	(61.3)	(45.5)
Investment in subsidiaries	(83.7)	(43.2)	(158.7)
Equity distributions from subsidiaries	235.0	-	-
Net (increase) decrease in short-term advances to affiliates	(50.0)	54.2	21.9
Long-term advances made to affiliates	-	(22.4)	(40.0)
Principal collected on long-term advances made to affiliates	0.3	126.0	.8
Other -- net	(31.6)	23.3	16.6
Net cash provided (used) by investing activities	35.2	99.1	(178.0)
FINANCING ACTIVITIES			
Net (decrease) increase in short-term funds borrowed	(25.1)	44.5	10.7
Proceeds from long-term debt	405.1	240.0	125.8
Principal payments on long-term debt	(138.8)	(244.7)	(88.0)
Redemption of preferred stock	(167.0)	(115.2)	-
Proceeds from dividend reinvestment, stock option, and stock purchase plans	22.9	34.5	19.2
(Purchase) issuance of treasury stock and stock warrants	(222.7)	(187.1)	2.8
Stock warrants exercised	6.6	-	-
Cash dividends	(142.1)	(137.5)	(100.1)
Net cash used by financing activities	(261.1)	(365.5)	(29.6)
Change in cash and cash equivalents	234.6	19.5	(44.6)
Cash and cash equivalents at beginning of year	139.5	120.0	164.6
Cash and cash equivalents at end of year	$ 374.1	$ 139.5	$ 120.0

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 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. Within the limit of these regulatory guidelines, all subsidiaries have the ability to pay dividends without prior regulatory approval.

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 LLP, 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 LLP 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/ David J. Parrin

David J. Parrin

Senior 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, 1994 and 1993, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 1994. 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, 1994 and 1993, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 1994, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Minneapolis, Minnesota
January 24, 1995

CONSOLIDATED BALANCE SHEET - FIVE-YEAR SUMMARY

December 31 (In Millions)	1994	1993	1992	1991	1990	% Change 1993-1994
ASSETS						
Cash and due from banks	$ 1,621	$ 1,682	$ 1,916	$ 1,593	$ 1,922	(3.6)%
Federal funds sold and resale agreements	471	1,338	1,710	1,509	1,602	(64.8)
Interest-bearing deposits with banks	-	-	327	410	58	**
Trading account securities	77	55	94	151	136	40.0
Securities held for sale	-	-	284	336	-	**
Securities:*						
U.S. Treasury	1,098	1,541	1,816	1,155	964	(28.7)
Mortgage-backed securities	1,414	1,300	1,583	1,165	1,577	8.8
State and political subdivisions	178	196	188	166	445	(9.2)
U.S. agencies and other	458	282	325	19	420	62.4
Total securities	3,148	3,319	3,912	2,505	3,406	(5.2)
Loans	19,281	18,779	17,076	16,365	16,829	2.7
Less allowance for credit losses	434	423	448	427	454	2.6
Net loans	18,847	18,356	16,628	15,938	16,375	2.7
Other assets	2,055	1,635	1,754	1,409	1,305	25.7
Total assets	$26,219	$26,385	$26,625	$23,851	$24,804	(.6)%
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Noninterest-bearing	$ 5,777	$ 7,489	$ 6,011	$ 4,723	$ 4,295	(22.9)%
Interest-bearing	13,014	13,542	15,177	14,422	15,083	(3.9)
Total deposits	18,791	21,031	21,188	19,145	19,378	(10.7)
Short-term borrowings	2,822	1,334	1,450	1,303	1,651	111.5
Long-term debt	1,483	1,015	822	948	1,506	46.1
Other liabilities	848	760	847	603	669	11.6
Total liabilities	23,944	24,140	24,307	21,999	23,204	(.8)
Shareholders' equity	2,275	2,245	2,318	1,852	1,600	1.3
Total liabilities and shareholders' equity	$26,219	$26,385	$26,625	$23,851	$24,804	(.6)%

 *Available-for-sale in 1994 and 1993
**Not meaningful

CONSOLIDATED STATEMENT OF INCOME -- FIVE-YEAR SUMMARY

Year Ended December 31 (In Millions)	1994	1993	1992	1991	1990	% Change 1993-1994
INTEREST INCOME						
Loans	$1,510.7	$1,398.6	$1,418.8	$1,624.3	$1,922.2	8.0%
Securities:						
Taxable	199.2	218.2	186.4	221.1	274.3	(8.7)
Exempt from federal income taxes	12.0	14.6	12.0	19.1	34.9	(17.8)
Other interest income	25.2	30.4	64.1	97.5	146.4	(17.1)
Total interest income	1,747.1	1,661.8	1,681.3	1,962.0	2,377.8	5.1
INTEREST EXPENSE						
Deposits	373.1	423.7	568.7	872.8	1,191.4	(11.9)
Federal funds purchased and repurchase agreements	91.2	31.8	37.1	57.9	139.0	186.8
Other short-term funds borrowed	18.5	19.0	14.3	24.2	70.6	(2.6)
Long-term debt	69.5	54.4	66.1	100.3	152.2	27.8
Total interest expense	552.3	528.9	686.2	1,055.2	1,553.2	4.4
Net interest income	1,194.8	1,132.9	995.1	906.8	824.6	5.5
Provision for credit losses (1992 includes $13.6 merger-related)	93.0	125.2	183.4	202.2	215.4	(25.7)
Net interest income after provision for credit losses	1,101.8	1,007.7	811.7	704.6	609.2	9.3
NONINTEREST INCOME						
Credit card fees	179.0	137.1	116.9	94.4	71.6	30.6
Trust fees	159.2	146.1	127.8	115.5	108.1	9.0
Service charges on deposit accounts	115.6	115.3	108.4	97.2	91.8	.3
Securities gains (losses)	(3.8)	.3	1.9	8.9	3.6	*
Other	178.0	170.8	180.7	181.7	162.5	4.2
Total noninterest income	628.0	569.6	535.7	497.7	437.6	10.3
NONINTEREST EXPENSE						
Salaries	395.7	389.1	388.7	371.7	391.8	1.7
Employee benefits	91.6	86.3	85.5	79.3	77.3	6.1
Net occupancy	86.3	93.4	87.9	84.0	83.3	(7.6)
Furniture and equipment	78.3	72.7	67.2	64.8	67.8	7.7
FDIC insurance	46.0	46.4	42.2	38.5	25.2	(.9)
Advertising	29.7	20.5	20.0	21.8	26.0	44.9
Amortization of goodwill and other intangible assets	39.6	30.6	25.2	21.6	14.7	29.4
Other personnel costs	32.2	27.5	20.2	17.8	11.6	17.1
Professional services	33.8	36.7	38.7	37.8	36.8	(7.9)
Data processing	13.9	21.3	22.4	23.5	17.1	(34.7)
Other real estate (1992 includes $26.4 merger-related)	(2.9)	2.2	41.2	29.9	42.4	(231.8)
Merger and integration	-	72.2	84.0	-	-	*
Other	208.9	201.6	191.1	178.6	187.0	3.6
Total noninterest expense	1,053.1	1,100.5	1,114.3	969.3	981.0	(4.3)
Income before income taxes and cumulative effect of changes in accounting principles	676.7	476.8	233.1	233.0	65.8	41.9
Applicable income taxes	256.9	178.8	78.6	25.9	8.5	43.7
Income before cumulative effect of changes in accounting principles	419.8	298.0	154.5	207.1	57.3	40.9
Cumulative effect of changes in accounting principles	-	-	157.3	-	-	*
Net income	$ 419.8	$ 298.0	$ 311.8	$ 207.1	$ 57.3	40.9%
Net income applicable to common equity	$ 408.6	$ 270.2	$ 281.6	$ 183.4	$ 33.6	51.2%

*Not meaningful

CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

Five Year Summary of Consolidated Operations	1994			1993		
(In Millions)	Balance	Interest	Interest Yields and Rates	Balance	Interest	Interest Yields and Rates
ASSETS						
Securities:						
U.S. Treasury	$ 1,559	$ 81.9	5.25%	$ 1,778	$ 100.7	5.66%
Mortgage-backed securities	1,534	91.4	5.96	1,486	85.1	5.73
State & political	181	19.7	10.88	192	22.1	11.51
U.S. agencies and other	463	24.2	5.23	472	26.7	5.66

Total securities	3,737	217.2	5.81	3,928	234.6	5.97
Unrealized loss on available-for-sale securities	(58)			-		
Net securities	3,679			3,928		
Trading account securities	73	3.4	4.66	117	4.7	4.02
Federal funds sold and resale agreements	405	16.5	4.07	755	22.3	2.95
Loans:						
Commercial:						
Commercial	7,035	528.5	7.51	6,077	433.5	7.13
Financial institutions	1,146	30.1	2.63	1,534	42.5	2.77
Real estate:						
Commercial mortgage	1,657	141.3	8.53	1,511	125.1	8.28
Construction	264	21.3	8.07	207	15.3	7.39
Total commercial	10,102	721.2	7.14	9,329	616.4	6.61
Consumer:						
Residential mortgage	2,352	174.5	7.42	2,556	201.9	7.90
Residential mortgage held for sale	354	24.6	6.95	949	66.0	6.95
Home equity and second mortgage	1,963	170.9	8.71	1,386	113.9	8.22
Credit card	2,054	248.9	12.12	1,733	233.1	13.45
Other	1,737	179.6	10.34	1,803	178.5	9.90
Total consumer	8,460	798.5	9.44	8,427	793.4	9.41
Total loans	18,562	1,519.7	8.19	17,756	1,409.8	7.94
Allowance for credit losses	445			447		
Net loans	18,117			17,309		
Other earning assets	124	5.4	4.35	139	8.1	5.83
Total earning assets*	22,901	1,762.2	7.69	22,695	1,679.5	7.40
Cash and due from banks	1,674			1,720		
Other assets	1,690			1,607		
Total assets	$25,762			$25,575		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Noninterest-bearing deposits	$ 6,057			$ 6,416		
Interest-bearing deposits:						
Interest checking	2,590	36.7	1.42	2,454	38.6	1.57
Money market accounts	3.857	106.8	2.77	3,923	102.9	2.62
Other savings accounts	1,499	30.4	2.03	1,411	30.2	2.14
Savings certificates	4,192	141.4	3.37	4,957	182.6	3.68
Certificates over $100,000	947	57.8	6.10	1,186	69.4	5.85
Total interest-bearing deposits	13,085	373.1	2.85	13,931	423.7	3.04
Short-term borrowings	2,371	109.7	4.63	1,270	50.8	4.00
Long-term debt	1,232	69.5	5.64	913	54.4	5.96
Total interest-bearing liabilities	16,688	552.3	3.31	16,114	528.9	3.28
Other liabilities	765			740		
Preferred equity	131			348		
Common equity	2,121			1,957		
Total liabilities and shareholders' equity	$25,762			$25,575		
Net interest income		$1,209.9			$1,150.6	
Gross interest margin			4.38%			4.12%
Gross interest margin without taxable-equivalent increments			4.32%			4.04%
PERCENT OF EARNING ASSETS						
Interest income			7.69%			7.40%
Interest expense			2.41			2.33
Net interest margin			5.28			5.07
Net interest margin without taxable-equivalent increments			5.22%			4.99%

Interest and rates are presented on a fully taxable-equivalent basis under a tax rate of 35 percent for 1994 and 1993 and 34 percent for 1992, 1991 and 1990.

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 loss on available-for-sale securities.

** Not meaningful

CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

	1992			1991			1990			1993-1994
(In Millions)	Balance	Interest	Interest Yields and Rates	Balance	Interest	Interest Yields and Rates	Balance	Interest	Interest Yields and Rates	% Change Average Balance
ASSETS										
Securities:										

U.S. Treasury	$ 1,529	$ 97.1	6.35%	$ 995	$ 77.8	7.82%	$ 970	$ 77.9	8.03%	(12.3)%
Mortgage-backed securities	953	70.0	7.35	1,312	117.2	8.93	1,576	155.6	9.87	3.2
State & political	152	18.1	11.91	241	27.5	11.41	581	62.2	10.71	(5.7)
U.S. agencies and other	266	17.6	6.62	398	25.7	6.46	558	29.5	5.29	(1.9)
Total securities	2,900	202.8	6.99	2,946	248.2	8.42	3,685	325.2	8.82	(4.9)
Unrealized loss on available-for-sale securities	--			--			--			**
Net securites	2,900			2,946			3,685			(6.3)
Trading account securities	137	6.5	4.74	176	12.1	6.88	185	15.8	8.54	(37.6)
Federal funds sold and resale agreements	1,318	45.1	3.42	1,292	75.8	5.87	1,353	110.4	8.16	(46.4)
Loans:										
Commercial:										
Commercial	5,875	451.9	7.69	6,773	638.5	9.43	8,374	891.4	10.64	15.8
Financial institutions	1,096	40.8	3.72	710	31.2	4.39	562	33.6	5.98	(25.3)
Real estate:										
Commercial mortgage	1,502	128.8	8.58	1,391	135.1	9.71	1,283	133.2	10.38	9.7
Construction	258	20.2	7.83	328	30.5	9.30	465	46.1	9.91	27.5
Total commercial	8,731	641.7	7.35	9,202	835.3	9.08	10,684	1,104.3	10.34	8.3
Consumer:										
Residential mortgage	2,133	183.9	8.62	2,023	182.5	9.02	2,908	293.5	10.09	(8.0)
Residential mortgage held for sale	718	58.1	8.09	674	64.5	9.57	768	78.1	10.17	(62.7)
Home equity and second mortgage	1,063	93.8	8.82	854	78.0	9.13	675	77.7	11.51	41.6
Credit card	1,709	243.0	14.22	1,495	217.3	14.54	1,091	174.1	15.96	18.5
Other	1,903	214.8	11.29	2,093	271.3	12.96	1,978	225.0	11.38	(3.7)
Total consumer	7,526	793.6	10.54	7,139	813.6	11.40	7,420	848.4	11.43	.4
Total loans	16,257	1,435.3	8.83	16,341	1,648.9	10.09	18,104	1,952.7	10.79	4.5
Allowance for credit losses	467			455			478			(.4)
Net loans	15,790			15,886			17,626			4.7
Other earning assets	371	14.3	3.85	161	11.4	7.08	270	21.8	8.07	(10.8)
Total earning assets*	20,983	1,704.0	8.12	20,916	1,996.4	9.54	23,597	2,425.9	10.28	.9
Cash and due from banks	1,510			1,333			1,383			(2.7)
Other assets	1,566			1,281			1,354			5.2
Total assets	$23,592			$23,075			$25,856			.7%
LIABILITIES AND SHAREHOLDERS' EQUITY										
Noninterest-bearing deposits	$ 4,810			$ 3,879			$ 3,578			(5.6)%
Interest-bearing deposits:										
Interest checking	2,198	51.7	2.35	1,897	57.5	3.03	1,748	84.7	4.85	5.5
Money market accounts	3,874	124.5	3.21	3,607	194.3	5.39	3,297	226.0	6.85	(1.7)
Other savings accounts	1,132	34.2	3.02	988	47.8	4.84	1,018	52.0	5.11	6.2
Savings certificates	5,292	258.6	4.89	5,504	402.1	7.31	5,548	445.7	8.03	(15.4)
Certificates over $100,000	1,468	99.7	6.79	2,340	171.1	7.31	4,375	383.0	8.75	(20.2)
Total interest-bearing deposits	13,964	568.7	4.07	14,336	872.8	6.09	15,986	1,191.4	7.45	(6.1)
Short-term borrowings	1,106	51.4	4.65	1,384	82.1	5.93	2,507	209.6	8.36	86.7
Long-term debt	927	66.1	7.13	1,214	100.3	8.26	1,652	152.2	9.21	34.9
Total interest-bearing liabilities	15,997	686.2	4.29	16,934	1,055.2	6.23	20,145	1,553.2	7.71	3.6
Other liabilities	686			578			623			3.4
Preferred equity	379			282			264			(62.4)
Common equity	1,720			1,402			1,246			8.4
Total liabilities and shareholders' equity	$23,592			$23,075			$25,856			.7%
Net interest income		$1,017.8			$ 941.2			$ 872.7		--
Gross interest margin			3.83%			3.31%			2.57%	
Gross interest margin without taxable-equivalent increments			3.72%			3.15%			2.37%	
PERCENT OF EARNING ASSETS										
Interest income			8.12%			9.54%			10.28%	
Interest expense			3.27			5.04			6.58	
Net interest margin			4.85			4.50			3.70	
Net interest margin without taxable-equivalent increments			4.74%			4.34%			3.49%	

Interest and rates are presented on a fully taxable-equivalent basis under a tax rate of 35 percent for 1994 and 1993 and 34 percent for 1992, 1991 and 1990.

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 loss on available-for-sale securities.

** Not meaningful

QUARTERLY CONSOLIDATED FINANCIAL DATA

(In Millions, Except Per Share Data)	1994 Fourth Quarter	1994 Third Quarter	1994 Second Quarter	1994 First Quarter	1993 Fourth Quarter	1993 Third Quarter	1993 Second Quarter	1993 First Quarter
INTEREST INCOME								
Loans	$ 419.2	$ 391.1	$ 362.2	$ 338.2	$ 352.6	$ 353.9	$ 348.6	$ 343.5
Securities:								
Taxable	47.5	51.5	53.8	46.4	46.9	52.9	58.4	60.0
Exempt from federal income taxes	2.9	3.0	3.1	3.0	4.7	3.2	3.3	3.4
Other interest income	7.2	6.3	6.8	4.9	6.8	4.9	7.1	11.6
Total interest income	476.8	451.9	425.9	392.5	411.0	414.9	417.4	418.5
INTEREST EXPENSE								
Deposits	104.8	93.9	89.3	85.1	94.0	102.1	107.0	120.6
Federal funds purchased and repurchase agreements	31.1	30.4	20.6	9.1	7.6	9.0	7.5	7.7
Other short-term funds borrowed	8.5	3.2	3.2	3.6	4.9	5.1	5.1	3.9
Long-term debt	21.4	18.2	16.5	13.4	14.9	13.4	13.0	13.1
Total interest expense	165.8	145.7	129.6	111.2	121.4	129.6	132.6	145.3
Net interest income	311.0	306.2	296.3	281.3	289.6	285.3	284.8	273.2
Provision for credit losses	23.0	23.0	23.0	24.0	27.0	27.0	33.1	38.1
Net interest income after provision for credit losses	288.0	283.2	273.3	257.3	262.6	258.3	251.7	235.1
NONINTEREST INCOME								
Credit card fees	50.3	49.2	43.5	36.0	37.5	36.6	34.5	28.5
Trust fees	41.7	38.9	40.1	38.5	37.5	36.6	36.5	35.5
Service charges on deposit accounts	27.9	29.2	29.1	29.4	28.4	28.6	28.0	30.3
Securities gains (losses)	(1.0)	(2.8)	-	-	-	-	-	.3
Other	44.2	44.9	41.0	47.9	42.5	40.2	41.5	46.6
Total noninterest income	163.1	159.4	153.7	151.8	145.9	142.0	140.5	141.2
NONINTEREST EXPENSE								
Salaries	102.8	100.2	98.5	94.2	95.0	97.3	97.3	99.5
Employee benefits	21.0	23.6	23.3	23.7	19.6	20.0	21.9	24.8
Net occupancy	20.6	22.0	22.2	21.5	22.8	22.8	23.2	24.6
Furniture and equipment	20.2	18.8	20.2	19.1	19.2	17.8	18.5	17.2
FDIC insurance	11.2	11.0	12.3	11.5	11.5	11.4	11.7	11.8
Advertising	7.3	6.2	8.1	8.1	4.7	6.0	5.1	4.7
Amortization of goodwill and other intangible assets	11.2	10.5	9.9	8.0	7.7	7.7	7.7	7.5
Other personnel costs	8.1	7.6	8.8	7.7	8.5	7.2	6.6	5.2
Professional services	10.2	8.6	8.5	6.5	10.7	9.1	8.6	8.3
Data processing	3.6	3.4	3.4	3.5	3.3	4.4	7.2	6.4
Merger and integration	-	-	-	-	-	-	72.2	-
Other	54.5	55.0	47.0	49.5	52.3	52.0	52.0	47.5
Total noninterest expense	270.7	266.9	262.2	253.3	255.3	255.7	332.0	257.5
Income before income taxes	180.4	175.7	164.8	155.8	153.2	144.6	60.2	118.8
Applicable income taxes	69.9	67.6	62.1	57.3	57.3	53.5	26.7	41.3
Net income	$ 110.5	$ 108.1	$ 102.7	$ 98.5	$ 95.9	$ 91.1	$ 33.5	$ 77.5
Net income applicable to common equity	$ 108.6	$ 106.2	$ 100.8	$ 93.0	$ 90.4	$ 83.7	$ 26.1	$ 70.0
Earnings per common share	$ .95	$ .91	$ .87	$ .84	$ .81	$ .74	$ .23	$ .61
SELECTED AVERAGE BALANCES								
Loans	$19,049	$18,684	$18,469	$18,034	$18,819	$18,188	$17,292	$16,685
Earning assets	23,046	23,062	23,205	22,278	23,270	22,710	22,455	22,267
Total assets	25,985	25,860	26,125	25,063	26,266	25,554	25,347	25,053
Deposits	18,577	18,741	19,655	19,604	20,930	20,248	20,284	19,916
Long-term debt	1,368	1,279	1,222	1,056	1,072	916	847	817
Common equity	2,170	2,168	2,134	2,011	1,957	1,974	1,949	1,936

The second quarter of 1993 included $72.2 million in merger-related charges in connection with the Colorado National Bankshares, Inc. acquisition.

SUPPLEMENTAL FINANCIAL DATA

EARNINGS PER SHARE SUMMARY

	1994	1993	1992	1991	1990
Primary net income before cumulative effect of accounting changes	$3.57	$2.39	$1.18	$1.79	$.36
Cumulative effect of accounting changes	--	--	1.49	--	--
Primary net income	$3.57	$2.39	$2.67	$1.79	$.36

Fully diluted net income before cumulative effect of accounting changes..................	$3.52	$2.38	$1.21	$1.78	$.36
Cumulative effect of accounting changes.........	--	--	1.43	--	--
Fully diluted net income.......................	$3.52	$2.38	$2.64	$1.78	$ .36

RATIOS

	1994	1993	1992	1991	1990
Return on average assets.......................	1.63%	1.17%	1.32%	.90%	.22%
Return on average common shareholders' equity...	19.3	13.8	16.4	13.1	2.7
Average total equity to average assets..........	8.7	9.0	8.9	7.3	5.8
Dividends per share to net income per share.....	32.5	41.8	33.0	45.8	*

*Not meaningful

OTHER STATISTICS

	1994	1993	1992	1991	1990
Common shares outstanding -- year end*..........	112,678,658	109,401,664	113,450,425	102,536,867	101,079,861
Average common shares outstanding and common stock equivalents:					
Primary.......................................	114,544,806	113,075,429	105,361,022	102,533,284	93,302,380
Fully diluted.................................	118,238,360	116,794,358	109,671,248	103,668,953	93,302,380
Number of shareholders -- year-end**...........	22,094	22,100	25,625	23,977	25,484
Average number of employees (full-time equivalents)..................................	11,997	12,300	12,553	12,742	13,626
Common dividends paid (millions)...............	$130.9	$109.7	$73.1	$65.6	$58.8

*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

	1994			1993		
	Sales Price		Dividends	Sales Price		Dividends
	High	Low	Paid	High	Low	Paid
First quarter..................................	$33.13	$29.38	$.29	$32.00	$27.13	$.25
Second quarter.................................	39.00	31.50	.29	34.00	25.88	.25
Third quarter..................................	38.50	35.25	.29	33.63	29.50	.25
Fourth quarter.................................	37.50	32.13	.29	34.13	28.00	.25
Closing price -- December 31...................	33.22			30.75		

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

	Maturing		
At December 31, 1994 (In Millions)	In 1 Year or Less	After 1 Year Through 5 Years	After 5 Years
Commercial	$6,133	$1,160	$186
Financial institutions..	663	110	14
Real estate:			
Commercial mortgage...	979	616	227
Construction..	303	14	10
Total..	$8,078	$1,900	$437

	Due in One Year	Due After One Year	Total
Loans at fixed interest rates....................................	$ 815	$ 902	$ 1,717
Loans at variable interest rates.................................	7,263	1,435	8,698
Total..	$8,078	$2,337	$10,415

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
1994..	$358	$103	$199	$236	$ 896
1993..	370	148	209	334	1,061
1992..	462	171	200	541	1,374

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
1994					
Federal funds purchased and securities sold under agreements to repurchase........................	$2,164	$2,018	$2,813	4.52%	5.52%
Other..	658	353	764	5.24	5.72
Total..	$2,822	$2,371	3,212	4.63	5.57
1993					
Federal funds purchased and securities sold under agreements to repurchase........................	$ 922	$ 990	$1,388	3.21%	3.15%
Other..	412	280	412	6.79	2.87
Total..	$1,334	$1,270	1,642	4.00	3.07
1992					
Federal funds purchased and securities sold under agreements to repurchase........................	$1,122	$ 842	$1,140	4.41%	3.39%
Other..	328	264	396	5.42	3.09
Total..	$1,450	$1,106	1,479	4.65	3.27

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, 1994.

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; $3.5625 Cumulative Convertible Preferred Stock, Series 1991A; Preferred Share Purchase Rights.

Securities registered pursuant to Section 12(g) of the Act: Warrants to Purchase Shares of Common Stock.

As of January 31, 1995, First Bank System, Inc. had 135,215,613 shares of common stock outstanding. The aggregate market value of common stock held by non-affiliates as of January 31, 1995, was 4,640,747,984.

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.

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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*First Bank System's definitive proxy statement for the 1995 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 99 percent of the capital stock of each of the nine commercial banks and four trust companies, having 200 banking offices in Minnesota, Colorado, Montana, North Dakota, South Dakota, Wisconsin, and Illinois. 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 $37 million to $10.0 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 1994 averaged a total of 11,997 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.

On September 29, 1994, the Act was amended by The Interstate Banking and Branch Efficiency Act of 1994 which authorizes interstate bank acquisitions anywhere in the country, effective one year after the date of enactment and interstate branching by acquisition and consolidation, effective June 1, 1997, in those states that have not opted out by that date.

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, 1994, the Company's subsidiaries owned and operated a total of 136 facilities while leasing an additional 157 facilities, all of which are well maintained.

The Company's three 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 a portion of one floor of the Pillsbury Center are leased. The

Company also occupies ten floors in the Marquette Bank Building and three 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-fourth 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 O of Notes to Consolidated Financial Statements.

EXHIBITS

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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, 1994, the Company filed the following reports on Form 8-K/A:

Form 8-K/A dated November 10, 1994, amending Form 8-K filed on August 5, 1994, which includes pro forma financial information reflecting the acquisition of Metropolitan Financial Corporation filed pursuant to Item 7(b).

Form 8-K/A dated December 8, 1994, amending Form 8-K filed on August 5, 1994, which includes unaudited financial statements of Metropolitan Financial Corporation filed pursuant to Item 7(b).

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 2.1 to Form 8-A/A-2 dated October 6, 1994.
- (1)3B By-laws. Filed as Exhibit 3B to report on Form 10-K for fiscal year ended December 31, 1993.
- 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 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)10B 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)10C 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)10D 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)10E 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)10F 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)10G 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)10H	Rights Agreement dated as of December 21, 1988, between First Bank System, Inc. and Morgan Shareholder Services Trust Company. Filed as Exhibit 1 to Form 8-K filed January 5, 1989.
(1)10I	Amendment No. 1 dated as of May 30, 1990, to Rights Agreement. Filed as Exhibit 4(a) to Form 8-K dated June 5, 1990.
(1)10J	Amendment No. 2 dated as of February 17, 1993, to Rights Agreement. Filed as Exhibit 4(a) to Form 8-K filed March 1, 1993.
(1)(2)10K	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)10L	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.
(2)10M	First Bank System, Inc. 1991 Stock Incentive Plan, as amended.
(1)(2)10N	First Bank System, Inc. 1994 Stock Incentive Plan. Filed as Exhibit 10M to report on Form 10-K for fiscal year ended December 31, 1993.
(2)10O	Agreement between First Bank System, Inc. and John F. Grundhofer dated January 18, 1995.
(1)(2)10P	Deferred Income Agreement between First Bank System, Inc. and John F. Grundhofer dated November 1, 1993. Filed as Exhibit 10O to report on Form 10-K for fiscal year ended December 31, 1993.
(1)(2)10Q	Description of First Bank System, Inc. Stock Option Loan Policy. Filed as Exhibit 10P to report on Form 10-K for fiscal year ended December 31, 1993.
(2)10R	Employment Agreement dated as of April 30, 1993, by and between First Bank System, Inc. and Will F. Nicholson, Jr.
(2)10S	Employment Agreement dated as of December 31, 1994, by and between First Bank System, Inc. and Will F. Nicholson, Jr.
(2)10T	Consulting Agreement dated as of January 23, 1995, by and between First Bank System, Inc. and Norman M. Jones.
(1)10U	Agreement of Merger and Consolidation, dated July 21, 1994, by and between First Bank System, Inc. and Metropolitan Financial Corporation. Filed as Exhibit 2.1 to Form 8-K filed August 5, 1994.
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	Annual Report to Shareholders for the year ended December 31, 1994. (See Cover Page)
21	Subsidiaries of the Registrant.
23	Consent of Ernst & Young LLP.
27	Financial Data Schedule.

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 15, 1995, 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 15, 1995, 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)

DAVID J. PARRIN
Senior Vice President and Controller
(principal accounting officer)

COLEMAN BLOOMFIELD
Director

DELBERT W. JOHNSON
Director

NORMAN M. JONES
Director

JOHN H. KAREKEN
Director

RICHARD L. KNOWLTON
Director

KENNETH A. MACKE
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

RICHARD L. SCHALL
Director

LYLE E. SCHROEDER
Director

EXECUTIVE OFFICERS

JOHN F. GRUNDHOFER
Mr. Grundhofer, 56 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, 50, 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, 45, 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. ZONA
Mr. Zona, 50, 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, 49, 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, 51, 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, 48, 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, 55, 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, 50, has been Executive Vice President, Secretary and General Counsel since 1991. Previously, he was Senior Vice President, Secretary and General Counsel.

DAVID R. EDSTAM
Mr. Edstam, 47, has been Senior Vice President and Treasurer since 1989.

ELIZABETH A. MALKERSON
Ms. Malkerson, 45, has been Senior Vice President of Corporate Relations since 1990. Her previous position was Vice President of External Affairs.

DAVID J. PARRIN
Mr. Parrin, 39, was named Senior Vice President and Controller in 1994. Previously, he was a Partner at Ernst & Young.

DIRECTORS

COLEMAN BLOOMFIELD
Chairman of the Board
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
Chairman and Chief Operating Officer
Pioneer Metal Finishing, Inc.
Minneapolis, Minnesota

NORMAN M. JONES*
Former Chairman and Chief Executive Officer
Metropolitan Financial Corporation
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
Macke Partners
Golden Valley, Minnesota

MARILYN C. NELSON
Vice Chair
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
February 15, 1995

FBS LOCATIONS*

MINNESOTA	St. Louis Park	KANSAS	SOUTH DAKOTA
Albert Lea	St. Paul (6)	Andover	Aberdeen
Alexandria (2)	Stillwater	Augusta	Mitchell

Amboy
Anoka (2)
Apple Valley
Austin
Babbitt
Blaine
Blooming Prairie
Bloomington (4)
Brainerd
Brooklyn Center
Brooklyn Park
Burnsville
Chisago City
Cloquet
Columbia Heights
Cottage Grove
Duluth (7)
Eagan (2)
East Grand Forks
Eden Prairie (2)
Edina (3)
Elk River
Fairmont
Fergus Falls
Forest Lake
Grand Rapids
Hibbing
Hopkins
Lamberton
Little Canada
Mankato (2)
Maple Grove
Minneapolis (15)
Minnetonka (2)
Monticello
Moorhead
New Prague
Oakdale
Owatonna
Pine City
Pine River
Plymouth (2)
Princeton
Prior Lake
Ramsey
Robbinsdale
Rochester (4)
Sauk Rapids
Shoreview
St. Anthony
St. Cloud (2)
Virginia
Wayzata
West St. Paul
White Bear Lake (2)
Willmar
Woodbury

COLORADO
Arvada (2)
Aspen
Aurora (3)
Boulder (2)
Broomfield
Canon City
Colorado Springs (6)
Denver (19)
Englewood (3)
Evergreen
Fort Collins (2)
Glenwood Springs
Golden
Grand Junction
Greeley
La Junta
Lakewood (4)
Littleton (4)
Longmont
Loveland
Northglenn
Pueblo (4)
Westminster (2)
Wheat Ridge

ILLINOIS
Chicago (6)
Des Plaines (3)
Downers Grove

IOWA
Altoona
Ankeny
Carlisle
Clear Lake
Council Bluffs (2)
Des Moines (6)
Hampton
Iowa Falls
Knoxville
Mason City (2)
Pella
Red Oak
West Des Moines (2)

Clay Center
El Dorado
Emporia (2)
Eureka
Gardner
Holton
Iola
Lawrence (2)
Manhattan
Overland Park
Prairie Village
Pratt
Topeka (2)
Wichita (4)

MONTANA
Billings (2)
Bozeman
Butte
Great Falls (3)
Havre
Helena
Miles City
Missoula (2)

NEBRASKA
Beatrice
Bellevue
Columbus
Hastings
Kearney
Lincoln (4)
North Platte
Omaha (6)

NORTH DAKOTA
Beulah
Bismarck (5)
Devils Lake
Dickinson
Fargo (5)
Grand Forks (4)
Jamestown
Langdon
Lisbon
Mandan
Minot (2)
Valley City
Wahpeton
West Fargo
Williston

Pierre
Rapid City (4)
Sioux Falls (5)

WISCONSIN
Brookfield
Brown Deer
Hudson
LaCrosse
Milwaukee (2)
Onalaska

WYOMING
Caspar
Cheyenne (2)
Cody
Evanston
Gillette
Green River
Lander
Laramie
Riverton
Rock Springs
Sheridan
Torrington
Worland

CORPORATE TRUST OFFICES
Billings, MT
Cheyenne, WY
Chicago, IL
Denver, CO
Des Plaines, IL
Duluth, MN
Fargo, ND
Grand Junction, CO
Los Angeles, CA
Milwaukee, WI
Minneapolis, MN
New York, NY
Portland, OR
Pueblo, CO
Rochester, MN
San Francisco, CA
Seattle, WA
Sioux Falls, SD
St. Paul, MN

REPUBLIC ACCEPTANCE CORP. OFFICES
Brookfield, WI
Des Plaines, IL
Kansas City, MO
Lakewood, CO
Minneapolis, MN
St. Louis, MO

*First Bank System, Inc. primarily serves Minnesota, Colorado, Illinois, Iowa, Kansas, Montana, Nebraska, North Dakota, South Dakota, Wisconsin, and Wyoming through 310 banking locations and 33 additional offices of nonbank subsidiaries. This includes 115 offices of Metropolitan Financial Corporation (January 1995).

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 Wednesday, April 26, 1995.

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

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

A limited number of spiral-bound 1994 Annual Reports are available for the investment community. Also available are a limited number of supplemental restated financial statements which reflect the acquisition of Metropolitan Financial Corporation. 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 1995 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.

[LOGO OF FIRST BANK SYSTEM]
First Bank System
P.O. Box 522
Minneapolis, Minnesota
55480

Inside Front Cover
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Map of the United States. The 11 Midwest and Rocky Mountain states (Montana, Wyoming, Colorado, North Dakota, South Dakota, Nebraska, Kansas, Minnesota, Iowa, Wisconsin, and Illinois) in which FBS has retail banking offices as of January 24, 1995, are shaded.

- - Iowa, Kansas, Nebraska, and Wyoming were added as the result of the Metropolitan Financial Corporation acquisition in January, 1995.

Graphs illustrate the following information:

Return on average common equity* (percent)
1990:   2.7
1991: 13.1
1992: 12.0
1993: 16.4
1994: 19.3

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

Earnings per share* (dollars)
1990: 0.36
1991: 1.79
1992: 1.96
1993: 2.83
1994: 3.57

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

Shareholders' equity to assets ratio (percent)
1990: 6.5
1991: 7.8
1992: 8.7
1993: 8.5
1994: 8.7

Graphs illustrate the following information:

Return on average assets* (percent)
1990: 0.22
1991: 0.90
1992: 1.00
1993: 1.36
1994: 1.63

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

Efficiency ratio* (percent)
1990: 75.1
1991: 67.8
1992: 64.7
1993: 59.8
1994: 57.2

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

Allowance coverage ratio of nonperforming loans (percent)
1990: 104
1991: 142
1992: 179
1993: 269
1994: 385

Graph illustrates the following information: Five-year total return* (percent)

Index: 12/31/89 = 100
S&P500 = Standard & Poor's Index of 500 Stocks
KBW 50 = Keefe Bruyette & Woods 50-bank index

1989: FBS/100, S&P500/100, KBW 50/100
1990: FBS/83, S&P500/97, KBW 50/72
1991: FBS/159, S&P500/126, KBW 50/114
1992: FBS/193, S&P500/136, KBW 50/145
1993: FBS/217, S&P500/150, KBW 50/153
1994: FBS/243, S&P500/154, KBW 50/145

* Capital appreciation plus dividends

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Photograph of FBS senior management team. Front from left: Richard A. Zona, vice chairman and chief financial officer, and John F. Grundhofer, chairman, president and chief executive officer. Back from left: William F. Farley, vice chairman, Distribution Group; J. Robert Hoffmann, executive vice president and chief credit officer; Daniel C. Rohr, executive vice president, Commercial Banking; Philip G. Heasley, vice chairman and president, Retail Products Group; John M. Murphy, Jr., chairman and chief investment officer; First Trust N.A.; Michael J. O'Rourke, executive vice president and general counsel; and Robert H. Sayre, executive vice president for human resources.

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Table entitled "FBS Leading Market Shares*"

Minnesota, deposit share: 25%, rank: 1st
Twin Cities, deposit share: 34%, rank: 1st
Colorado, deposit share: 19%, rank: 1st
Denver, deposit share: 24%, rank: 1st
North Dakota, deposit share: 26%, rank: 1st
Montana, deposit share: 14%, rank: 2nd
South Dakota, deposit share: 11%, rank: 2nd
Wyoming, deposit share: 9%, rank: 2nd

*Note: Includes Metropolitan Financial and First Western. South Dakota excludes credit card banks.

Table entitled, "Recent Acquisitions" (assets in millions)

First Western Corporation, closing date: 1Q95, location: South Dakota, assets: 323
Metropolitan Financial Corporation, closing date: 1Q95, location: Midwest, assets: 7,900
Green Mountain Bancorporation, Inc., closing date: 3Q94, location: Colorado, assets: 35
J.P. Morgan Corporate Trust, closing date: 3Q94, location: New York/National, assets: N/A
United Bank of Bismarck, closing date: 3Q94, location: North Dakota, assets: 121
First Financial Investors, Inc., closing date: 2Q94, location: Minnesota, assets: 200
Boulevard Bancorp, Inc., closing date: 1Q94, location: Illinois, assets: 1,600
American Bancshares of Mankato, closing date: 1Q94, location: Minnesota, assets: 116

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Graphs illustrate the following information:

Pie chart shows that the Retail and Community Banking Group accounts for 42 percent of FBS's net income.

Efficiency Ratio* (percent)
1992: 76.4
1993: 71.1
1994: 67.7

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

Net Interest Income (Millions)
1992: 679
1993: 744
1994: 781

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Net Income* (Millions)
1992: 94
1993: 138
1994: 177

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

Noninterest Income (Millions)
1992: 188
1993: 179
1994: 187

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Graphs illustrate the following information:

Pie chart shows that the Payment Systems Group accounts for 22 perecent of FBS's net income.

Efficiency Ratio* (percent)
1992: 45.7
1993: 42.4
1994: 41.7

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

Net Interest Income (Millions)
1992: 136
1993: 148
1994: 185

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Net Income* (Millions)
1992: 39
1993: 70
1994: 93

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

Noninterest Income (Millions)
1992: 134
1993: 157
1994: 196

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Graphs illustrate the following information:

Pie chart shows that the Commercial Banking Group accounts for 27 percent of FBS's net income.

Efficiency Ratio* (percent)
1992: 37.4
1993: 33.7
1994: 32.1

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

Net Interest Income (Millions)

1992: 183
1993: 227
1994: 219

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Net Income* (Millions)
1992: 76
1993: 105
1994: 113

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

Noninterest Income (Millions)
1992: 56
1993: 60
1994: 60

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Graphs illustrate the following information:

Pie chart shows that the Trust & Investment Group accounts for 9 percent of FBS's net income.

Efficiency Ratio* (percent)
1992: 72.8
1993: 71.2
1994: 70.9

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

Net Interest Income (Millions)
1992: 19
1993: 32
1994: 26

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Net Income* (Millions)
1992: 28
1993: 36
1994: 37

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

Noninterest Income (Millions)
1992: 157
1993: 173
1994: 186

Exhibit 10M

FIRST BANK SYSTEM, INC.
1991 STOCK INCENTIVE PLAN
(Retyped to Reflect Amendments Effective April 21, 1993 and
Amendments Effective April 28, 1994)

SECTION 1. PURPOSE; EFFECT ON PRIOR PLANS.

(a) Purpose. The purpose of the First Bank System, Inc. 1991 Stock Incentive Plan (the "Plan") is to aid in attracting and retaining management personnel and members of the Board of Directors who are not also employees ("Non-Employee Directors") of First Bank System, Inc. (the "Company") capable of assuring the future success of the Company, to offer such personnel and Non-Employee Directors incentives to put forth maximum efforts for the success of the Company's business and to afford such personnel and Non-Employee Directors an opportunity to acquire a proprietary interest in the Company.

(b) Effect on Prior Plans. From and after the effective date of the Plan, no stock options or restricted stock awards shall be granted under the Company's 1987 Stock Option Plan and Special Performance and Retention Plan. All outstanding stock options and restricted stock awards previously granted under the 1987 Stock Option Plan and Special Performance and Retention Plan shall remain outstanding in accordance with the terms thereof.

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. Eligible Person shall not include any Non-Employee Director, who shall receive Awards only pursuant to Section 6(h) of the Plan.

(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 or, in the case of grants pursuant to Section 6(h), the Board of Directors. 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, or Section 6(h) of the Plan in the case of grants to Non-Employee Directors, 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; provided, however, that Section 6(h) of the Plan shall not be administered by the Committee but rather by the Board of Directors subject to the provisions and restrictions of such Section 6(h). Subject to the terms of the Plan and applicable law, and except with respect to Section 6(h) of the Plan, 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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 3,000,000, 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; provided, however, that such limitation shall apply only to Shares available for granting Awards under the Plan pursuant to amendments to the Plan submitted for stockholder approval at the Company's 1994 annual meeting of stockholders and amendments adopted thereafter. The foregoing limitation specifically includes the grant of any "performance-based" Awards within the meaning of (S)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. Non-Employee Directors shall receive Awards of Non-Qualified Stock Options as provided in Section 6(h) of the Plan.

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 applicable requirements of Rule 16b-3 or 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 previously granted under this Plan, the First Bank System 1987 Stock Option Plan or any other stock option plan of the Company, and

may be granted in connection with any Option granted under this Plan at the time of such grant. 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 Rule 16b-3 and 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 or 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. Except as otherwise specified with respect to Awards to Non-Employee Directors pursuant to Section 6(h) of the Plan:

(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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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.

(h) Non-Qualified Stock Options to Non-Employee Directors. The Board of Directors shall issue Non-Qualified Stock Options to Non-Employee Directors in accordance with this Section 6(h).

Each Non-Employee Director serving on the Company's Board of Directors immediately following the 1993 Annual Meeting of Stockholders of the Company shall be granted, as of the date of such meeting, a Non-Qualified Stock Option to purchase 2,500 Shares (subject to adjustment pursuant to Section 4(c) of the Plan). Each Non-Employee Director first elected or appointed to the Company's Board of Directors after the 1993 Annual Meeting of Stockholders and during the term of the Plan shall be granted, as of the date of such Director's first election or appointment to the Board of Directors, a Non-Qualified Stock Option to purchase 2,500 Shares (subject to adjustment pursuant to Section 4(c) of the Plan). After the initial grant to each Non-Employee Director as set forth above in this Section 6(h), each such Director shall be granted during the term of the Plan, as of the date of each Annual Meeting of Stockholders of the Company, if such Director's term of office continues after such date, a Non-Qualified Stock Option to purchase 1,000 Shares (subject to adjustment pursuant to Section 4(c) of the Plan).

Each Non-Qualified Stock Option granted to a Non-Employee Director pursuant to this Section 6(h) shall be exercisable in full as of the date of grant, shall have an exercise price equal to the Fair Market Value of a Share on the date of grant and shall expire on the tenth anniversary of the date of grant, except as provided below. "Reload" options may not be granted to any Non-Employee Director. This

Section 6(h) shall not be amended more than once every six months other than to comport with changes in the Code, the Employee Retirement Income Security Act or the rules and regulations thereunder.

All grants of Non-Qualified Stock Options pursuant to this Section 6(h) shall be automatic and non-discretionary and shall be made strictly in accordance with the foregoing terms and the following additional provisions:

(i) Non-Qualified Stock Options granted to a Non-Employee Director hereunder shall terminate and may no longer be exercised if such Director ceases to be a Non-Employee Director of the Company, except that:

(A) If such Director's term shall be terminated for any reason other than gross and willful misconduct, death, disability, or retirement, such Director may at any time within a period of three months after such termination, but not after the termination date of the Option, exercise the Option.

(B) If such Director's term shall be terminated by reason of gross and willful misconduct during the course of the term, including but not limited to, wrongful appropriation of funds of the Company or the commission of a gross misdemeanor or felony, the Option shall be terminated as of the date of the misconduct .

(C) If such Director's term shall be terminated by reason of

disability or retirement, such Director may exercise the Option in accordance with the terms thereof as though such termination had never occurred. If such Director shall die following any such termination, the Option may be exercised in accordance with its terms by the personal representatives or administrators of such Director or by any person or persons to whom the Option has been transferred by will or the applicable laws of descent and distribution.

(D) If such Director shall die while a Director of the Company or within three months after termination of such Director's term for any reason other than disability or retirement or gross and willful misconduct, the Option may be exercised in accordance with its terms by the personal representatives or administrators of such Director or by any person or persons to whom the Option has been transferred by will or the applicable laws of descent and distribution.

(ii) Non-Qualified Stock Options granted to Non-Employee Directors may be exercised in whole or in part from time to time by serving written notice of exercise on the Company at its principal executive offices, to the attention of the Company's Secretary. The notice shall state the number of

shares as to which the Option is being exercised and be accompanied by payment of the purchase price. A Non-Employee Director may, at such Director's election, pay the purchase price by check payable to the Company, by promissory note, or in shares of the Company's Common Stock, or in any combination thereof having a Fair Market Value on the exercise date equal to the applicable exercise price. If payment or partial payment is made by promissory note, such note shall (A) be secured by the Shares to be delivered upon exercise of such Option (other than those withheld in payment of taxes as set forth below), (B) be limited in principal amount to the maximum amount permitted under applicable laws, rules and regulations, (C) be for a term of six years and (D) bear interest at the applicable federal rate (as determined in accordance with Section 1274(d) of the Code), compounded semi-annually.

(iii) 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 Non-Employee Director, are withheld or collected from such Director. At any time when a Non-Employee Director is required to pay the Company an amount required to be withheld under applicable income tax laws in connection with an Option granted pursuant to this Section 6(h), such Director may (A) elect to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise of such Option with a Fair Market Value equal to the amount of such taxes (an "Election") or (B) deliver to the Company Shares other than Shares issuable upon exercise of such Option with a Fair Market Value equal to the amount of such taxes. An Election, if any, must be made on or before the date that the amount of tax to be withheld is determined. The Board of Directors may disapprove of any Election, may suspend or terminate the right to make Elections, may limit the amount of any Election, and may make rules concerning the required information to be included in any Election. Non-Employee Directors may only make an Election in compliance with the Rules established by the Company to comply with Section 16(b) of the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

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; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company, no such amendment,

alteration, suspension, discontinuation or termination shall be made that,

absent such approval:

(i) would cause Rule 16b-3 to become unavailable with respect to the Plan;

(ii) would violate the rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company; or

(iii) would cause the Company to be unable, under the Code, to grant Incentive Stock Options under the Plan.

(b) Amendments to Awards. Except with respect to Awards granted pursuant to Section 6(h) of the Plan, 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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. Except as otherwise provided in Section 6(h) of the Plan, 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, Etc. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ, or as giving a Non-Employee Director the right to continue as a Director, of the Company or any Affiliate. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment, or terminate the term of a Non-Employee Director, 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors), 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors), 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 (or, in the case of grants under Section 6(h) of the Plan, the Board of Directors) 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 stockholders 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.

Exhibit 10O

EMPLOYMENT AGREEMENT

THIS AGREEMENT, dated as of January 18, 1995, by and between First Bank System, Inc., a Delaware corporation ("Employer"), and John F. Grundhofer ("Executive").

In consideration of the respective undertakings of Employer and Executive set forth below, Employer and Executive agree as follows:

1. Employment. Employer hereby employs Executive, and Executive accepts such employment and agrees to perform services for the Employer, for the period and upon the other terms and conditions set forth in this Agreement.

2. Term of Employment. The term of Executive's employment pursuant to this Agreement will commence on January 30, 1995 (the "Commencement Date") and, unless terminated at an earlier date in accordance with Section 5 of this Agreement, shall continue in effect until the third anniversary of the Commencement Date; and, commencing on the first anniversary of the Commencement Date and on each anniversary thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 30 days prior to any such date of automatic extension of this Agreement, Employer or Executive shall have given the other party to this Agreement written notice that the Agreement will not be so extended. The term of Executive's employment commencing on the Commencement Date and ending pursuant to the terms hereof is hereinafter referred to as the "Period of Employment."

3. Position and Duties.

3.01 Service with Employer. During the Period of Employment, Executive agrees to perform such reasonable executive employment duties as Employer shall assign to him from time to time and shall have the title of Chairman of the Board, President and Chief Executive Officer. Executive also agrees to serve, for any period for which he is elected, as a director on the Board of Directors of Employer and to serve as a member of any committee of the Board of Directors of Employer to which Executive may be elected or appointed.

3.02 Performance of Duties. Executive agrees to serve Employer faithfully and to the best of his ability and to devote his full business time, attention and efforts to the business and affairs of Employer during the Period of Employment; provided, however, that Executive may engage in other activities, such as activities involving charitable, educational, religious and similar types of organizations, speaking engagements, membership on the boards of directors of other organizations (as Employer may from time to time approve), management of Executive's personal investments, and similar types of activities to the extent that such other activities do not inhibit in any material way or

prohibit the performance of Executive's duties under this Agreement, or inhibit in any material way or conflict with the business of Employer and its subsidiaries.

4. Compensation.

4.01 Base Salary. As base compensation for all services to be rendered by Executive under this Agreement, Employer will pay to Executive during the Period of Employment a base annual salary to be paid in substantially equal installments in accordance with Employer's standard payroll procedures and policies. The initial base annual salary will be at least $620,000, but the base annual salary may be increased (but not reduced) from time to time in the sole discretion of Employer; provided, however, that for any of the three years beginning after a Change-in-Control, as defined in Section 8.13, during the Period of Employment Executive's base annual salary shall be increased by a percentage not less than the average percentage increase in the base annual salary for each of the next five highest paid officers of Employer for such year.

4.02 Annual Bonus. During the Period of Employment, Executive will be entitled to participate in the Employer's Executive Incentive Plan (or, if

such Plan shall cease to exist, Employer's annual bonus award program, if any, for Employer's executives at Executive's grade level). The award of an annual bonus is highly discretionary and is subject to the terms and provisions of the Executive Incentive Plan (or, if such Plan shall cease to exist, Employer's annual bonus award program, if any, for Employer's executives at Executive's grade level).

4.03 Options and Restricted Stock. During the Period of Employment, Executive will be eligible to receive grants of Employer's stock options and restricted stock, or other awards pursuant to equity-based plans of Employer. Such grants are highly discretionary and would be subject to the terms of the applicable agreements prescribed by Employer from time to time.

4.04 Participation in Other Benefit Plans. During the Period of Employment, Executive will be entitled to participate in such retirement plans, major medical, hospital, surgical and dental plans, executive disability plans and other Employer benefits not described elsewhere in this Section 4 as are being provided by Employer to executives at Executive's grade level from time to time to the extent that Executive's age, positions and other factors qualify him for such benefits. If, for any period during the Period of Employment, Executive is not eligible by reason of length of service to participate in such plans maintained by Employer, Employer shall provide Executive with benefits equivalent to those provided under such plans and, with respect to benefits provided by Employer equivalent to those provided under Employer's major medical, hospital, surgical and dental plans, shall compensate Executive on an after-tax basis for any additional income taxes payable by Executive by reason of Employer providing such benefits directly rather than through such plans.

4.05 Long-Term Disability Benefits. During the Period of Employment, Executive's annual benefit under Employer's long-term disability plan will not be less than 60% of the total of (i) Executive's base annual salary at the date of disability plus (ii) the annual average of bonuses received by Executive during the three prior Executive Incentive Plan years (or, if such Plan shall cease to exist, such other annual bonus award program, if any, pursuant to which Executive received annual bonus payments), and Employer agrees to pay Executive (at the time benefits are payable under the long-term disability plan) the excess, if any, of such annual benefit over the annual benefit provided by Employer's long-term disability plan.

4.06 Survivor Benefit Programs; Life Insurance. During the Period of Employment, Executive will be entitled to participate in survivor benefit programs covering Employer's executives at Executive's grade level in effect on the Commencement Date or as modified or supplemented by Employer from time to time. If, for any period during the Period of Employment, Executive is not eligible to participate in such survivor benefit programs, Employer shall provide Executive with benefits equivalent to those provided under such programs. In addition, during the Period of Employment Employer shall continue to provide a life insurance policy with a face value of at least $1 million for the benefit of a beneficiary designated by Executive (or, if no beneficiary is designated, for the benefit of Executive's spouse). Such insurance policy shall be in addition to the amount of group term insurance, if any, provided to Executive under an insurance plan maintained by Employer for its employees generally. Executive hereby represents to Employer that Executive is insurable on normal terms and conditions.

4.07 Vacation and Sick Leave. During the Period of Employment, Executive will be entitled to reasonable paid vacation periods each year, will be entitled to carry over to subsequent years unused vacation periods, and upon termination of employment will be entitled to be paid for unused vacation periods, in each case in accordance with Employer's policy for executives at Executive's grade level from time to time. Executive will also be entitled to reasonable sick leave in accordance with Employer's policy for executives at Executive's grade level from time to time.

4.08 Perquisites. During the Period of Employment, Employer will provide Executive with such perquisites as Employer from time to time provides to executives at Executive's grade level including, without limitation, (a) an automobile or an automobile allowance consistent with Employer's policies for an executive at Executive's grade level, (b) reimbursement of initiation fees, if any, and dues for one country club and one business club of Executive's choice, and (c) the reimbursement of the cost of financial and tax counseling (subject to an annual limit of two percent of current base annual salary). Additionally,

during the Period of Employment, Employer will reimburse Executive for the difference between (i) interest payments made by Executive on Executive's real estate mortgage loan for his personal

residence (with the loan amount not to exceed 80% of the purchase price for such residence) and (ii) the interest payments that would apply to such loan if the interest rate on such loan were one percentage point less than the interest rate generally prevailing in the market at the time the loan was entered into.

4.09 Expenses. Employer will reimburse Executive for all expenses and disbursements reasonably incurred by Executive in the performance of his duties during the Period of Employment, and such other facilities or services as Employer and Executive may, from time to time, agree are reimbursable, subject to the presentment of appropriate vouchers in accordance with the Employer's normal policies for expense verification.

4.10 [This Section is intentionally omitted.]

4.11 Indemnity and Hold Harmless. Except to the extent inconsistent with Employer's charter or bylaws, Employer will indemnify Executive and hold Executive harmless to the fullest extent permitted by law with respect to acts of Executive as an officer and director of Employer during the Period of Employment. Employer further agrees that if and to the extent Employer in its sole discretion maintains directors' and officers' insurance policies, Executive will be covered by such policies with respect to acts of Executive as an officer and director of Employer during the Period of Employment to the same extent as all other officers and directors of Employer under such policies.

4.12 Payments on Account of Restricted Stock Relating to Former Employment. Employer has established and is maintaining a bookkeeping account for Executive (the "Bookkeeping Account"), which account was initially credited with $305,074, representing the amount agreed to be paid to Executive and not paid to date in respect of shares of Wells Fargo & Company ("Wells Fargo") Common Stock transferred by Wells Fargo to Executive, but not vested, as of January 30, 1990. The amount credited to the Bookkeeping Account shall be deemed to have been invested in such stock, bonds or other securities as Executive shall, from time to time, designate in writing to Employer's Executive Vice President, Human Resources, 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 or losses deemed incurred as a result of such designated, deemed investments.

Certain debits have been made to the Bookkeeping Account as provided in the Employment Agreement dated December 30, 1992 by and between Employer and Executive (the "Prior Employment Agreement"). The balance of the Bookkeeping Account shall become payable to, or with respect to, Executive upon the earliest of the following events (i) January 30, 2003, (ii) Executive's death or (iii) Executive's termination of employment for any reason within 24 months after a Change in Control. In the event the balance of the Bookkeeping Account becomes payable upon Executive's

termination of employment for any reason other than death within 24 months after a Change in Control, the entire balance shall be paid within 30 days of such event. In the event the balance of the Bookkeeping Account becomes payable upon Executive's death, the entire balance shall be paid by December 31 of the calendar year in which Executive dies. Upon the occurrence of any other event giving rise to Employer's obligation to pay Executive the balance of the Bookkeeping Account, on January 30 of each year beginning in the year 2003 and for each of the next nine consecutive years, after taking into account any amount credited or debited to the Bookkeeping Account as a result of the deemed investment thereof or otherwise pursuant to the terms of this Section 4.12, the following proportions of the Bookkeeping Account shall be paid to Executive: 1/10, 1/9, 1/8, 1/7, 1/6, 1/5, 1/4, 1/3, 1/2 and the entire remaining balance thereof.

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 in the event of Executive's impending bankruptcy, a dependent's long and serious illness or other events of similar magnitude. Executive may designate a beneficiary or beneficiaries who, upon his death, are to receive distributions that otherwise would have been paid to Executive. All 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 Section 4.12 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 above with respect to the payment of the balance of the Bookkeeping Account 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 Section 4.12. 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 investments 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 payments 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 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 Section 4.12, nor shall such rights be assigned or transferred by operation of law.

4.13 Reimbursement of Professional Fees. Employer will pay to (or reimburse Executive for) the reasonable fees and

expenses of Executive's personal professional advisors for professional services rendered to Executive in connection with this Agreement and matters related thereto; provided, however, that payment by Employer pursuant to this Section 4.13 will not exceed $5,000.

5. Termination.

5.01 Grounds for Termination. The Period of Employment will terminate prior to the expiration of the term set forth in Section 2 of this Agreement in the event that:

(a) Executive shall die.

(b) Executive shall qualify for and accrue payments under Employer's Disability Program for a period covering 90 consecutive days.

(c) Employer shall terminate the Period of Employment for Cause. "Cause" means termination upon (i) the willful and continued failure by Executive to substantially perform his duties with Employer (other than any such failure resulting from his disability or from termination by Executive for Good Reason), after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which Employer believes that Executive has not substantially performed his duties, and Executive has failed to resume substantial performance of his duties on a continuous basis within 14 days of receiving such demand, (ii) the willful engaging by Executive in conduct which is demonstrably and materially injurious to Employer, monetarily or otherwise, (iii) Executive's conviction of a felony which impairs his ability substantially to perform his duties with Employer or (iv) the issuance of an order under Section 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act ("FDIC") by which Executive is removed and/or permanently prohibited from participating in the conduct of the affairs of Employer and/or any other affiliate of Employer. For purposes of this paragraph, no act, or failure to act, on Executive's part will be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that his action or omission was in the best interest of Employer. Failure to perform Executive's duties with Employer during any period of disability shall not constitute Cause.

(d) Executive shall terminate the Period of Employment for Good Reason. "Good Reason" means termination by Executive upon the occurrence, without Executive's consent, of any one or more of the following: (i) the assignment to Executive of any duties inconsistent in any respect with Executive's position (including status, offices, titles, and reporting requirements), authorities, duties, or other responsibilities as in

effect immediately prior to such assignment or any other action of Employer which results in a diminishment in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by Employer promptly after receipt of notice thereof given by Executive; (ii) a reduction by Employer in Executive's base salary as in effect on the Commencement Date or as the same shall be increased from time to time; (iii) Employer's requiring Executive to be based at a location in excess of 30 miles from the location of Executive's principal office immediately prior to such requirement; (iv) the failure by Employer to provide Executive with compensation and benefits at least equal (in terms of benefit levels and/or reward opportunities) to those provided for under each compensation or benefit plan, program, policy and practice as in effect at the Commencement Date (or as in effect following the Commencement Date, if greater); (v) the failure of Employer to obtain a satisfactory agreement from any successor to Employer to assume and agree to perform this Agreement; (vi) a material breach by Employer of its obligations under this Agreement after notice in writing from Executive and a reasonable opportunity for Employer to correct such conduct; and (vii) any purported termination by Employer of Executive's employment that is not effected pursuant to a Notice of Termination (as hereinafter defined). Executive's right to terminate the Period of Employment for Good Reason shall not be affected by Executive's incapacity due to physical or mental illness. Executive's continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason. Termination by Executive of the Period of Employment for Good Reason shall constitute termination for Good Reason for all purposes of this Agreement, notwithstanding that Executive may also thereby be deemed to have "retired" under any applicable retirement programs of Employer.

(e) Employer terminates the Period of Employment other than for "Cause."

(f) Executive terminates the Period of Employment for any reason not constituting Good Reason.

Notwithstanding any termination of the Period of Employment, Executive, in consideration of his employment hereunder to the date of such termination, will remain bound by the provisions of this Agreement that specifically relate to periods, activities or obligations upon or subsequent to the termination of Executive's employment.

5.02 Effect of Termination.

(a) In the event of termination of the Period of Employment pursuant to the provisions of Section 5.01(a) above,

Executive's trust estate or estate, as the case may be (as determined in accordance with Section 8.02 of this Agreement), will be entitled to be paid the base annual salary otherwise payable to Executive pursuant to Section 4.01 of this Agreement only through the date of such termination. Additionally, Executive's survivors will be entitled to any benefits provided under Employer's survivor benefit program.

(b) In the event of termination of the Period of Employment pursuant to the provisions of Section 5.01(b) above, Executive will be entitled to be paid the base annual salary otherwise payable to Executive pursuant to Section 4.01 of this Agreement only through the date of such termination. Executive will be entitled to benefits under Employer's

Disability Program and to the benefits provided for in Section 4.05 in connection with Employer's Disability Plan. If Executive shall cease to be eligible for long-term disability payments pursuant to the Disability Plan within three years following the date of such termination, Employer will pay Executive a lump sum payment in the amount of Executive's annual base salary at the time of such termination.

(c) In the event of termination of the Period of Employment pursuant to the provisions of Section 5.01(c) or (f) above, Employer will have no further obligations hereunder except that Employer will pay Executive his base salary, at the rate then in effect, and continue to provide Executive his health and welfare benefits through the date of such termination. Executive will not be paid any annual bonus pursuant to Section 4.02 of this Agreement for the calendar year in which the termination occurs or any subsequent calendar year.

(d) In the event of termination of the Period of Employment pursuant to the provisions of Sections 5.01(d) or 5.01(e) above, Employer will (i) pay Executive his full base salary through the date of termination at the rate in effect at the time Notice of Termination is given; (ii) pay as damages to Executive, not later than 30 days following the date of termination, a lump sum payment equal to three times the sum of (A) Executive's annual base salary in effect at the time Notice of Termination is given and (B) the annual target bonus potential available to Executive at the time Notice of Termination is given (or, in the event of termination within 24 months following a Change-in-Control, if either of the following amounts is greater, the bonus earned in the last fiscal year prior to the date of termination or the average bonus earned in the last three fiscal years prior to the date of termination, whichever is larger), (iii) continue to provide the employee benefits described in Sections 4.04, 4.05 (with disability benefits to be calculated as of the date of termination), and 4.06 to which Executive was entitled

on the date of such termination for a period of three years from the date of such termination, (iv) continue to provide the perquisites described in Section 4.08 to which Executive was entitled on the date of such termination for a period of three years from the date of such termination, (v) cause the acceleration of the exercisability of any stock option or the vesting of any restricted stock grants (other than those pursuant to Employer's Restricted Stock and Performance Plan) that would have become exercisable or vested, as the case may be, during the remaining Period of Employment had no such termination occurred, (vi) cause the acceleration of vesting of restricted stock grants under Employer's Restricted Stock and Performance Plan if the vesting schedule has been determined at the time of such termination and such vesting would have occurred during the remaining Period of Employment had no such termination occurred, (vii) give Executive credit for three additional years of service (or five additional years of service in the event of termination within 24 months following a Change-in-Control) under Employer's Nonqualified Supplemental Executive Retirement Plan (the "SERP"), provided, however, that Executive shall not receive any such credit if Executive has previously received five additional years of service at age 60 under the terms of the SERP, (viii) in the event of termination within 24 months following a Change-in-Control, pay Executive the full amount of any long-term cash incentive award for any plan periods then in progress to the extent not provided for in any Employer long-term cash incentive plan or plans; and (ix) pay for individual outplacement counseling services to Executive up to a maximum of $60,000. Executive will not be paid any annual bonus pursuant to Section 4.02 of this Agreement for the calendar year in which the termination occurs.

5.03 Notice of Termination. Any purported termination by Employer or Executive of the Period of Employment shall be communicated by written Notice of Termination to the other party hereto. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which indicates the specific termination provision in Section 5.01 above relied upon.

5.04 Offsets. Executive shall have no duty to seek other employment.

However, in the event of termination of the Period of Employment pursuant to the provisions of Sections 5.01(d) or 5.01(e), the following offsets will apply to reduce the payments and benefits which Executive shall be entitled to receive pursuant to Section 5.02(d): (i)(A) in the event of termination within 24 months following a Change-in-Control, the amount payable to Executive pursuant to Section 5.02(d)(ii) will be offset by any salary, cash bonus and other earned income (within the meaning of Section 911(d)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code")) received by Executive for services rendered by Executive to persons or entities other than the Employer during

or with respect to the 36-month period after the date of termination, or (B) in the event of termination at any time not within 24 months following a Change-in-Control, one-third of the amount payable to Executive pursuant to Section 5.02(d)(ii)(A) and the entire amount payable to Executive pursuant to Section 5.02(d)(ii)(B) shall be offset by amounts received by Executive which are described in subparagraph (A) above; (ii) the benefits payable to Executive pursuant to Section 5.02(d)(iii) and (iv) shall be discontinued if Executive obtains full-time employment providing welfare benefits during the 36-month period following the date of termination; and (iii) in the event of termination at any time within 24 months following a Change-in-Control, any additional benefits under Employer's SERP pursuant to Section 5.02(d) will be reduced by the amount of vested defined benefit pension benefits and vested defined benefit non-qualified supplemental retirement benefits actually payable to Executive without any risk of forfeiture from persons or entities other than Employer which are attributable to services rendered by Executive to such other persons or entities during the 36 months following the date of termination of Executive's employment. Such reduction shall be calculated based on the vested benefits payable at age 65 under the single life annuity form of payment under the applicable plans which are accrued by Executive during such period. The foregoing calculations for a particular plan shall be made by the actuary for such plan in accordance with generally accepted actuarial principles. The amount of such reduction at age 65 shall be actuarially reduced if Executive's benefits under the Employer's SERP commence before Executive attains age 65.

Not less frequently than annually (by December 31 of each year), Executive shall account to Employer with respect to all payments and benefits received by Executive which are required hereunder to be offset against payments or benefits received by Executive from Employer. If the Employer has paid amounts in excess of those to which Executive is entitled (after giving effect to the offsets provided above), Executive shall reimburse Employer for such excess by December 31 of such year. The requirements imposed under this paragraph shall terminate on December 31 of the calendar year which includes the third anniversary of the date of termination.

5.05 Additional Payments. In the event Executive becomes entitled to payments under Article 5 of this Agreement, Employer shall cause its independent auditors promptly to review, at Employer's sole expense, the applicability of Section 4999 of the Code to such payments. If such auditors shall determine that any payment or distribution of any type by Employer to Executive or for his benefit, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional cash payment (a "Gross-Up Payment") within 30 days of such determination equal to an amount such that after payment by

Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax imposed upon the Gross-Up Payment, Executive would retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. For purposes of the foregoing determination, Executive's tax rate shall be deemed to be the highest statutory marginal state and Federal tax rate (on a combined basis) then in effect. If no determination by Employer's auditors is made prior to the time a tax return reflecting the Total Payments is required to be filed by Executive, Executive will be entitled to receive a Gross-Up Payment calculated on the basis of the Total Payments reported by Executive in such tax return, within 30 days of the filing of such tax return. In all events, if any tax authority determines that a greater Excise

Tax should be imposed upon the Total Payments than is determined by the Company's independent auditors or reflected in Executive's tax return pursuant to this Section 5.05, Executive shall be entitled to receive the full Gross-Up Payment calculated on the basis of the amount of Excise Tax determined to be payable by such tax authority from Employer within 30 days of such determination.

5.06 Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit Executive from continuing or future participation in any benefit, bonus, incentive, retirement or other plan or program provided by Employer and for which Executive may qualify, nor, except as expressly provided in this Agreement, shall anything herein limit or reduce such rights as Executive may have under any other agreement with, or plan, program, policy or practice of, Employer. Amounts which are vested benefits or which Executive is otherwise entitled to receive under any agreement with, or plan, program, policy or practice of, Employer (including, without limitation, the cashout of unused vacation days upon termination of employment) shall be payable in accordance with such agreement, plan, program, policy or practice, except as explicitly modified by this Agreement. Notwithstanding the foregoing, if Executive becomes entitled to benefits under Article 5 of this Agreement, Executive shall not be entitled to receive payments under the First Bank System Severance Pay Plan, the First Bank System, Inc. Senior Management Change-in-Control Severance Pay Plan, the First Bank System, Inc. Middle Management Change-in-Control Severance Pay Plan, the First Bank System, Inc. Broad-Based Change-in-Control Severance Pay Plan or any other severance pay plan of Employer.

6. Non-Competition and Unfair Competition.

6.01 Agreement Not to Compete. Without the approval by resolution of the Board of Directors of Employer, upon termination of Executive's employment with Employer by Employer for Cause pursuant to Section 5.01(c) or by Executive without Good Reason pursuant to Section 5.01(f), Executive will not, for a period of three years thereafter, become an officer, employee, agent, partner, director or substantial stockholder (holding more than 5% of the voting securities) of any bank, savings bank, trust company, bank and trust company, savings and loan association or holding company thereof, in each case if such entity conducts

business in the State of Colorado, the State of Minnesota, the State of Montana, the State of North Dakota, the State of South Dakota, the State of Wisconsin or any other State in which Employer has substantial operations.

6.02 Agreement Not to Solicit. Without the approval by resolution of the Board of Directors of Employer, upon termination of Executive's employment with Employer for any reason whatsoever, Executive will not, for the remainder of the Period of Employment if no termination had occurred (or, if longer, for the one-year period following such termination), (i) solicit or aid in soliciting as a customer or client of banking or related financial services (including, without limitation trust, credit card and investment management services) any person, firm, corporation, association or other entity (A) that was a customer or client of Employer or any other affiliate of Employer, and for which Executive or anyone under Executive's supervision performed any services or with which substantial business relations were maintained by Employer or any other affiliate of Employer at any time during the five years prior to the termination of the Period of Employment or (B) whose identity or particular needs Executive otherwise discovered as a result of his employment with Employer, or (ii) solicit or aid in soliciting any employees of Employer or any other affiliate of Employer to leave their employment. Without the approval by resolution of the Board of Directors of Employer, upon termination of Executive's Employment with Employer for any reason whatsoever, Executive agrees never to copy, remove from Employer or its affiliates, dispose or make any use of any confidential customer list, confidential business information with respect to customers, confidential materials relating to the practices or procedures of Employer or its affiliates, or any other proprietary information.

7. Taxes. All payments to be made to Executive under this Agreement will be net of required withholding of federal, state and local income and employment taxes. Whenever under this Agreement Executive is to be compensated or reimbursed on an "after-tax basis," Executive will be assumed to be subject to federal income taxes at the highest marginal rate applicable to individuals and to state income taxes at the highest marginal effective rate for residents of Minneapolis, Minnesota.

8. Miscellaneous.

8.01 Governing Law. This Agreement is made under and shall be governed by and construed in accordance with the laws of the State of Minnesota.

8.02 Successors. This Agreement shall be binding upon and inure to the benefit of Employer and its successors. This Agreement will inure to the benefit of, be enforceable by, and any amounts and benefits owed to Executive at the time of Executive's death, unless otherwise provided herein, will be paid to, the Trustee under the John F. and Beverly J. Grundhofer Living Trust Agreement, or, if such Trust is not then in existence, the personal representative or personal representatives of Executive's

estate. Reference to the "John F. and Beverly J. Grundhofer Living Trust Agreement" means that certain Declaration of Trust, John F. and Beverly J. Grundhofer Living Trust, dated February 22, 1988, by and between John F. and Beverly J. Grundhofer, as donors and as original Trustees, as amended and existing at John F. Grundhofer's death. Reference to the Trustee under the John F. and Beverly J. Grundhofer Living Trust Agreement means the then acting Trustee or Trustees under the John F. and Beverly J. Grundhofer Living Trust Agreement and any successor Trustees.

Employer will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or assets of Employer or of any division or subsidiary thereof employing Executive to expressly assume and agree to perform this Agreement in the same manner and to the same extent that Employer would be required to perform if no such succession had taken place. Failure of Employer to obtain such assumption and agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle Executive to compensation from Employer in the same amount and on the same terms as Executive would be entitled to hereunder if Executive terminated his employment for Good Reason following a Change-in-Control, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the date of termination and notice of termination shall be deemed to have been given on such date. In any case where a successor assumes the Employer's obligations under this Agreement by operation of law, the requirements imposed in this paragraph will be satisfied if the successor acknowledges to Executive in writing that it has assumed the Employer's obligations under this Agreement by operation of law within 30 days of receipt of a written notice from Executive requesting such acknowledgment.

8.03 Prior Agreements. This Agreement contains the entire agreement of the parties relating to the employment of Executive by Employer and the other matters discussed herein and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement which are not set forth herein. The Prior Employment Agreement is hereby terminated and shall have no further force or effect. The Change in Control Severance Pay Agreement entered into between Employer and Executive on March 16, 1992, which was attached as Exhibit A to the Prior Employment Agreement with Employer, is hereby terminated and shall have no further force or effect.

8.04 Amendments. No amendment or modification of this Agreement will be deemed effective unless made in writing and signed by each party hereto.

8.05 No Waiver. No term or condition of this Agreement will be deemed to have been waived, nor will there be any estoppel to enforce any provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver will not be

deemed a continuing waiver unless specifically stated, will operate only as to the specific term or condition waived and will not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

8.06 Assignment. This Agreement is not assignable, in whole or in part, by any party without the written consent of the other party.

8.07 Injunctive Relief. Executive agrees that it would be difficult to compensate Employer fully for damages for any violation of the provisions of this Agreement, including without limitation the provisions of Section 6. Accordingly, Executive specifically agrees that Employer will be entitled to temporary and permanent injunctive relief to enforce the provisions of this Agreement and that such relief may be granted without the necessity of proving actual damages. This provision with respect to injunctive relief will not, however, diminish the right of Employer to claim and recover damages in addition to injunctive relief.

8.08 Disputes and Legal Fees.

(a) Before a Change-in-Control. Any controversy or claim arising out of or relating to this Agreement, or the breach thereof, which is not resolved by the parties will not sooner than 30 days after the dispute shall arise, be settled by arbitration before three arbitrators in accordance with the rules of the American Arbitration Association, and judgment upon an award rendered by the arbitrators, or at least a majority of them, may be entered in any court having jurisdiction thereof; provided, however, that Employer will be entitled to seek injunctive or other equitable relief in a court of law to enforce the provisions of Section 6. Such arbitration shall be conducted in Minneapolis, Minnesota. The expenses incurred in connection with any arbitration, including but not limited to each party's legal fees and the arbitrators' fees and expenses, will be allocated between the parties according to the relative fault of each, as determined by the arbitrators.

(b) After a Change-in-Control. Subparagraph (a) above shall not apply after a Change-in-Control, and the provisions of this subparagraph (b) shall apply instead. If Executive so elects, any dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction. If Executive does not elect arbitration, Executive may pursue any and all legal remedies available to him. Employer shall pay to Executive any legal fees and expenses incurred by him after a Change-in-Control (i) as a result of successful

litigation or arbitration against Employer for nonpayment of any benefit hereunder or (ii) in connection with any dispute with any Federal, state or local governmental agency with respect to benefits claimed under this Agreement. If Executive elects arbitration, Employer will pay all fees and expenses of the arbitrator.

8.09 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision will be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement will be unaffected. In furtherance of and not in limitation of the foregoing, it is expressly agreed that should the duration of or geographical extent of, or business activities covered by, the noncompetition covenant contained in Section 6 be determined to be in excess of that which is valid or enforceable under applicable law, then such provision will be construed to cover only that duration or extent, or those activities which may validly or enforceably be covered. Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement will be construed in a manner which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

8.10 Notices. All notices under this Agreement will be in writing and will be deemed effective when delivered in person (in Employer's case, to its Secretary) or twenty-four (24) hours after deposit thereof in the U.S. mails, postage prepaid, for delivery as registered or certified mail -- addressed, in the case of Executive, to him at his last residential address known by Employer and, in the case of Employer, to its corporate headquarters, attention of its Secretary, or to such other address as Executive or Employer may designate in writing at any time or from time to time to the other party. In lieu of notice

by deposit in the U.S. mails, a party may give notice by telegram, telex or telecopy, in which case such notice will be deemed effective upon receipt.

8.11 Counterparts. This Agreement may be executed by the parties hereto in counterparts, each of which will be deemed to be an original, but all such counterparts will together constitute one and the same instrument.

8.12 Headings. The headings of paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

8.13 Change in Control. For purposes of this Agreement, a "Change-in-Control" shall mean:

(A) a change-in-control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange

Act of 1934, as amended (the "Exchange Act"), whether or not Employer is then subject to such reporting requirement; or

(B) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Exchange Act) by Employer or any "person" (as such term is used in Section 13(d) and 14(d) of the Exchange Act) that such person has become the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Employer (w) representing 20% or more, but not more that 50%, of the combined voting power of Employer's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors (as hereinafter defined) or (x) representing more than 50% of the combined voting power of Employer's then outstanding securities (regardless of any approval by the Continuing Directors); provided, however, that notwithstanding the foregoing, no Change-in-Control shall be deemed to have occurred for purposes of this Agreement by reason of ownership of 20% or more of the total voting capital stock of Employer then issued and outstanding by (y) Employer, any subsidiary of Employer or any employee benefit plan of Employer or of any subsidiary of Employer or any entity holding shares of the Common Stock organized, appointed or established for, or pursuant to the terms of, any such plan (any such person or entity described in this clause (y) is referred to herein as a "Company Entity") or (z) Corporate Partners, L.P., Corporate Offshore Partners, L.P., The State Board of Administration of Florida, their respective "Affiliates" (including, for this purpose, their respective limited partners) and/or any "Permitted Transferee" of such "Persons" (collectively, the "Investors"), who have acquired or will acquire such stock at any time pursuant to, in conformity with and as contemplated by the terms of the fully executed version of that certain Stock Purchase Agreement and related documents dated as of May 30, 1990, by Employer with the Investors (the terms "Affiliates," "Permitted Transferee" and "Persons" shall have the meanings given to them in such Stock Purchase Agreement); or

(C) the announcement of a tender offer by any person or entity (other than a Company Entity) for 20% or more of Employer's voting capital stock then issued and outstanding, which tender offer has been approved by the Board of Governors of the Federal Reserve System and has not been approved by the Board, a majority of the members of which are Continuing Directors (as hereinafter defined), and recommended to the shareholders of Employer, or

(D) the Continuing Directors (as hereinafter defined) cease to constitute a majority of Employer's Board of Directors; or

(E) the shareholders of Employer approve (x) any consolidation or merger of Employer in which Employer is not the continuing or surviving corporation or pursuant to which shares of Employer stock would be converted into cash, securities or other property, other than a merger

of Employer in which shareholders immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the merger; (y) any sale, lease, exchange, or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of Employer; or (z) any plan of liquidation or dissolution of Employer.

For purposes of this definition, "Continuing Director" shall mean any person who is a member of the Board of Directors of Employer, while such person is a member of the Board of Directors, who is not an Acquiring Person (as defined below) or an Affiliate or Associate (as defined below) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (x) was a member of the Board of Directors on the date of this Agreement as first written above or (y) subsequently becomes a member of the Board of Directors, if such person's initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors. For purposes of this definition, "Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of Employer representing 20% or more of the combined voting power of Employer's then outstanding securities, but shall not include the Investors or any Company Entity; and "Affiliate" and "Associate" shall have their respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

8.14 Code Section 162(m). Notwithstanding any other provision of this Agreement to the contrary, to the extent that Employer's tax deduction for remuneration in respect of the payment of any amount under Sections 5.02, 5.05 or 8.02 of this Agreement would be disallowed under Code Section 162(m) by reason of the fact that Executive's applicable employee remuneration, as defined in Code Section 162(m)(4), either exceeds or, if such amount were paid, would exceed the $1,000,000 limitation in Code Section 162(m)(1), Employer may, in its sole discretion, defer the payment of such amount, but only to the extent that, and for so long as, Employer's tax deduction in respect of the payment thereof would be so disallowed under Code Section 162(m); provided that no payment may be deferred beyond three months after the end of Employer's fiscal year in which Executive's termination of

employment occurs, and Employer may accelerate the payment of previously deferred amounts if it determines that the amount of the tax deduction that would be disallowed is not significant. Amounts which are deferred under this Section 8.14 will be credited with interest at a rate determined by Employer from time to time, but in no event less than the long-term applicable federal rate under Code Section 1274(d) in effect from time to time.

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

FIRST BANK SYSTEM, INC.

By /s/ R. H. Sayre

Its EVP of Human Resources

/s/ John F. Grundhofer

John F. Grundhofer

Exhibit 10R

EMPLOYMENT AGREEMENT

THIS AGREEMENT (this "Agreement"), is entered into as of April 30, 1993, by and between First Bank System, Inc., a Delaware corporation ("FBS"), and Will F. Nicholson, Jr. ("Executive").

RECITALS

A. Executive is currently the Chairman of the Board of Directors, President and Chief Executive Officer of Colorado National Bankshares, Inc., a Colorado corporation.

B. Pursuant to an Agreement of Merger and Consolidation dated November 8, 1992 (the "Merger Agreement"), FBS has agreed to acquire all of the issued and outstanding shares of Colorado National Bankshares, Inc. through the merger (the "Merger") of Colorado National Bankshares, Inc. with and into Central Bancorporation, Inc. ("CBI"), a wholly owned subsidiary of FBS.

C. In the event that the Merger is completed, FBS desires to retain Executive as an executive employee of Colorado National Bankshares, Inc. including the successor thereto as a result of the Merger (the "Company") to perform the duties and responsibilities described herein, and Executive is willing to perform such duties and to assume such responsibilities, on the terms and subject to the conditions set forth herein.

D. The parties hereto intend that the terms and conditions of this Agreement be conditioned upon the completion of the Merger.

AGREEMENT

NOW THEREFORE, in consideration of the mutual agreements and undertakings set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, FBS and Executive agree as follows:

1. Employment. Subject to and effective upon the occurrence of the "Effective Date," as defined in the Merger Agreement, FBS hereby agrees to cause the Company to employ Executive, and Executive accepts such employment and agrees to perform services for the Company, for the period and upon the other terms and conditions set forth in this Agreement. The parties agree that Executive shall be obligated to devote such time as is reasonably necessary to fulfill Executive's duties and responsibilities under this Agreement.

2. Term. The term of Executive's employment hereunder shall commence on the Effective Date and shall continue through December 31, 1994, unless terminated at an earlier date pursuant to the provisions of Section 11 of this Agreement (the "Primary Term"). If the Primary Term runs through December 31, 1994, Executive will retire from employment with FBS and the Company on such date. For the period commencing on January 1, 1995 and continuing through December 31, 1995, unless terminated at an earlier date pursuant to the provisions of Section 11 of this Agreement (the "Consulting Term"), Executive shall provide consulting services as described in Section 5.01 below. Notwithstanding the foregoing, if Executive is unable to perform the services described in Section 3.01 of this Agreement due to Executive's death or disability at or prior to the Effective Date, this Agreement shall be of no further force and effect and the parties hereto will have no obligations hereunder.

3. Primary Term.

3.01 Description of Duties. During the Primary Term, Executive shall be employed as the Chairman of the Board, President and Chief Executive Officer of the Company. Executive shall perform the duties and assume the responsibilities customarily associated with such positions in a manner consistent with Executive's performance of such duties prior to the date of this Agreement, and shall perform such other acts and duties as may reasonably be assigned to him by John F. Grundhofer or Mr. Grundhofer's successor as Chairman

of the Board, President and Chief Executive Officer of FBS, provided that such additional acts and duties are (i) customarily performed by executives of Executive's position and experience; (ii) within the scope of Executive's education, training and expertise; and (iii) not illegal or unlawful. Such duties and responsibilities shall be performed primarily in the Denver, Colorado metropolitan area.

3.02 Base Salary. As base compensation for all services to be rendered by Executive under this Agreement during the Primary Term, FBS or the Company will pay to Executive during the Primary Term a base annual salary to be paid in substantially equal installments in accordance with FBS' or the Company's standard payroll procedures and policies. The initial base annual salary will be $425,000 (which amount shall be subject to withholding taxes pursuant to Section 12.05 of this Agreement), but the base annual salary may be increased (but not reduced) from time to time in the sole discretion of FBS.

3.03 Annual Bonus. For 1993 (assuming the Effective Date occurs in 1993) and 1994, Executive will be entitled to receive bonus compensation consistent with the bonus plan existing on the date of this Agreement for Colorado National Bankshares, Inc. executives, which generally provides for payment of a bonus equal to 45% of Executive's base compensation if the company's financial goals for a given calendar year are met or exceeded; plus an additional bonus of 10% of such bonus to

be awarded at the discretion of Mr. Grundhofer or his successor subject to approval by the Organization Committee of the FBS Board of Directors.

3.04 Participation in Benefit Plans. During the Primary Term, Executive will be entitled to participate in such retirement plans, major medical, hospital, surgical and dental plans, and other FBS or Company benefits not described elsewhere herein as are being provided from time to time by the Company to executives at Executive's grade level to the extent that Executive's age, positions and other factors qualify him for such benefits; provided, however, that Executive will not participate in FBS' or the Company's long-term disability plan. Executive will be entitled to holiday and vacation time off and pay in accordance with FBS policy as it exists from time to time.

3.05 Perquisites. During the Primary Term, FBS or the Company will (i) make all lease and other payments payable with respect to the automobile currently provided to Executive through a subsidiary of the Company; (ii) provide reimbursement of annual dues and, if preapproved by FBS, special assessments with respect to (a) the Denver Club, (b) the Cheyenne Mountain Club, (c) the Castle Pines Golf Club and (d) the University Club in New York, New York; (iii) make arrangements with a cardiologist in Minneapolis, Minnesota to provide an extensive annual physical examination followed by personal consultation and provide reimbursement of expenses of up to $1,000 annually in connection therewith; (iv) provide reimbursement of the cost of legal, financial and tax counseling (subject to an annual limit of two percent of current base annual salary); and (v) provide such other perquisites as are consistent with the Company's policies from time to time for an executive at Executive's grade level. At the termination of the Primary Term, Executive shall be entitled to assume responsibility for lease payments on the automobile provided to Executive pursuant to this Section 3.05 or to return the automobile to the Company, in which event Executive shall have no further liability or obligation with respect to such automobile.

3.06 Working Facilities; Secretarial Support. During the Primary Term, the Company shall, at its sole cost and expense, furnish Executive with a private office located on an executive floor of the Company's Denver, Colorado office headquarters, a designated, reserved parking space in the attached underground parking facilities serving such offices, if any, and such other facilities and services as are customarily provided to the Company's executive employees, consistent with Executive's position and adequate for the proper performance of his duties under this Agreement. During such period, the Company shall also, at its sole cost and expense, provide Executive with secretarial assistance to be provided by Executive's current secretarial assistant, Mary Perrott Smith, or a successor to be mutually agreed upon by the Company and Executive.

3.07 Expenses. During the Primary Term, the Company will pay or reimburse Executive for all other reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Agreement (including expenses incurred in connection with civic activities and clubs approved by FBS), subject to the presentment of appropriate vouchers in accordance with the Company's normal policies, as they exist from time to time, for expense verification.

4. Post-Retirement Benefits.

4.01 Continuing Benefits. Except as otherwise provided in this Section 4, Executive shall not be entitled to benefits or perquisites or to participate in bonus or stock-based incentive plans of FBS or the Company following the conclusion of the Primary Term other than those benefits to which Executive is entitled under normal retirement plans and policies of FBS and the Company, including, without limitation, the FBS Healthcare Plan as it exists from time to time or any successor thereto.

4.02 Club Memberships. The Company will continue to provide Executive with reimbursement of annual dues and, if preapproved by FBS, special assessments with respect to (i) the Denver Club or successor club through the date that Executive attains the age of 70 years old and (ii) the Castle Pines Golf Club through the date that Executive attains the age of 70 years old and will provide Executive with reimbursement of one-half of the annual dues and, if preapproved by FBS, one-half of special assessments with respect to the Castle Pines Golf Club thereafter through the date that Executive attains the age of 75 years old.

4.03 Working Facilities; Secretarial Support. Commencing at the end of the Primary Term, the Company shall, at its sole cost and expense, furnish Executive with a private office, consistent with Executive's status as a retired executive, located at the Company's Denver, Colorado office headquarters or such other Denver, Colorado location as is appropriate consistent with Executive's status as a retired executive, and appropriate parking accommodations in the parking facility serving such office. During such period, the Company shall also, at its sole cost and expense, provide Executive with secretarial assistance by an individual mutually agreed upon by the Company and Executive; provided, however, that Executive's secretarial assistant may be assigned other duties in addition to providing secretarial support to Executive and may be employed on a part-time basis. Notwithstanding the foregoing, at such time as Executive fails to utilize such office space, parking accommodations and secretarial support, and such failure is continuous and ongoing, the Company shall have no further obligations with respect to the provision thereof pursuant to this Section 4.03.

5. Consulting Term.

5.01 Description of Duties. During the Consulting Term, Executive shall act as a consultant to FBS and the Company, providing general business advice and consultation on matters relating to the operations of the Company and in the furtherance of the Company's business interests as may be requested by FBS or the Company and acceptable to Executive. Executive shall provide such consulting services on an "as-available" basis, it being expressly agreed that Executive's duties pursuant to this Agreement during the Consulting Term shall in no way interfere with any other activities in which Executive may be engaged, including, without limitation, Executive's service on the boards of directors of other corporations, travel or other commitments.

5.02 Compensation. For all services rendered by Executive during the Consulting Term under this Agreement, FBS or the Company shall pay Executive the sum of $300,000 (the "Consulting Compensation") (which amount shall be subject to withholding taxes pursuant to Section 12.05 of this Agreement). The Consulting Compensation shall be payable in a lump sum after January 1, 1995, but prior to January 31, 1995. In the event that the Consulting Term is terminated prior to December 31, 1995 for any reason following such payment, Executive will be entitled to retain the full amount of the Consulting Compensation.

6. Appointment to FBS Board of Directors. As soon as practicable after the Effective Date, Executive shall be appointed to fill a vacant position then existing, or, if no such vacancy exists, the next position that becomes vacant, on the Board of Directors of FBS. Executive will be subject to all applicable

policies relating to membership on the Board of Directors of FBS, including, without limitation, policies relating to resignation from such Board following retirement. As a member of the FBS Board of Directors, Executive shall be covered by all directors' and officers' liability insurance policies carried by FBS and by any indemnification provisions adopted by FBS for its directors. While Executive serves as a director of FBS, he shall receive the customary compensation and benefits, if any, of a director with Executive's then current employment status serving on such board.

7. Other Board Memberships. The parties acknowledge and agree that Executive currently serves on the Boards of Directors of certain public and private corporations and civic and philanthropic organizations, including the Boards of Directors of Visa USA, Visa International and the U.S. Chamber of Commerce. FBS hereby agrees that nothing contained in this Agreement shall be deemed to preclude Executive's continuing involvement with such corporations and organizations. FBS agrees to reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by him in connection with his service on the Board of Directors of the U.S. Chamber of Commerce, subject to the presentment of appropriate

vouchers in accordance with FBS' normal policies, as they exist from time to time, for expense verification.

8. Termination of Existing Compensation Agreement.

8.01 Termination Payment. The parties acknowledge and agree that Executive and the Company are parties to a Compensation Agreement dated as of November 9, 1988 (the "Compensation Agreement"). In consideration of Executive's agreement to terminate the Compensation Agreement without exercising the rights and remedies available to Executive thereunder, and as an inducement to Executive to enter into this Agreement, on the Effective Date the Company shall pay to Executive the sum of $1,700,000 (the "Termination Payment") (which amount shall be subject to withholding taxes pursuant to Section 12.05 of this Agreement). The Termination Payment will be timed such that Executive will be able to apply the Termination Payment toward the exercise of certain options to purchase shares of Common Stock of the Company held by Executive which expire on the Effective Date. Upon Executive's receipt of the Termination Payment, the Compensation Agreement shall be deemed terminated and of no further force or effect whatsoever, and thereafter the terms and conditions of Executive's employment by the Company, and the compensation to be paid to Executive in connection therewith, shall be governed solely by the terms and conditions of this Agreement.

8.02 Indemnification. The Company shall indemnify Executive and hold Executive harmless against all claims, losses, damages, penalties, expenses and taxes, including, without limitation, reasonable accountants' and attorneys' fees, that may arise (a) by virtue of the Internal Revenue Service asserting an excise tax charge under Section 4999, or any successor provision, of the Internal Revenue Code of 1986, as amended, against the Termination Payment or other payment or benefit to or on behalf of Executive under this Agreement or as a result of the vesting of Executive's unvested stock options; or (b) as a result of any payments made to or on the behalf of Executive pursuant to this indemnification (collectively, the "Excise Expenses"). For this purpose, taxes shall be calculated based on the highest individual state and federal tax rates then in effect.

8.03 Conditions to Indemnification. As a condition to the indemnification set forth in Section 8.02, Executive must provide written notice to the Company in a timely fashion, including copies of all relevant documents and information, of any examination or notice of examination that could result in the imposition of any tax or related expense which might be the basis for a claim for indemnification under this Agreement, and provide an opportunity for the Company to contest such tax or related expense in a timely manner.

8.04 Prepayment by Company. The Company may elect to prepay to Executive or on Executive's behalf, an estimated amount of the Excise Expenses (the "Paid Indemnification"); provided, however, that the Company shall remain liable to Executive under Section 8.02 to the extent that the Excise Expenses exceed the Paid Indemnification. In the event that the Paid Indemnification

exceeds the amount of Excise Expenses, Executive agrees to return to the Company such excess amount of the Paid Indemnification paid to Executive, or, if paid to the Internal Revenue Service, which is refunded or otherwise credited to Executive, or would be refunded or credited to Executive upon the filing of the appropriate returns or amendments thereto.

9. Company Supplemental Executive Retirement Plan. FBS and the Company shall maintain and continue in existence the Company's Nonqualified Supplemental Retirement Plan for Key Officers of Colorado National Bankshares, Inc. and Subsidiaries, as currently amended (the "SERP"), and honor that certain Nonqualified Supplemental Retirement Plan Designation and Agreement dated November 9, 1988, between the Company and Executive, until such time as Executive has received all sums due to him thereunder. FBS and the Company agree not to amend or modify the SERP in any way that might reduce the benefits available to Executive thereunder.

10. Personal Retirement Account. Executive may elect, in his sole and absolute discretion exercisable by 30 days written notice to FBS, to receive a lump sum distribution of all amounts contained in his FBS Personal Retirement Account; provided, however, that no such distribution shall be made prior to such time as Executive is eligible to receive a distibution in accordance with the terms of the FBS Personal Retirement Account. In the event of such election by Executive, the Company will cooperate with Executive in rolling the funds over into an Individual Retirement Account.

11. Termination.

11.01 Grounds for Termination. Executive's engagement pursuant to this Agreement will terminate in the event that:

(a) Executive dies.

(b) During the Primary Term Executive would qualify for and accrue payments under the FBS Disability Program or any other disability program applicable to executives of the Company for a period covering 90 consecutive days if Executive were participating in any such program.

(c) FBS or the Company terminates Executive's engagement under this Agreement for Cause. "Cause" means termination upon (i) the willful and continued failure by Executive to substantially perform his duties with the Company (other than any such failure resulting from his disability), after a written demand for substantial performance is delivered to Executive that specifically identifies the manner in which the Company believes that Executive has not substantially performed his duties, and Executive has failed to resume substantial performance of his duties on a continuous basis within 30 days of receiving such demand, (ii) the willful engaging by Executive in conduct which is demonstrably and materially injurious to the financial condition or business reputation of the Company or of FBS, (iii) Executive's conviction of a felony which impairs his ability substantially to perform his duties with the Company or (iv) the issuance of an order under Sections 8(e)(4) or 8(g)(1) of the Federal Deposit Insurance Act ("FDIA") by which Executive is removed and/or permanently prohibited from participating in the conduct of the affairs of the Company or any of its affiliates. For purposes of this paragraph, no act, or failure to act, on Executive's part shall be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that his action or omission was in the best interest of the Company. Failure to perform Executive's duties with the Company during any period of disability shall not constitute Cause.

(d) Executive resigns for any reason upon 90 days prior written notice to FBS and the Company.

11.02 Effect of Termination.

(a) In the event of termination of Executive's engagement pursuant to the provisions of Section 11.01(c) or (d) above, the Company and

FBS shall have no further obligations hereunder from the date of such termination except the Company shall pay Executive his base salary, at the rate then in effect, and continue to provide Executive his health and welfare benefits through the date of such termination.

(b) In the event of termination of Executive's engagement pursuant to the provisions of Section 11.01(a) above during the Primary Term or the Consulting Term, the Company and FBS shall have no further obligations hereunder from the date of such termination except that Executive's estate will be entitled to receive any base salary that would otherwise have been paid to Executive pursuant to Section 3.02 of this Agreement if no such termination had occurred, any unpaid portion of the Consulting Compensation, and benefits to which such estate is entitled, if any, under benefit plans of the Company and/or FBS pursuant to the terms of such plans as in effect from time to time; provided, however, that FBS and the Company shall continue to be bound by the terms and provisions of Section 9. Such payments shall be made in accordance with their terms.

(c) In the event of termination of Executive's engagement pursuant to the provisions of Section 11.01(b) above during the Primary Term, the Company and FBS shall have no further obligations hereunder from the date of such termination except that Executive will be entitled to receive any base salary that would otherwise have been paid to Executive pursuant to Section 3.02 of this Agreement if no such termination had occurred and any unpaid portion of the Consulting Compensation; provided, however, that FBS and the Company shall continue to be bound by the terms and provisions of Section 9. Such payments shall be made in accordance with their terms.

The provisions of this Section 11.02 are exclusive with respect to this Agreement and set forth the only remedies of Executive against FBS or the Company upon termination of Executive's employment pursuant to this Agreement.

11.03 FDIA Suspension. If Executive is suspended and/or temporarily prohibited from participating in the conduct of the affairs of the Company or any of its affiliates by a notice served under Section 8(e)(3) or (g)(1) of the FDIA (12 U.S.C. (S) 1818(e)(3) and (g)(1)), the Company's and FBS' obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Company shall (i) pay Executive all or part of the compensation withheld while its contract obligations were suspended and (ii) reinstate (in whole or in part) any of its obligations that were suspended.

12. Miscellaneous.

12.01 Governing Law. THIS AGREEMENT IS MADE UNDER AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO.

12.02 Condition to Effectiveness. This Agreement shall be of no force or effect until Executive and the Company enter into an agreement, substantially in the form attached hereto as Exhibit A, to terminate the Compensation Agreement, dated as of November 9, 1988, between Executive and the Company.

12.03 Waiver of Severance Payments. Executive hereby acknowledges that he is entering into this Agreement in lieu of receiving the severance payments and benefits pursuant to Section 5.13(d) of the Merger Agreement and accordingly waives any and all rights to such payments or benefits.

12.04 Prior Agreements. This Agreement (together with the agreements contained in any Exhibit to this Agreement) contains the entire agreement of the parties relating to the employment of Executive by the Company following the Effective Date and the other matters discussed herein and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or

warranties relating to the subject matter of this Agreement which are not set forth herein (or in any Exhibit hereto).

12.05 Withholding Taxes. FBS or the Company will withhold from any compensation or other benefits payable under this Agreement all federal, state, city or other taxes as are required pursuant to any law or governmental regulation or ruling.

12.06 Amendments. No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by each party hereto.

12.07 No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

12.08 Assignment. This Agreement is not assignable, in whole or in part, by any party without the written consent of the other parties; provided, however, that the parties hereto agree and acknowledge that any rights and obligations of the Company that may exist under this Agreement shall be assigned by operation of law on the Effective Date to the successor corporation resulting from the Merger and that references to the Company herein are deemed to include such successor.

12.09 Performance by the Company. FBS represents and warrants that, in the event the Merger is completed, it will possess sufficient power and control over the Company to cause the Company to perform all obligations and duties of the Company set forth herein (the "Company Duties"). FBS shall cause the Company to, and warrants that the Company will, perform the Company Duties. To the extent that the Company fails, for any reason whatsoever, to perform the Company Duties, FBS shall perform in the Company's place, and shall indemnify Executive for any and all costs and expenses whatsoever reasonably incurred by Executive as a result of the Company's failure to perform.

12.10 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected.

12.11 Notices. Any notice hereunder by any party to another party shall be given in writing by personal delivery or certified mail, return receipt requested. If addressed to Executive the notice shall be delivered or mailed to Executive at the address specified under Executive's signature hereto (or such other address as Executive shall provide to FBS, by written notice, for such purpose), or if addressed to the Company or FBS, the notice shall be delivered or mailed to FBS at its executive offices to the attention of the Chief Executive Officer of FBS. A notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by certified mail, on the date shown on the applicable return receipt.

12.12 Counterparts. This Agreement may be executed by the parties hereto in counterpart, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same instrument.

12.13 Headings. The headings of paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

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

FIRST BANK SYSTEM, INC.

By /s/ R. H. Sayre

Its EVP of Human Resources

/s/ Will F. Nicholson, Jr.

Will F. Nicholson, Jr.
30 Cherry Street
Denver, Colorado 80220

Exhibit 10S

EMPLOYMENT AGREEMENT

THIS AGREEMENT (this "Agreement"), is entered into as of December 31, 1994 by and between First Bank System, Inc., a Delaware corporation ("FBS"), and Will F. Nicholson, Jr. ("Executive").

RECITALS

A. Executive is currently the Chairman of the Board of Directors, President and Chief Executive Officer of Colorado National Bankshares, Inc., a Colorado corporation ("CNBI"), pursuant to an Employment Agreement dated as of April 30, 1993 by and between FBS and Executive (the "1993 Agreement").

B. Pursuant to the 1993 Agreement, Executive shall retire from employment with FBS and CNBI on December 31, 1994.

C. Pursuant to the 1993 Agreement, and subject to the terms and conditions thereof, Executive shall provide consulting services during the "Consulting Term" as defined in the 1993 Agreement.

D. Following Executive's retirement from employment with FBS and CNBI on December 31, 1994, FBS wishes to employ Executive as an executive of Rocky Mountain BankCard System, Inc., an indirectly wholly owned subsidiary of FBS ("RMBCS"), pursuant to the terms and conditions of this Agreement.

E. This Agreement is in addition to, and in no way modifies the rights and obligations of FBS and Executive under, the 1993 Agreement.

AGREEMENT

NOW THEREFORE, in consideration of the mutual agreements and undertakings set forth herein, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound hereby, FBS and Executive agree as follows:

1. Employment. Effective as of January 3, 1995 (the "Effective Date"), FBS hereby agrees to cause RMBCS to employ Executive, and Executive accepts such employment and agrees to perform services for RMBCS, for the period and upon the other terms and conditions set forth in this Agreement. Executive's employment with RMBCS and any of its affiliates shall not exceed 79 hours per calendar month.

2. Term. The term of Executive's employment hereunder shall commence on the Effective Date and shall continue through December 31, 1995; and commencing on January 1, 1996, the term of this Agreement shall automatically be extended through December 31, 1996 unless, not later than 30 days prior to January 1, 1996, FBS (including its affiliates) or Executive shall have given the other party to this Agreement written notice that the Agreement will not be so extended. The term of Executive's employment commencing on the Effective Date and ending pursuant to the terms hereof is hereinafter referred to as the "Term." Notwithstanding the foregoing, if Executive is unable to perform the services described in Section 3 of this Agreement due to Executive's death or disability at or prior to the Effective Date, this Agreement shall be of no further force and effect and the parties hereto will have no obligations hereunder.

3. Description of Duties. During the Term, Executive shall be employed as the Chairman of the Board of RMBCS. Executive shall perform such acts and duties as may reasonably be assigned to him by John F. Grundhofer or Mr. Grundhofer's successor as Chairman of the Board, President and Chief Executive Officer of FBS; provided, however, that such additional acts and duties are (i) customarily performed by executives of Executive's position and experience; (ii) within the scope of Executive's education, training and expertise; and (iii) not illegal or unlawful. Such duties and responsibilities shall be performed primarily in the Denver, Colorado metropolitan area.

4. Compensation. As compensation for all services to be rendered by

Executive under this Agreement during the Term, FBS or RMBCS will pay to Executive during the Term an annual salary to be paid in substantially equal installments in accordance with FBS' or RMBCS's standard payroll procedures and policies. The initial base annual salary will be $50,000 (which amount shall be subject to withholding taxes pursuant to Section 13.03 of this Agreement), but the base annual salary may be increased (but not reduced) from time to time in the sole discretion of FBS. Executive shall not be entitled to participate in bonus or stock-based incentive plans of FBS or RMBCS by virtue of this Agreement.

5. Participation in Benefit Plans. During the Term, Executive will not be entitled to any welfare benefits or other benefits or compensation by virtue of Executive's status as an employee of RMBCS except as otherwise provided in this Agreement; provided, however, that during the Term FBS shall provide Executive with coverage under such dental care plans as are provided to executives of FBS on the terms provided to such executives; and, provided further, that to the extent that Executive's out-of-pocket expenses relating to welfare benefits received pursuant to Section 4.01 of the 1993 Agreement exceed the out-of-pocket expenses that Executive would have been required to pay had he continued to receive coverage on the terms of which he received coverage prior to his retirement on December 31, 1994, FBS shall reimburse executive for any such excess during the Term.

6. Perquisites. During the Term, FBS or RMBCS will (i) make all lease and other payments payable with respect to the automobile currently provided to Executive through an affiliate of FBS; (ii) provide reimbursement of annual dues and, if pre-approved by FBS, special assessments with respect to the Cheyenne Mountain Club and the University Club in New York, New York; (iii) make arrangements with a physician of Executive's choice to provide an extensive annual physical examination followed by personal consultation and provide reimbursement of expenses of up to $1,000 annually in connection therewith; and (iv) provide reimbursement of the cost of legal, financial and tax counseling up to an aggregate maximum of $13,458. At the termination of the Term, Executive shall be entitled to assume responsibility for lease payments on the automobile provided to Executive pursuant to this Section 6 or to return the automobile to FBS or its appropriate affiliate, in which event Executive shall have no further liability or obligation with respect to such automobile.

7. Working Facilities; Secretarial Support. FBS and Executive agree that during the Term, the working facilities and secretarial support provided for in Section 4.03 of the 1993 Agreement are adequate for Executive's employment under this Agreement, and that no further provisions need be made in that regard.

8. Expenses. During the Term, RMBCS will pay or reimburse Executive for all other pre-approved, reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Agreement (including expenses incurred in connection with civic activities and clubs approved by FBS), subject to the presentment of appropriate vouchers in accordance with FBS' or RMBCS's normal policies, as they exist from time to time, for expense verification. During the Term, FBS hereby approves reimbursement for expenses relating to membership in the Colorado Forum up to an annual maximum of $7,200 and reimbursement for expenses relating to membership in the Colorado Concern up to an annual maximum of $2,500.

9. Resignation from FBS Board of Directors. Executive agrees to retire from the FBS Board of Directors effective December 31, 1994, and this Agreement shall serve as written notice of such resignation.

10. Other Board Memberships. The parties acknowledge and agree that Executive currently serves on the Boards of Directors of certain public and private corporations and civic and philanthropic organizations, including the Boards of Directors of Visa USA, Visa International and the U.S. Chamber of Commerce. FBS hereby agrees that nothing contained in this Agreement shall be deemed to preclude Executive's continuing involvement with such corporations and organizations. FBS agrees to reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by him in connection with his service on the Boards of Directors

of Visa USA, Visa International and the U.S. Chamber of Commerce, subject to the

presentment of appropriate vouchers in accordance with FBS' normal policies, as they exist from time to time, for expense verification.

11. Termination. FBS may terminate Executive's duties under Section 3 of this Agreement upon written notice of such termination to Executive; provided, however, that Executive shall receive the payments and benefits provided for in Sections 4, 5 and 6 of this Agreement through the end of the Term. RMBCS and FBS shall have no further obligations hereunder from the date of such termination except as provided in the previous sentence.

12. 1993 Agreement. The parties agree that the 1993 Agreement remains in full force and effect, and that this Agreement in no way modifies the rights and obligations of FBS and Executive under the 1993 Agreement. The parties explicitly acknowledge, without limitation, that the provisions of Sections 4, 5, 11 and 12 of the 1993 Agreement are not modified by this Agreement.

13. Miscellaneous.

13.01 Governing Law. THIS AGREEMENT IS MADE UNDER AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF COLORADO.

13.02 Prior Agreements. This Agreement contains the entire agreement of the parties relating to the employment of Executive by RMBCS following the Effective Date and the other matters discussed herein and supersedes all prior agreements and understandings with respect to such subject matter, and the parties hereto have made no agreements, representations or warranties relating to the subject matter of this Agreement which are not set forth herein; provided, however, that the parties hereby acknowledge that this Agreement is in addition to, and in no way modifies the rights and obligations of FBS and Executive under, the 1993 Agreement.

13.03 Withholding Taxes. FBS or RMBCS will withhold from any compensation or other benefits payable under this Agreement all federal, state, city or other taxes as are required pursuant to any law or governmental regulation or ruling.

13.04 Amendments. No amendment or modification of this Agreement shall be deemed effective unless made in writing and signed by each party hereto.

13.05 No Waiver. No term or condition of this Agreement shall be deemed to have been waived, nor shall there be any estoppel to enforce any

provisions of this Agreement, except by a statement in writing signed by the party against whom enforcement of the waiver or estoppel is sought. Any written waiver shall not be deemed a continuing waiver unless specifically stated, shall operate only as to the specific term or condition waived and shall not constitute a waiver of such term or condition for the future or as to any act other than that specifically waived.

13.06 Assignment. This Agreement is not assignable, in whole or in part, by any party without the written consent of the other parties.

13.07 Severability. To the extent that any provision of this Agreement shall be determined to be invalid or unenforceable, the invalid or unenforceable portion of such provision shall be deleted from this Agreement, and the validity and enforceability of the remainder of such provision and of this Agreement shall be unaffected.

13.08 Notices. Any notice hereunder by any party to another party shall be given in writing by personal delivery or certified mail, return receipt requested. If addressed to Executive the notice shall be delivered or mailed to Executive at the address specified under Executive's signature hereto (or such other address as Executive shall provide to FBS, by written notice, for such purpose), or if addressed to RMBCS or FBS, the notice shall be delivered or mailed to FBS at its executive offices to the attention of the Chief Executive Officer of FBS. A notice shall be deemed given, if by personal delivery, on the date of such delivery or, if by certified mail, on the date shown on the applicable return receipt.

13.09 Counterparts. This Agreement may be executed by the parties hereto in counterpart, each of which shall be deemed to be an original, but all

such counterparts shall together constitute one and the same instrument.

13.10 Headings. The headings of paragraphs herein are included solely for convenience of reference and shall not control the meaning or interpretation of any of the provisions of this Agreement.

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

FIRST BANK SYSTEM, INC.

By /s/ R. H. Sayre

Its EVP Human Resources

/s/ Will F. Nicholson, Jr.

Will F. Nicholson, Jr.
37 Polo Club Circle
Denver, Colorado 80220

Exhibit 10T

CONSULTING AGREEMENT

CONSULTING AGREEMENT, entered into January 23, 1995 by and between First Bank System, Inc., a Delaware corporation (the "Company"), and Norman M. Jones ("Consultant").

WHEREAS, the Company has entered into an Agreement of Merger and Consolidation dated July 21, 1994 (the "Merger Agreement") by and between the Company and Metropolitan Financial Corporation ("MFC"), which provides for the merger of MFC with and into the Company upon the terms and conditions set forth in the Merger Agreement; and

WHEREAS, Section 5.21(b) of the Merger Agreement provides that the Company shall enter into a consulting agreement with Consultant prior to the Effective Date (as defined in the Merger Agreement); and

WHEREAS, the Company desires to retain Consultant to render consulting and advisory services for the Company on the terms and conditions set forth in this agreement, and Consultant desires to be retained by the Company on such terms and conditions.

NOW THEREFORE, in consideration of the respective covenants and commitments of the Company and Consultant set forth in this agreement, and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Company and Consultant agree as follows:

1. Retention of Consultant; Services to be Performed. The Company hereby retains Consultant to assist the Company in identifying and contacting, on behalf of the Company, potential financial institution acquisition candidates as requested from time to time by the Company and to render such other consulting and advisory services as the Company may request from time to time. Consultant hereby accepts such engagement and agrees to perform such services for the Company upon the terms and conditions set forth in this agreement. The Company and Consultant further agree that this agreement shall satisfy the obligations of the Company under Section 5.21(b) of the Merger Agreement. During the term of this agreement, Consultant shall devote such portion of his business time, attention, skill and energy to the business of the Company as may be reasonably required to perform the services required by this agreement, up to one-third time, and during such time shall assume and perform to the best of his ability such reasonable responsibilities and duties as shall be assigned to Consultant from time to time by the Company. The Company shall use its best efforts to (a) secure the election of Consultant to the Company's Board of Directors for a term of at least three years and (b) appoint Consultant as Chairman of the Board of Directors of Metropolitan Federal Bank, fsb (the "Bank"), or its successor following the merger between the Company and MFC, for at least three years, subject to any applicable regulatory requirements. During the term of this agreement, Consultant shall report

to Richard A. Zona or such other person as the Company may designate from time to time.

2. Term. Unless terminated at an earlier date in accordance with Section 6 of this agreement, the term of this agreement shall commence on the Effective Date and shall continue for a continuous period until the third anniversary of the Effective Date.

3. Compensation. As compensation in full for Consultant's services hereunder, the Company shall pay to Consultant a consulting fee at the annual rate of $200,000 less any cash payments received from the Company by reason of his service as a member of the Company's Board of Directors, including retainer and meeting fees (and, in addition, shall transfer to Consultant certain used furniture that has heretofore been in the Loring Green apartment maintained by MFC). Pursuant to Section 5.21(a) of the Merger Agreement, Mr. Jones may also serve as a member of the Company's Board of Directors and as Chairman of the Board of Directors of the Bank, and the Company and Consultant hereby acknowledge and agree that during the term of this agreement Consultant shall not be entitled to any additional compensation for such services (except that

Consultant will be entitled to receive all benefits under all plans applicable to nonemployee members of the Company's Board of Directors).

4. Benefits and Expenses.

(a) Office and Facilities. During the term of this agreement, the Company shall furnish Consultant, at the Company's sole expense, with suitable office space located in downtown Minneapolis, Minnesota, and full-time secretarial services, together with other reasonable facilities and services as are suitable, necessary and appropriate for Consultant to perform his duties pursuant to this agreement.

(b) Business Expenses. Consultant shall be reimbursed by the Company in accordance with the policies and procedures that are established from time to time by the Company for all reasonable and necessary out-of-pocket expenses that are incurred by Consultant in performing his duties under this agreement and pursuant to Section 5.21(a) of the Merger Agreement, including, without limitation, reasonable travel expenses incurred by Consultant in rendering services outside of the Minneapolis/St. Paul metropolitan area.

5. Protection of Confidential Information of the Company. Except as permitted or directed by the Company's Board of Directors, during the term of this agreement or at any time thereafter, Consultant shall not divulge, furnish or make accessible to anyone or use in any way (other than in the ordinary course of

the business of the Company) any confidential or proprietary knowledge or information of the Company which Consultant has acquired or become acquainted with or will acquire or become acquainted with prior to the termination of this agreement (including during his employment by MFC or its affiliates prior to the Effective Date), whether developed by himself or by others, including any customer lists of the Company and any other trade secrets or confidential information of the Company. Consultant acknowledges that the above-described knowledge or information constitutes a unique and valuable asset of the Company acquired at great time and expense by the Company and its predecessors, and that any disclosure or other use of such knowledge or information other than for the sole benefit of the Company would be wrongful and would cause irreparable harm to the Company. The Company specifically acknowledges that Consultant is not prohibited from competing with the Company or its affiliates after the termination of this agreement, regardless of whether such competition arises from Consultant acting on his own behalf or as an employee, director, consultant or otherwise for another. The confidentiality obligations of this Section 5 do not apply to Consultant's use or communication of expertise gained from his experience with MFC and the Company and their respective affiliates at any time prior to the termination of this agreement, including general business procedures and methodologies used by such entities in their respective industries, provided such use or communication does not involve disclosure of confidential or proprietary information of MFC or the Company. The foregoing obligations of confidentiality, however, shall not apply to any knowledge or information which is now published or which subsequently becomes generally publicly known in the form in which it was obtained from the Company, other than as a direct or indirect result of the breach of this agreement by Consultant. The term "Company" as used in this paragraph includes all subsidiaries of the Company.

6. Termination. Notwithstanding any contrary provision contained elsewhere in this agreement, this agreement and the rights and obligations of the Company and Consultant hereunder (other than the rights and obligations of the parties under Section 5) shall be terminated upon the occurrence of any of the following events:

(a) immediately in the event of Consultant's death; or

(b) immediately in the event that Consultant becomes disabled so that he is unable to render his normal services under this agreement for a continuous period of 90 days; or

(c) immediately in the event that Consultant is convicted of any crime (excluding traffic violations or other minor offenses), or

engages in any activities that constitute a material violation of normal standards of business ethics;

(d) upon 15 days prior written notice by the Company to Consultant if Consultant has failed in any material respect to perform his responsibilities hereunder and such default is not cured within such 15 day period;

(e) immediately in the event that Consultant delivers to the Company written notice of his intention to voluntarily terminate this agreement; or

(f) upon 15 days' prior written notice by Consultant to the Company if the Company has failed in any material respect to perform its responsibilities hereunder and such default is not cured within such 15-day period.

In the event this agreement is terminated pursuant to paragraphs (a) through (e) of this Section 6 prior to the expiration of the term hereof, Consultant shall be entitled to receive his consulting fee pro rated through the date of termination, but all other rights to receive consulting fees shall terminate on such date. In the event that this agreement is terminated pursuant to paragraph (f) of this Section 6 prior to the expiration of the term hereof, Consultant shall be entitled to be paid by the Company, within 10 days of such termination, a lump sum equal to the aggregate of the consulting fee payments due pursuant to Section 3 of this agreement for the then remaining term of this agreement.

7. Regulatory Invalidity. Notwithstanding any provision in this agreement to the contrary, no payment shall be due Consultant hereunder, and the Company shall not be obligated and shall not make any payment hereunder, if, because of the condition of the Company or any insured institution subsidiary of the Company or the acts of the Consultant, such payment would be prohibited pursuant to Section 18 of the Federal Deposit Insurance Act, as amended, 12 U.S.C. (S) 1828(k), or the regulations governing insured depositary institutions or depository institution holding companies promulgated pursuant thereto.

8. Satisfaction. Consultant expressly acknowledges that the Bank is a federal savings bank subject to regulation of the Office of Thrift Supervision under the Home Owners' Loan Act, and particularly to regulation relating to the level and form of employment agreement and compensation which such a savings institution may pay its executive officers. This Agreement is solely between the Company and Consultant. The Bank is not a party to this agreement and nothing in this agreement shall create any obligation enforceable against the Bank by Consultant or imply any course of conduct or level of compensation to which the Bank will be bound. Nothing in Sections 8 or 9 of this Agreement shall have any effect on the Company's obligations to Consultant pursuant to this Agreement.

9. Management Services Agreement. (a) The Company may allocate reasonable expenses and fees to the

Bank for Consultant's services to the Bank hereunder under a management services agreement between the Company and the Bank, provided that, notwithstanding any other provision in such management services agreement to the contrary:

(i) The Bank may terminate any management services agreement between the Company and the Bank concerning the provision by the Company of services of Consultant to the Bank before expiration of any term of such agreement at any time by vote of the board of directors of the Bank. To the extent such termination is not for "Cause," the Company may continue to collect reimbursement for the services provided by Consultant to the Bank under a management services agreement, for the remainder of the term of such services. To the extent such termination is for Cause, all obligations of the Bank with respect to reimbursing the Company for the services provided by Consultant shall cease on the date of termination. For purposes of this Section, "Cause" shall include personal dishonesty, incompetence,

willful misconduct, breach of fiduciary duty involving personal profit, intentional failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or other similar offenses), a final cease-and-desist order, or a material breach of any agreement between the Bank and Consultant.

(ii) To the extent that Consultant is suspended or temporarily prohibited from participating in the conduct of the Bank's affairs by a notice served under Section 8(e)(3) or (g)(1) of the Federal Deposit Insurance Act (12 U.S.C. (S) 1818(e)(3), or (g)(1)), the Company shall not collect any reimbursement for any services of Consultant unless stayed by appropriate proceedings.

(iii) If:

(A) the Consultant is removed or permanently prohibited from participating in the conduct of the Bank's affairs by order under section 8(e)(4) or (g)(1) of the Federal Deposit Insurance Act (12 U.S.C. (S) 1818(e)(4) or (g)(1));

(B) the Bank shall be in "Default" as defined in section 3(x)(1) of the Federal Deposit Insurance Act (12 U.S.C. (S) 1813(x)(1));

(C) the Federal Deposit Insurance Corporation or Resolution Trust Corporation enters into an agreement to provide assistance to or on behalf of the Bank under the authority

of Section 13(c) of the Federal Deposit Insurance Act (12 U.S.C. (S) 1823(c)); or

(D) the Director of the Office of Thrift Supervision or his or her designee approves a supervisory merger to resolve problems related to the operation of the Bank or the Bank is determined by such Director to be in an unsafe and unsound condition;

then all obligations of the Bank to the Company under any management services agreement between the Company and the Bank concerning the provision of services by Consultant shall terminate as of the effective date of the order, default, or determination of the Director of the OTS; provided, however, that any obligations of the Bank accrued prior to such termination shall not be affected by any such termination and further provided, however, that in the event of any occurrence described in paragraphs (C) or (D) above, any obligations of the Bank to the Company with respect to the services provided by Consultant shall not terminate to the extent that continuation of such services is necessary to the continued operation of the Bank.

(b) Any termination by the Bank pursuant to Sections 8 or 9 of this Agreement of any management services agreement between the Company and Bank concerning the provision of services by Consultant shall not be deemed to terminate any obligations of the Company to Consultant pursuant to this Agreement.

10. Miscellaneous.

(a) Assignment. This agreement and the rights and obligations of the parties hereunder shall not be assignable, in whole or in part, by either party without the prior written consent of the other party.

(b) Governing Law. This agreement shall be construed and enforced in accordance with the laws of the state of Minnesota.

(c) Entire Agreement. This agreement evidences the entire understanding and agreement of the parties hereto relative to the consulting arrangement between Consultant and the Company and the other matters discussed herein. This agreement supersedes any and all other agreements and understandings, whether written or oral, relative to the matters discussed herein. This agreement may only be amended by a written document signed by both Consultant and the Company.

(d) Injunctive Relief. Consultant acknowledges that it would be

difficult to fully compensate the Company for damages resulting from any breach by Consultant of the provisions of Section 5 of this agreement. Accordingly, in the event of any actual or threatened breach of such provisions, the Company shall (in

addition to any other remedies that it may have) be entitled to temporary and/or permanent injunctive relief to enforce such provisions, and such relief may be granted without the necessity of proving actual damages.

(e) Severability. To the extent any provision of this agreement shall be determined to be invalid or unenforceable, such provision shall be deleted from this agreement, and the validity and enforceability of the remainder of such provision and of this agreement shall be unaffected.

(f) Status of Consultant. In rendering services pursuant to this agreement, Consultant shall be acting as an independent contractor and not as an employee or agent of the Company. As an independent contractor, Consultant shall have no authority, express or implied, to commit or obligate the Company in any manner whatsoever, except as specifically authorized from time to time in writing by an authorized representative of the Company, which authorization may be general or specific; provided, however, that nothing herein shall affect any authority that Consultant may have from time to time as a director of the Company or Chairman of the Board of Directors of the Bank or its successor following the merger between the Company and MFC. Nothing contained in this agreement shall be construed or implied to create a partnership. Consultant shall be responsible for the payment of all federal, state or local taxes payable with respect to all amounts paid to Consultant under this agreement; provided, however, that if Consultant fails to pay such taxes and the Company is determined to be liable for collection and/or remittance of any such taxes, Consultant shall immediately reimburse the Company for all such payments made by the Company.

(g) Change in Control. The Company acknowledges and agrees that: (i) the Effective Date (as defined in the Merger Agreement) shall be considered to be the date of a "Change in Control" for purposes of the MFC Executive Management Change in Control Severance Pay Plan (the "Executive Change in Control Plan"); and (ii) as of such Effective Date, Consultant's employment with MFC shall, under the terms of the Executive Change in Control Plan, be considered to be terminated for a reason other than death or Cause (and such Effective Date shall be considered to be the "Date of Termination," for purposes of the Executive Change in Control Plan). Accordingly, as of such Effective Date Consultant shall become an "Eligible Participant" (within the meaning of the Executive Change in Control Plan) entitled to all the benefits provided for in Article 4 of the Executive Change in Control Plan (and the Company shall be responsible for paying such benefits to Consultant).

IN WITNESS WHEREOF, The Company and Consultant have executed this agreement as of the date set forth in the first paragraph.

FIRST BANK SYSTEM, INC.

By /s/ R A Zona

Its Vice Chairman and CFO

/s/ Norman M. Jones

Norman M. Jones

EXHIBIT 11

Computation of Primary and Fully Diluted Net Income Per Common Share

(Dollars in millions, except per share data)	Year Ended December 31 1994	1993	1992
Primary:			
Average shares outstanding	112,826,859	112,047,588	103,707,840
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	1,717,947	1,027,841	1,653,182
	114,544,806	113,075,429	105,361,022
Income before cumulative effect of accounting changes	$419.8	$298.0	$154.5
Preferred dividends	(11.2)	(27.8)	(30.2)
Income before cumulative effect of accounting changes applicable to common equity	$408.6	$270.2	$124.3
Income before cumulative effect of accounting changes per common share	$3.57	$2.39	$1.18
Cumulative effect of accounting changes applicable to common equity	--	--	$157.3
Cumulative effect of accounting changes per common share	--	--	$1.49
Net income	$419.8	$298.0	$311.8
Preferred dividends	(11.2)	(27.8)	(30.2)
Net income applicable to common equity	$408.6	$270.2	$281.6
Net income per common share	$3.57	$2.39	$2.67
Fully diluted: *			
Average shares outstanding	112,826,859	112,047,588	103,707,840
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	1,755,817	1,065,030	2,011,784
Assumed conversion of Series 1991A Preferred Stock	3,655,684	3,681,740	3,951,624
	118,238,360	116,794,358	109,671,248
Income before cumulative effect of accounting changes	$419.8	$298.0	$154.5
Preferred dividends, excluding 1991A Preferred Stock	(3.7)	(19.8)	(22.0)
Income before cumulative effect of accounting changes applicable to common equity	$416.1	$278.2	$132.5
Income before cumulative effect of accounting changes per common share	$3.52	$2.38	$1.21
Cumulative effect of accounting changes applicable to common equity	--	--	$157.3
Cumulative effect of accounting changes per common share	--	--	$1.43
Net Income	$419.8	$298.0	$311.8
Preferred dividends, excluding 1991A Preferred Stock	(3.7)	(19.8)	(22.0)
Net income applicable to common equity	$416.1	$278.2	$289.8
Net income per common share	$3.52	$2.38	$2.64

* 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%.

EXHIBIT 12
Computation of Ratio of Earnings to Fixed Charges

(Dollars in Millions)	Year Ended December 31 1994
EARNINGS	
1. Net income	$ 419,800
2. Applicable income taxes	256,900
3. Income before taxes (1 + 2)	$ 676,700
4. Fixed charges:	
a. Interest expense excluding interest on deposits	$ 179,200
b. Portion of rents representative of interest and amortization of debt expense	26,400
c. Fixed charges excluding interest on deposits (4a + 4b)	205,600
d. Interest on deposits	373,100
e. Fixed charges including interest on deposits (4c + 4d)	$ 578,700
5. Amortization of interest capitalized	$ 4,800
6. Earnings excluding interest on deposits (3 + 4c + 5)	887,100
7. Earnings including interest on deposits (3 + 4e + 5)	1,260,200
8. Fixed charges excluding interest on deposits (4c)	205,600
9. Fixed charges including interest on deposits (4e)	578,700
RATIO OF EARNINGS TO FIXED CHARGES	
10. Excluding interest on deposits (line 6/line 8)	4.31
11. Including interest on deposits (line 7/line 9)	2.18

Exhibit 22

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

ARIZONA

- First Trust Company of Arizona (Inactive)

CALIFORNIA

- First Trust of California, National Association

COLORADO

- Colorado National Bank
- Colorado National Bank Aspen

ILLINOIS

- First Bank National Association

MONTANA

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

NEW YORK

- First Trust of New York, 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 Trust Washington

WISCONSIN

- First Bank (N.A.)

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. - (Inactive)	Cayman Islands
FBS Community Development Corporation	Minnesota
FBS Credit Services, Inc.	Minnesota
FBS Information Services Corporation	Minnesota
FBS Portfolio, Inc.	Minnesota
FBS Trade Services Limited	Hong Kong
FBS Venture Capital Corporation	Minnesota
First Bank System Foundation	Minnesota
First Building Corporation	Minnesota
First Group Royalties, Inc.	Minnesota
First System Agencies, Inc.	Delaware
First System Services, Inc.	Minnesota
Marquette Information Services, Inc.	Minnesota
Marquette Insurance Agency, Inc.	Minnesota
Colorado National Bankshares, Inc.	Colorado
Boulevard Bancorp, Inc.	Delaware
Boulevard Technical Services, Incorporated	Illinois

Exhibit 23

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, Number 33-42334, Number 33-52835, Number 33-52959, and Number 33-53395 on Form S-8, Registration Statements Number 33-38268, Number 33-33508, Number 33-39303, Number 33-47785, Number 33-51407, Number 33-57169, Number 33-55485, and Number 33-52495 on Form S-3, and Registration Statement Number 33-56955 on Form S-4 of First Bank System, Inc. and in the related Prospectuses of our report dated January 24, 1995 with respect to the consolidated financial statements of First Bank System, Inc. included in the Annual Report [Form 10-K] for the year ended December 31, 1994.

/s/ Ernst & Young LLP

Minneapolis, Minnesota
February 24, 1995

<ARTICLE> 9
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM
THE FIRST BANK SYSTEM, INC. DECEMBER 31, 1994, 10-K AND IS QUALIFIED
IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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