

[LOGO] US BANCORP(R)

=====

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 1998

OR

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

FOR THE TRANSITION PERIOD FROM (NOT APPLICABLE)

COMMISSION FILE NUMBER 1-6880

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

DELAWARE
(State or other jurisdiction of
incorporation or organization)

41-0255900
(I.R.S. Employer
Identification No.)

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

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

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

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

YES ☒ NO ☐

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

| Class | Outstanding as of April 30, 1998 |
|--------------------------------|----------------------------------|
| Common Stock, \$1.25 Par Value | 247,633,747 shares |

=====

FINANCIAL SUMMARY

| (Dollars in Millions, Except Per Share Data) | Three Months Ended March 31 | |
|---|-----------------------------|-------------|
| | 1998 | 1997 |
| ===== | | |
| Income before nonrecurring items | \$ 350.0 | \$ 292.2 |
| Nonrecurring items | (21.5) | 1.1 |
| Net income | \$ 328.5 | \$ 293.3 |
| ===== | | |
| PER COMMON SHARE | | |
| Earnings per share | \$.44 | \$.39 |
| Diluted earnings per share | .44 | .39 |
| Earnings on a cash basis (diluted)* | .48 | .43 |
| Dividends paid | .175 | .155 |
| Common shareholders' equity | 8.25 | 7.66 |
| PER COMMON SHARE BEFORE NONRECURRING ITEMS | | |
| Earnings per share | .47 | .39 |
| Diluted earnings per share | .47 | .39 |
| Earnings on a cash basis (diluted)* | .51 | .43 |
| FINANCIAL RATIOS | | |
| Return on average assets | 1.91% | 1.75% |
| Return on average common equity | 22.1 | 21.0 |
| Efficiency ratio | 49.9 | 50.6 |
| Net interest margin (taxable-equivalent basis) .. | 4.98 | 5.07 |
| SELECTED FINANCIAL RATIOS BEFORE NONRECURRING ITEMS | | |
| Return on average assets | 2.03 | 1.75 |
| Return on average common equity | 23.5 | 20.9 |
| Efficiency ratio | 46.1 | 50.6 |
| ===== | | |
| | March 31 | December 31 |
| | 1998 | 1997 |
| ----- | | |
| PERIOD END | | |
| Loans | \$ 54,969 | \$ 54,708 |
| Allowance for credit losses | 996 | 1,009 |
| Assets | 70,949 | 71,295 |
| Total shareholders' equity | 6,123 | 5,890 |
| Tangible common equity to total assets** | 7.4% | 7.0% |
| Tier 1 capital ratio | 7.8 | 7.4 |
| Total risk-based capital ratio | 12.4 | 11.6 |
| Leverage ratio | 7.7 | 7.3 |
| ===== | | |

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

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

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

PART I -- FINANCIAL INFORMATION

Management's Discussion and Analysis of Financial Condition and Results of Operations

| | |
|---|----|
| (Item 2) | 2 |
| Quantitative and Qualitative Disclosures About Market Risk (Item 3) | 10 |
| Financial Statements (Item 1) | 14 |

PART II -- OTHER INFORMATION

| | |
|--|----|
| Changes in Securities (Item 2) | 26 |
| Submission of Matters to a Vote of Security Holders (Item 4) | 26 |
| Exhibits And Reports On Form 8-K (Item 6) | 26 |
| Signature | 26 |
| Exhibit 12 - Computation Of Ratio Of Earnings To Fixed Charges | 27 |

FORWARD-LOOKING STATEMENTS

This Form 10-Q includes forward-looking statements that involve inherent risks and uncertainties. U.S. Bancorp cautions readers that a number of important factors could cause actual results to differ materially from those in the forward-looking statements. These factors include economic conditions and competition in the geographic and business areas in which the Company operates, inflation, fluctuations in interest rates, legislation and governmental regulation, and the progress of integrating the former U.S. Bancorp.

MANAGEMENT'S DISCUSSION AND ANALYSIS

U.S. Bancorp, formerly known as First Bank System, Inc. (the "Company"), is the organization created by the acquisition by First Bank System, Inc. ("FBS") of U. S. Bancorp ("USBC") of Portland, Oregon. The merger was completed on August 1, 1997 as a pooling-of-interests, and prior period financial statements have been restated to reflect the merger.

On February 18, 1998, the Company's Board of Directors announced its intention to declare a three-for-one split of the Company's common stock and to increase the number of common and preferred shares which the Company has authority to issue from 500 million shares and 10 million shares, respectively, to 1.5 billion shares and 50 million shares, respectively. The increase in the number of authorized shares was subsequently approved by the shareholders on April 22, 1998. The stock split will be in the form of a 200 percent stock dividend payable May 18, 1998 to shareholders of record on May 4, 1998. The impact of the stock split has been reflected in the financial statements and all share and per share data included herein.

EARNINGS SUMMARY -- The Company reported first quarter 1998 operating earnings (net income excluding nonrecurring items) of \$350.0 million, compared with \$292.2 million in the first quarter of 1997. On a diluted per share basis, operating earnings were \$.47 in the first quarter of 1998, compared with \$.39 in the first quarter of 1997, an increase of 21 percent. Return on average assets and return on average common equity, excluding nonrecurring items, were 2.03 percent and 23.5 percent, respectively, in the first quarter of 1998, compared with returns of 1.75 percent and 20.9 percent in the first quarter of 1997. Excluding nonrecurring items, the efficiency ratio (the ratio of expenses to revenues) improved to 46.1 percent in the first quarter of 1998 from 50.6 percent in the first quarter of 1997.

Operating earnings for the first quarter of 1998 reflected growth in noninterest income and a decrease in noninterest expense from the first quarter of 1997. Noninterest income, before nonrecurring items, for the quarter increased \$70.1 million (19 percent) from the first quarter of 1997, reflecting growth in all categories of fee revenue. Noninterest expense, before nonrecurring items, declined \$16.4 million (3 percent) from the first quarter of 1997, reflecting benefits of the merger.

Net income was \$328.5 million in the first quarter of 1998, or \$.44 per diluted share, compared with \$293.3 million, or \$.39 per diluted share, in the first quarter of 1997. Return on average assets and return on average common equity were 1.91 percent and 22.1 percent in the first quarter of 1998, compared with returns of 1.75 percent and 21.0 percent in the first quarter of 1997. Net nonrecurring items decreased net income by \$21.5 million (\$33.9 million on a pre-tax basis) in the first quarter of 1998. First quarter 1998 nonrecurring items included \$12.6 million of net securities gains and \$46.5 million of merger-related charges. Approximately \$65.0 million, after tax, of additional merger-related expenses are expected to be incurred over the next two quarters. Nonrecurring net securities gains increased first quarter 1997 net income \$1.1 million (\$1.7 million on a pre-tax basis).

Operating results reflect the following acquisition and divestiture activity: the December 1997 acquisition of Zappco, Inc. of St. Cloud, Minnesota; the April 1997 acquisition of Business and Professional Bank of Sacramento, California; the February 1997 securitization and sale of \$420 million of corporate charge card receivables; and, the January 1997 acquisitions of Sun Capital Bancorp of St. George, Utah and the bond indenture services and paying agency business of Comerica Incorporated.

On March 13, 1998, the Company announced an agreement to acquire Northwest Bancshares, Inc., a privately held bank holding company headquartered in Vancouver, Washington, with 10 banking locations and \$344 million in deposits. The acquisition is pending regulatory approval and is expected to close in the third quarter of 1998.

TABLE 1 SUMMARY OF CONSOLIDATED INCOME

| (Taxable-Equivalent Basis; Dollars in Millions, Except Per Share Data) | Three Months Ended | |
|---|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| Interest income | \$ 1,338.2 | \$ 1,299.1 |
| Interest expense | 570.2 | 537.2 |
| Net interest income | 768.0 | 761.9 |
| Provision for credit losses | 90.0 | 84.2 |
| Net interest income after provision for credit losses | 678.0 | 677.7 |
| Securities gains | 12.6 | 1.7 |
| Other noninterest income | 445.9 | 375.8 |
| Merger-related charges | 46.5 | -- |
| Other noninterest expense | 559.1 | 575.5 |
| Income before income taxes | 530.9 | 479.7 |
| Taxable-equivalent adjustment | 13.1 | 14.9 |
| Income taxes | 189.3 | 171.5 |
| Net income | \$ 328.5 | \$ 293.3 |
| Return on average assets | 1.91% | 1.75% |
| Return on average common equity | 22.1 | 21.0 |
| Net interest margin | 4.98 | 5.07 |
| Efficiency ratio | 49.9 | 50.6 |
| Efficiency ratio before nonrecurring items | 46.1 | 50.6 |
| PER COMMON SHARE: | | |
| Earnings per share | \$.44 | \$.39 |
| Dividends paid | .175 | .155 |

On May 1, 1998, the Company completed its acquisition of Piper Jaffray Companies Inc. ("Piper Jaffray"), a full-service investment banking and securities brokerage firm. The acquisition allows the Company to offer investment banking and institutional and retail brokerage services through a new subsidiary to be known as U.S. Bancorp Piper Jaffray Inc. The acquisition of Piper Jaffray was accounted for under the purchase method of accounting, and accordingly, the purchase price of \$739 million (including \$721 million aggregate cash consideration for Piper Jaffray shares outstanding) was allocated to assets acquired and liabilities assumed based on their fair market values at the date of acquisition.

LINE OF BUSINESS FINANCIAL REVIEW

Financial performance is measured by major lines of business, which include: Commercial & Business Banking and Private Financial Services, Retail Banking, Payment Systems, and Corporate Trust and Institutional Financial Services. Business line results are derived from the Company's business unit profitability reporting system.

Designations, assignments, and allocations may change from time to time as management accounting systems are enhanced or product lines change. During first quarter 1998, certain organization and methodology changes were made and 1997 results are presented on a consistent basis.

COMMERCIAL & BUSINESS BANKING AND PRIVATE FINANCIAL SERVICES -- Commercial & Business Banking and Private Financial Services includes lending, treasury management, and other financial services to middle-market, large corporate and mortgage banking companies and private banking and personal trust clients. Operating earnings increased 17 percent to \$181.6 million in the first quarter of 1998, compared with \$155.5 million in the first quarter of 1997. Return on average assets was 1.88 percent compared with 1.70 percent in the first quarter of 1997. Net tangible return on average common equity increased to 27.5 percent compared with 25.9 percent in the first quarter of the prior year.

TABLE 2 LINE OF BUSINESS FINANCIAL PERFORMANCE

| For the Three Months Ended March 31 (Dollars in Millions) | Commercial & Business Banking and Private Financial Services | | | Retail Banking | | |
|--|---|-----------|-------------------|----------------|----------|-------------------|
| | 1998 | 1997 | Percent Change | 1998 | 1997 | Percent Change |
| CONDENSED INCOME STATEMENT: | | | | | | |
| Net interest income | | | | | | |
| (taxable-equivalent basis) | \$ 342.1 | \$ 325.5 | 5.1% | \$ 348.7 | \$ 354.4 | (1.6)% |
| Provision for credit losses | 8.6 | 8.9 | (3.4) | 40.3 | 37.4 | 7.8 |
| Noninterest income | 98.3 | 81.9 | 20.0 | 126.6 | 119.9 | 5.6 |
| Noninterest expense | 138.7 | 144.0 | (3.7) | 285.2 | 311.9 | (8.6) |
| Income taxes and | | | | | | |
| taxable-equivalent adjustment | 111.5 | 99.0 | | 57.0 | 48.5 | |
| Income before nonrecurring items | \$ 181.6 | \$ 155.5 | 16.8 | \$ 92.8 | \$ 76.5 | 21.3 |
| Net nonrecurring items (after-tax) | | | | | | |
| Net income | | | | | | |
| AVERAGE BALANCE SHEET DATA: | | | | | | |
| Commercial loans | \$ 30,730 | \$ 28,812 | 6.7 | \$ 2,139 | \$ 1,915 | 11.7 |
| Consumer loans, excluding | | | | | | |
| residential mortgage | 554 | 536 | 3.4 | 10,697 | 10,639 | .5 |
| Residential mortgage loans | 293 | 278 | 5.4 | 4,253 | 5,000 | (14.9) |
| Assets | 39,136 | 37,197 | 5.2 | 21,210 | 22,588 | (6.1) |
| Deposits | 10,735 | 9,883 | 8.6 | 34,887 | 35,831 | (2.6) |
| Common equity | 3,449 | 3,144 | 9.7 | 1,578 | 1,551 | 1.7 |
| Return on average assets | 1.88% | 1.70% | | 1.77% | 1.37% | |
| Return on average common equity ("ROCE") | 21.4 | 20.1 | | 23.9 | 20.0 | |
| Net tangible ROCE** | 27.5 | 25.9 | | 42.7 | 36.5 | |
| Efficiency ratio | 31.5 | 35.3 | | 60.0 | 65.8 | |
| Efficiency ratio on a cash basis** | 28.7 | 33.1 | | 57.9 | 63.6 | |

*NOT MEANINGFUL

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

NOTE: PREFERRED DIVIDENDS AND NONRECURRING ITEMS ARE NOT ALLOCATED TO THE BUSINESS LINES. ALL RATIOS ARE CALCULATED WITHOUT THE EFFECT OF NONRECURRING ITEMS.

Net interest income increased 5 percent, reflecting growth in average loan and deposit balances. Noninterest income increased \$16.4 million or 20 percent in the first quarter of 1998 compared with the same period of the prior year primarily due to gains in the leasing portfolio, fees on letters of credit and collection fees. The efficiency ratio on a cash basis improved to 28.7 percent in the first quarter of 1998, compared with 33.1 percent in the first quarter of 1997.

RETAIL BANKING -- Retail Banking delivers products and services to the broad consumer market and small-business through branch offices, telemarketing, direct mail, and automated teller machines ("ATM's"). Operating earnings were \$92.8 million in the first quarter of 1998 compared with \$76.5 million in the first quarter of the prior year. First quarter return on assets increased to 1.77 percent from 1.37 percent in the same quarter a year ago. Net tangible return on average common equity increased to 42.7 percent compared with 36.5 percent in the first quarter of the prior year.

Net interest income declined 2 percent from the same quarter of the prior year, due primarily to the planned runoff of the residential mortgage loan portfolio offset by growth in home equity loans. Noninterest income increased 6 percent due primarily to increased investment products and fees. Noninterest expense decreased, reflecting the benefits of continued streamlining of branch operations, as well as the integration of recent business combinations. The efficiency ratio on a cash basis improved to 57.9 percent in the first quarter of 1998 from 63.6 percent in the first quarter of the prior year.

PAYMENT SYSTEMS -- Payment Systems includes consumer and business credit cards, corporate and purchasing card services, card-accessed secured and unsecured lines of credit, ATM processing, and merchant processing.

| Payment Systems | | | Corporate Trust and Institutional Financial Services | | | Consolidated Company | | |
|-----------------|---------|----------------|--|---------|----------------|----------------------|----------|----------------|
| 1998 | 1997 | Percent Change | 1998 | 1997 | Percent Change | 1998 | 1997 | Percent Change |
| \$ 59.2 | \$ 66.7 | (11.2)% | \$ 18.0 | \$ 15.3 | 17.6% | \$ 768.0 | \$ 761.9 | .8% |
| 41.1 | 37.9 | 8.4 | -- | -- | -- | 90.0 | 84.2 | 6.9 |
| 144.6 | 103.7 | 39.4 | 76.4 | 70.3 | 8.7 | 445.9 | 375.8 | 18.7 |
| 84.8 | 69.0 | 22.9 | 50.4 | 50.6 | (.4) | 559.1 | 575.5 | (2.8) |
| 29.6 | 24.7 | | 16.7 | 13.6 | | 214.8 | 185.8 | |
| \$ 48.3 | \$ 38.8 | 24.5 | \$ 27.3 | \$ 21.4 | 27.6 | 350.0 | 292.2 | 19.8 |
| | | | | | | (21.5) | 1.1 | * |
| | | | | | | \$ 328.5 | \$ 293.3 | 12.0 |
| \$1,200 | \$1,001 | 19.9 | \$ -- | \$ -- | -- | \$34,069 | \$31,728 | 7.4 |
| 4,791 | 4,257 | 12.5 | -- | -- | -- | 16,042 | 15,432 | 4.0 |
| -- | -- | -- | -- | -- | -- | 4,546 | 5,278 | (13.9) |
| 8,043 | 6,724 | 19.6 | 1,432 | 1,381 | 3.7 | 69,821 | 67,890 | 2.8 |
| 64 | 47 | 36.2 | 1,601 | 1,399 | 14.4 | 47,287 | 47,160 | .3 |
| 596 | 517 | 15.3 | 413 | 403 | 2.5 | 6,036 | 5,615 | 7.5 |
| 2.44% | 2.34% | | * | * | | 2.03% | 1.75% | |
| 32.9 | 30.4 | | 26.8% | 21.5% | | 23.5 | 20.9 | |
| 43.5 | 37.9 | | 46.8 | 44.1 | | 33.6 | 30.3 | |
| 41.6 | 40.5 | | 53.4 | 59.1 | | 46.1 | 50.6 | |
| 38.6 | 38.7 | | 48.0 | 53.2 | | 43.3 | 48.2 | |

Operating earnings increased 25 percent in the first quarter of 1998 to \$48.3 million compared with \$38.8 million in the first quarter of 1997. First quarter return on average assets was 2.44 percent, compared with 2.34 percent in the first quarter of 1997, and net tangible return on average common equity was 43.5 percent compared with 37.9 percent for the same quarter in the previous year.

Fee-based noninterest income increased 39 percent in the first quarter of 1998 compared with the same period in 1997. The increase was due to growth in the sales volume of the Corporate Card, the Purchasing Card, and the Northwest Airlines WorldPerks(R) credit card and an increase in commercial card interchange rates, as well as the buyout of the third party interest in a merchant processing alliance. Net interest income decreased \$7.5 million, or 11 percent, due to the growth in Corporate Card and Purchasing Card non-earning asset balances. Noninterest expense increased due to increased technology spending, costs related to increased sales volume and the buyout of the third party interest in a merchant processing alliance.

CORPORATE TRUST AND INSTITUTIONAL FINANCIAL SERVICES -- Corporate Trust and Institutional Financial Services includes institutional and corporate trust services, investment management services, and a full-service brokerage company. Operating earnings increased 28 percent to \$27.3 million in the first quarter of 1998 compared with \$21.4 million in the same period of the prior year. The net tangible return on average common equity was 46.8 percent in the first quarter of 1998 compared with 44.1 percent in the first quarter of the prior year.

Noninterest income increased 9 percent from the first quarter of 1997 due primarily to increases in mutual fund advisory fees. The efficiency ratio on a cash basis improved to 48.0 percent in the first quarter of 1998 from 53.2 percent in the first quarter of 1997, reflecting the effective integration of acquisitions, process re-engineering efforts, and revenue growth.

TABLE 3 NET INTEREST INCOME

| (Dollars in Millions) | Three Months Ended | |
|---|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| Net interest income (taxable-equivalent basis) | \$ 768.0 | \$ 761.9 |
| Average balances of earning assets supported by: | | |
| Interest-bearing liabilities | \$48,670 | \$47,798 |
| Noninterest-bearing liabilities | 13,902 | 13,088 |
| Total earning assets | \$62,572 | \$60,886 |
| Average yields and weighted average rates (taxable-equivalent basis): | | |
| Earning assets yield | 8.67% | 8.65% |
| Rate paid on interest-bearing liabilities | 4.75 | 4.56 |
| Gross interest margin | 3.92% | 4.09% |
| Net interest margin | 4.98% | 5.07% |
| Net interest margin without taxable-equivalent increments | 4.89% | 4.98% |

INCOME STATEMENT ANALYSIS

NET INTEREST INCOME -- First quarter net interest income on a taxable-equivalent basis was \$768.0 million, an increase of \$6.1 million (1 percent), from the first quarter of 1997. The increase was primarily the result of an increase in earning assets of \$1.7 billion over the first quarter of 1997, driven by core commercial and consumer loan growth, partially offset by reductions in investment securities and residential mortgages. Average loans were up \$2.2 billion (4 percent) from the first quarter of 1997. Excluding residential mortgage loans and the effect of the \$420 million first quarter 1997 corporate card securitization, average loans for the first quarter were higher by \$3.1 billion (7 percent) than the first quarter of 1997, reflecting growth in the commercial, home equity and second mortgages and credit card portfolios. Other consumer loans were lower on average than the first quarter of 1997, primarily due to reductions in installment loans in the northwest region. Average securities for the first quarter were lower by \$588 million than the first quarter of 1997, primarily reflecting both maturities and sales of securities. The net interest margin in the first quarter of 1998 of 4.98 percent was below the 1997 margin of 5.07 percent and the fourth quarter margin of 4.99 percent, primarily due to growth in Payment Systems' noninterest-bearing assets, including corporate and purchasing card loan balances.

PROVISION FOR CREDIT LOSSES -- The provision for credit losses was \$90.0 million in the first quarter of 1998, up \$5.8 million (7 percent) from the first quarter of 1997. Net charge-offs totaled \$103.2 million, virtually unchanged from the fourth quarter of 1997, and up \$19.3 million (23 percent) from the same quarter a year ago. A portion of the increase over the first quarter of 1997 reflects higher charge-offs in the northwest region's portfolio of installment loans originated in 1995 and 1996. Refer to "Corporate Risk Management" for further information on credit quality.

NONINTEREST INCOME -- First quarter 1998 noninterest income was \$458.5 million, an increase of \$81.0 million (21 percent), from \$377.5 million in the first quarter of 1997. Noninterest income in the first quarter of 1998 and 1997 included nonrecurring net securities gains of \$12.6 million and \$1.7 million, respectively.

TABLE 4 NONINTEREST INCOME

| (Dollars in Millions) | Three Months Ended | |
|--|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| Credit card fee revenue | \$ 126.8 | \$ 90.7 |
| Service charges on deposit accounts | 97.9 | 95.4 |
| Trust and investment management fees | 94.9 | 84.6 |
| Investment products fees and commissions | 18.2 | 15.8 |
| Securities gains | 12.6 | 1.7 |
| Trading account profits and commissions | 7.1 | 10.5 |
| Other | 101.0 | 78.8 |
| Total noninterest income | \$ 458.5 | \$ 377.5 |

TABLE 5 NONINTEREST EXPENSE

| | Three Months Ended | |
|--|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| (Dollars in Millions, Except Per Employee Data) | | |
| Salaries | \$ 239.6 | \$ 240.6 |
| Employee benefits | 54.1 | 61.1 |
| Total personnel expense | 293.7 | 301.7 |
| Net occupancy | 43.5 | 45.8 |
| Furniture and equipment | 35.4 | 42.8 |
| Goodwill and other intangible assets | 33.4 | 27.4 |
| Advertising and marketing | 15.7 | 12.3 |
| Telephone | 15.5 | 13.6 |
| Third party data processing | 14.0 | 9.1 |
| Other personnel costs | 13.1 | 16.4 |
| Professional services | 11.3 | 13.5 |
| Postage | 10.8 | 11.6 |
| Printing, stationery and supplies | 9.1 | 10.2 |
| FDIC insurance | 2.0 | 2.1 |
| Merger-related | 46.5 | -- |
| Other | 61.6 | 69.0 |
| Total noninterest expense | \$ 605.6 | \$ 575.5 |
| Efficiency ratio* | 49.9% | 50.6% |
| Efficiency ratio before nonrecurring items | 46.1 | 50.6 |
| Average number of full-time equivalent employees | 24,815 | 26,831 |
| Annualized personnel expense per employee | \$47,342 | \$44,978 |

*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.

First quarter 1998 noninterest income, before securities gains, was \$445.9 million, an increase of \$70.1 million (19 percent) from the first quarter of 1997. The increase resulted from growth in all categories of fee revenue. First quarter 1998 credit card fee revenue increased \$36.1 million (40 percent) over first quarter 1997 as a result of higher volumes for purchasing and corporate cards and the Northwest Airlines WorldPerks credit card, partially offset by the effect of the first quarter 1997 corporate card securitization. First quarter credit card fees were also enhanced by the renewal of the Northwest Airlines WorldPerks program and the buyout of the third party interest in a merchant processing alliance. Without these items, credit card fees would have increased by \$27.8 million (28 percent). First quarter 1998 trust and investment management fees were up over the first quarter of 1997 by \$10.3 million (12 percent) due to growth in the corporate, institutional, and personal trust businesses. Other noninterest income was higher by \$18.8 million (21 percent) in the first quarter of 1998, compared with the first quarter of the prior year. Substantially all of the growth in other fee income was due to distributions from investment partnerships, which were higher than the first quarter of 1997 by \$17.0 million.

NONINTEREST EXPENSE -- First quarter 1998 noninterest expense was \$605.6 million, an increase of \$30.1 million (5 percent), from \$575.5 million in the first quarter of 1997. Noninterest expense in the first quarter of 1998 included nonrecurring merger-related charges of \$46.5 million incurred in connection with the USBC transaction.

First quarter 1998 noninterest expense, before nonrecurring items, was \$559.1 million, a decrease of \$16.4 million (3 percent), from \$575.5 million in the first quarter of 1997. Expense reductions in a number of categories reflected benefits of the merger with USBC, partially offset by incremental expense related to revenue increases. First quarter 1998 goodwill and other intangible expense was higher than the first quarter of 1997 by \$6.0 million (22 percent), primarily as a result of several small bank and portfolio purchases during 1997 and the buyout of a merchant processing alliance. Total salaries and benefits expense decreased \$8.0 million (3 percent) from the first quarter of 1997, reflecting an eight percent decrease in average full-time equivalent employees to 24,815 in the first quarter of 1998 from 26,831 in the first quarter of 1997. Excluding nonrecurring items, the Company's efficiency ratio improved to 46.1 percent from 50.6 percent in the first quarter of 1997, reflecting growing revenues and declining expenses.

The Company's efforts to address issues related to the turn of the century ("Year 2000") began with technology changes initiated in the early 1990's. Many of the Company's principal data processing applications were replaced with licensed software packages. In addition, a

Year 2000 project was initiated to ensure that appropriate modifications are made to systems and applications to resolve Year 2000 issues. Programming changes and testing of systems and software packages are expected to be substantially completed by December 31, 1998. In addition, the Company's credit risk assessment includes the consideration of incremental risk which may be posed by customers' inability, if any, to address Year 2000 issues. The cost of the project is not significant to the Company.

PROVISION FOR INCOME TAXES -- The provision for income taxes was \$189.3 million in the first quarter of 1998, compared with \$171.5 million in the first quarter of 1997. The increase was primarily the result of a higher level of taxable income, as discussed above.

BALANCE SHEET ANALYSIS

LOANS -- The Company's loan portfolio was \$55.0 billion at March 31, 1998, compared with \$54.7 billion at December 31, 1997. The portfolio of commercial loans totaled \$34.6 billion at March 31, 1998, up \$786 million from December 31, 1997. The increase was primarily attributable to growth in core commercial loans. Total consumer loan outstandings were \$20.4 billion at March 31, 1998, compared with \$20.9 billion at December 31, 1997. Excluding residential mortgage loan balances, consumer loans were \$16.0 billion at March 31, 1998, compared with \$16.3 billion at December 31, 1997, reflecting seasonal reductions in credit card outstandings. See Note E to the Consolidated Financial Statements for the composition of the Company's loan portfolio at March 31, 1998 and December 31, 1997.

SECURITIES -- At March 31, 1998, available-for-sale securities were \$6.4 billion compared with \$6.9 billion at December 31, 1997, reflecting both maturities and sales of securities.

Deposits -- Noninterest-bearing deposits remained relatively flat at \$14.3 billion at March 31, 1998, compared with \$14.5 billion at December 31, 1997. Interest-bearing deposits also remained relatively flat and totaled \$34.3 billion at March 31, 1998, compared with \$34.5 billion at December 31, 1997.

BORROWINGS -- Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, were \$3.0 billion at March 31, 1998, down from \$3.3 billion at December 31, 1997. The decrease was primarily due to a \$255 million reduction in federal funds purchased and securities sold under agreements to repurchase.

Long-term debt was \$10.4 billion at March 31, 1998, up from \$10.2 billion at December 31, 1997. The Company issued \$385 million of debt, with an average original maturity of 3.3 years, under its medium term and bank note programs during the first quarter of 1998. The Company also issued \$300 million of 6.50 percent fixed rate subordinated notes due February 1, 2008 during the first quarter of 1998. These issuances were partially offset by \$400 million of bank note maturities and net maturities of \$112 million of Federal Home Loan Bank Advances.

CORPORATE RISK MANAGEMENT

CREDIT MANAGEMENT -- The Company's strategy for credit risk management includes stringent, centralized credit policies, and standard underwriting criteria for specialized lending categories, such as mortgage banking, real estate construction, and consumer credit. The strategy also emphasizes diversification on both a geographic and customer level, regular credit examinations, and quarterly management reviews of large loans and loans experiencing deterioration of credit quality. The Company strives to identify potential problem loans early, take any necessary charge-offs promptly, and maintain strong reserve levels. Commercial banking operations rely on a strong credit culture that combines prudent credit policies and individual lender accountability. In addition, the commercial lenders generally focus on middle-market companies within their regions. In the Company's retail banking operations, a standard credit scoring system is used to assess consumer credit risks and to price consumer products accordingly.

In evaluating its credit risk, the Company considers loan portfolio composition, the level of allowance coverage, and macroeconomic factors. Most economic indicators in the Company's operating regions compare favorably with national trends. Approximately 45 percent of the Company's loan portfolio consists of credit to businesses and consumers in Minnesota, Oregon and Washington.

NET CHARGE-OFFS AND ALLOWANCE FOR CREDIT LOSSES -- Net loan charge-offs totaled \$103.2 million in the first quarter of 1998, compared with \$83.9 million in the first quarter of 1997. Commercial loan net charge-offs were \$14.1 million in the first quarter of 1998 and \$9.2 million in the first quarter of 1997. Consumer loan net charge-offs increased \$14.4 million from the first quarter of 1997, reflecting higher average credit card balances and higher charge-offs in the northwest region's portfolio of installment loans originated in 1995 and 1996. Credit standards on this portfolio's new originations were tightened in 1997. Consumer loans 30 days or more past due declined to 2.38 percent of the portfolio at March 31, 1998, compared with 2.76 percent at December 31, 1997.

TABLE 6 SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

| (Dollars in Millions) | Three Months Ended | |
|---|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| Balance at beginning of period | \$ 1,008.7 | \$ 992.5 |
| CHARGE-OFFS: | | |
| Commercial: | | |
| Commercial | 27.3 | 25.0 |
| Real estate: | | |
| Commercial mortgage | 4.3 | 1.4 |
| Construction | 2.0 | 1.3 |
| Total commercial | 33.6 | 27.7 |
| Consumer: | | |
| Residential mortgage | 2.8 | 1.7 |
| Credit card | 46.9 | 42.5 |
| Other | 57.9 | 44.4 |
| Total consumer | 107.6 | 88.6 |
| Total | 141.2 | 116.3 |
| RECOVERIES: | | |
| Commercial: | | |
| Commercial | 13.1 | 8.3 |
| Real estate: | | |
| Commercial mortgage | 6.2 | 10.0 |
| Construction | .2 | .2 |
| Total commercial | 19.5 | 18.5 |
| Consumer: | | |
| Residential mortgage | .3 | .5 |
| Credit card | 5.7 | 4.7 |
| Other | 12.5 | 8.7 |
| Total consumer | 18.5 | 13.9 |
| Total | 38.0 | 32.4 |
| NET CHARGE-OFFS: | | |
| Commercial: | | |
| Commercial | 14.2 | 16.7 |
| Real estate: | | |
| Commercial mortgage | (1.9) | (8.6) |
| Construction | 1.8 | 1.1 |
| Total commercial | 14.1 | 9.2 |
| CONSUMER: | | |
| Residential mortgage | 2.5 | 1.2 |
| Credit card | 41.2 | 37.8 |
| Other | 45.4 | 35.7 |
| Total consumer | 89.1 | 74.7 |
| Total | 103.2 | 83.9 |
| Provision charged to operating expense | 90.0 | 84.2 |
| Additions related to acquisitions and other | -- | .6 |
| Balance at end of period | \$ 995.5 | \$ 993.4 |
| Allowance as a percentage of: | | |
| Period-end loans | 1.81% | 1.88% |
| Nonperforming loans | 340 | 308 |
| Nonperforming assets | 306 | 274 |

TABLE 7 NET CHARGE-OFFS AS A PERCENTAGE OF AVERAGE LOANS OUTSTANDING

| | Three Months Ended | |
|----------------------------|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| ===== | | |
| COMMERCIAL: | | |
| Commercial | .25% | .31% |
| Real estate: | | |
| Commercial mortgage | (.09) | (.44) |
| Construction | .30 | .21 |
| | ----- | |
| Total commercial | .17 | .12 |
| CONSUMER: | | |
| Residential mortgage | .22 | .09 |
| Credit card | 4.20 | 4.35 |
| Other | 1.53 | 1.22 |
| | ----- | |
| Total consumer | 1.76 | 1.46 |
| | ----- | |
| Total | .77% | .65% |
| ===== | | |

The ratio of total net charge-offs to average loans was .77 percent in the first quarter of 1998 compared with .65 percent in the first quarter of 1997.

NONPERFORMING ASSETS -- Nonperforming assets include all nonaccrual loans, restructured loans, other real estate and other nonperforming assets owned by the Company. At March 31, 1998, nonperforming assets totaled \$325.4 million, down \$14.1 million (4 percent) from December 31, 1997. The ratio of nonperforming assets to loans and other real estate was .59 percent at March 31, 1998, compared with .62 percent at December 31, 1997. Consumer loans 30 days or more past due were 2.38 percent of the consumer loan portfolio at March 31, 1997, compared with 2.76 percent at December 31, 1997. The percentage of consumer loans 90 days or more past due of the total consumer loan portfolio totaled .77 percent at March 31, 1998, compared with .70 percent at December 31, 1997.

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

TABLE 8 NONPERFORMING ASSETS*

| | March 31 1998 | December 31 1997 |
|--|------------------|---------------------|
| (Dollars in Millions) | | |
| ===== | | |
| COMMERCIAL: | | |
| Commercial | \$ 161.5 | \$ 179.1 |
| Real estate: | | |
| Commercial mortgage | 45.1 | 45.4 |
| Construction | 16.2 | 14.9 |
| | ----- | |
| Total commercial | 222.8 | 239.4 |
| CONSUMER: | | |
| Residential mortgage | 63.0 | 52.1 |
| Other | 7.1 | 5.6 |
| | ----- | |
| Total consumer | 70.1 | 57.7 |
| | ----- | |
| Total nonperforming loans | 292.9 | 297.1 |
| OTHER REAL ESTATE | 21.6 | 30.1 |
| OTHER NONPERFORMING ASSETS | 10.9 | 12.3 |
| | ----- | |
| Total nonperforming assets | \$ 325.4 | \$ 339.5 |
| ===== | | |
| Accruing loans 90 days or more past due** | \$ 91.7 | \$ 93.8 |
| Nonperforming loans to total loans | .53% | .54% |
| Nonperforming assets to total loans plus other real estate | .59 | .62 |
| ===== | | |

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

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

TABLE 9 DELINQUENT LOAN RATIOS*

| | March 31 1998 | December 31 1997 |
|----------------------------|------------------|---------------------|
| 90 days or more past due | | |
| ===== | | |
| COMMERCIAL: | | |
| Commercial | .69% | .78% |
| Real estate: | | |
| Commercial mortgage | .56 | .57 |
| Construction | .67 | .67 |
| | ----- | ----- |
| Total commercial | .66 | .72 |
| CONSUMER: | | |
| Residential mortgage | 1.69 | 1.43 |
| Credit card | .78 | .69 |
| Other | .43 | .42 |
| | ----- | ----- |
| Total consumer | .77 | .70 |
| | ----- | ----- |
| Total | .70% | .71% |
| ===== | | |

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

Market Value Simulation Modeling, and Repricing Mismatch Analysis.

NET INTEREST INCOME SIMULATION MODELING: The Company uses a net interest income simulation model to estimate near-term (next 12 months) risk due to changes in interest rates. The model, which is updated monthly, incorporates substantially all the Company's assets and liabilities and off-balance sheet instruments, together with forecasted changes in the balance sheet and assumptions that reflect the current interest rate environment. Balance sheet changes are based on expected prepayments of loans and securities and forecasted loan and deposit growth. ALCO uses the model to simulate the effect of immediate and sustained parallel shifts in the yield curve of one percent, two percent and three percent as well as the effect of immediate and sustained flattening or steepening of the yield curve. ALCO also calculates the sensitivity of the simulation results to changes in key assumptions, such as the Prime/LIBOR spread or core deposit pricing. The results from the simulation are reviewed by ALCO monthly and are used to guide ALCO's hedging strategies. ALCO guidelines, approved by the Company's Board of Directors, limit the estimated change in net interest income over the succeeding 12 months to two percent of forecasted net interest income given a one percent change in interest rates. At March 31, 1998, the estimated effect of an immediate 100 basis point parallel change in rates was an increase in forecasted net interest income for twelve months of .62 percent (up 100 basis points) and a decrease of .87 percent (down 100 basis points).

MARKET VALUE SIMULATION MODELING: The net interest income simulation model is somewhat limited by its dependence upon accurate forecasts of future business activity and the resulting effect on balance sheet assets and liabilities. As a result, its usefulness is greatly diminished for periods beyond one or two years. To better measure all interest rate risk, both short-term and long-term, the Company uses a market value simulation model. This model estimates the effect of one, two and three percent rate shocks on the present value of all future cash flows of the Company's current assets, liabilities and off-balance sheet instruments. The amount of market value risk is subject to limits, approved by the Company's Board of Directors, of one percent of assets for an immediate 100 basis point rate shock. Historically, the Company's market value risk position has been substantially lower than its limits. The Company believes the market risk inherent in its broker/dealer activities is immaterial.

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

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

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

At March 31, 1998 (Dollars in Millions)

| Receive Fixed Swaps* Maturity Date | Notional Amount | Weighted Average Interest Rate Received | Weighted Average Interest Rate Paid |
|---------------------------------------|--------------------|--|--|
| 1998 (remaining nine months) | \$ 1,058 | 5.94% | 5.69% |
| 1999 | 1,817 | 6.15 | 5.68 |
| 2000 | 388 | 6.57 | 5.67 |
| 2001 | 357 | 6.52 | 5.69 |
| 2002 | 519 | 6.21 | 5.68 |
| After 2002 | 1,885 | 6.66 | 5.68 |
| TOTAL | \$ 6,024 | 6.33% | 5.68% |

*AT MARCH 31, 1998, THE COMPANY HAD NO SWAPS IN ITS HEDGING PORTFOLIO THAT REQUIRED IT TO PAY FIXED-RATE INTEREST.

In the first quarter of 1998, the Company added \$865 million of interest rate swaps to reduce its interest rate risk. Interest rate swap agreements involve the exchange of fixed and floating rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. As of March 31, 1998, the Company received payments on \$6.0 billion notional amount of interest rate swap agreements based on fixed interest rates, and made payments based on variable interest rates. These swaps had a weighted average fixed rate received of 6.33 percent and a weighted average variable rate paid of 5.68 percent. The remaining maturity of these agreements ranges from one month to ten years with an average remaining maturity of 3.5 years. Swaps increased net interest income for the quarters ended March 31, 1998 and 1997 by \$7.6 million and \$6.4 million, respectively.

To hedge against falling interest rates, the Company uses interest rate floors. Floor counterparties pay the Company when specified rates fall below a specified point or strike level. The payment is based on the difference in current rates and strike rates and the notional amount. The total notional amount of floor agreements purchased as of March 31, 1998, was \$725 million. LIBOR-based floors totaled \$525 million and Constant Maturity Treasury floors totaled \$200 million. The impact of floors on net interest income was not material for the quarters ended March 31, 1998 and 1997.

CAPITAL -- At March 31, 1998, total tangible common equity was \$5.1 billion, or 7.4 percent of assets, compared with 7.0 percent at December 31, 1997. Tier 1 and total risk-based capital ratios were 7.8 percent and 12.4 percent at March 31, 1998, compared with 7.4 percent and 11.6 percent at December 31, 1997. The March 31, 1998 leverage ratio was 7.7 percent compared with 7.3 percent at December 31, 1997.

On August 1, 1997, the Company issued 329.7 million shares to acquire USBC. The Company exchanged 2.265 shares of its common stock for each share of USBC common stock. USBC's outstanding stock options were also converted into stock options for the Company's common stock. In addition, each outstanding share of USBC cumulative preferred stock was converted into one share of preferred stock of the combined company, having substantially identical terms. On November 14, 1997, the Company redeemed all outstanding shares of its preferred stock at a redemption price of \$25 per share, together with accrued and unpaid dividends.

TABLE 11 CAPITAL RATIOS

| (Dollars in Millions) | March 31 1998 | December 31 1997 |
|--|------------------|---------------------|
| Tangible common equity* | \$5,145 | \$ 4,897 |
| As a percent of assets | 7.4% | 7.0% |
| Tier 1 capital | \$5,289 | \$ 5,028 |
| As a percent of risk-adjusted assets | 7.8% | 7.4% |
| Total risk-based capital | \$8,370 | \$ 7,859 |
| As a percent of risk-adjusted assets | 12.4% | 11.6% |
| Leverage ratio | 7.7 | 7.3 |

*DEFINED AS COMMON EQUITY LESS GOODWILL.

ACCOUNTING CHANGES

ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES -- Effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards No. ("SFAS") 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes criteria, based on legal control, to determine whether a transfer of financial assets is considered a sale or secured borrowing. Effective January 1, 1998, and in accordance with SFAS 127 which amended SFAS 125, the Company adopted the provisions of SFAS 125 relating to securities lending, repurchase agreements and other secured financing transactions. The adoption of SFAS 125 did not have a material effect on the Company.

COMPREHENSIVE INCOME -- Effective January 1, 1998, the Company adopted SFAS 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of comprehensive income and its components in a full set of financial statements. The Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed as prominently as other financial statements. The Statement requires the classification of items of other comprehensive income by their nature in a financial statement and the display of other comprehensive income separately from retained earnings and capital surplus in the equity section of the balance sheet. All prior periods presented have been restated to conform to the provisions of this statement.

SEGMENT DISCLOSURE -- SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," requires the disclosure of financial and descriptive information about reportable operating segments. Operating segments are components of an enterprise about which financial information is available and is evaluated regularly in deciding how to allocate resources and assess performance. The Statement requires the disclosure of profit or loss, certain specific revenue and expense items, and assets of all operating segments, with reconciliations of amounts presented in the financial statements. The Statement also requires the disclosure of how the operating segments were determined, the products and services provided by the segments, differences between measurements used in reporting segment information and those used in the financial statements, and changes in the measurement of segment amounts from period to period. SFAS 131 is effective with the 1998 year-end financial statements, with comparative information for prior periods required.

PENSIONS AND OTHER POSTRETIREMENT BENEFIT DISCLOSURE -- SFAS 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable. The Statement supersedes the disclosure requirements of: SFAS 87, "Employers' Accounting for Pensions;" SFAS 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits;" and, SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Statement addresses disclosure only and not measurement or recognition. SFAS 132 is effective for the Company's 1998 year-end financial statements. All prior period disclosures will be restated to conform to the provisions of this statement.

INTERNAL USE COMPUTER SOFTWARE COSTS -- Effective January 1, 1998, the Company adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires the capitalization of certain costs incurred in connection with developing or obtaining software for internal use. Historically, the Company has expensed such costs as incurred. Restatement of previously issued annual financial statements or adoption by a cumulative catch-up adjustment is prohibited. The adoption of SOP 98-1 did not have a material effect on the Company.

CONSOLIDATED BALANCE SHEET

| (Dollars in Millions) | March 31 1998 | December 31 1997 |
|---|------------------|---------------------|
| | (Unaudited) | |
| ASSETS | | |
| Cash and due from banks | \$ 4,616 | \$ 4,739 |
| Federal funds sold | 267 | 62 |
| Securities purchased under agreements to resell | 448 | 630 |
| Trading account securities | 186 | 195 |
| Available-for-sale securities | 6,351 | 6,885 |
| Loans | 54,969 | 54,708 |
| Less allowance for credit losses | 996 | 1,009 |
| Net loans | 53,973 | 53,699 |
| Bank premises and equipment | 864 | 860 |
| Interest receivable | 408 | 405 |
| Customers' liability on acceptances | 315 | 535 |
| Other assets | 3,521 | 3,285 |
| Total assets | \$70,949 | \$71,295 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Deposits: | | |
| Noninterest-bearing | \$14,305 | \$14,544 |
| Interest-bearing | 34,253 | 34,483 |
| Total deposits | 48,558 | 49,027 |
| Federal funds purchased | 746 | 800 |
| Securities sold under agreements to repurchase | 1,317 | 1,518 |
| Other short-term funds borrowed | 940 | 974 |
| Long-term debt | 10,412 | 10,247 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company | 600 | 600 |
| Acceptances outstanding | 315 | 535 |
| Other liabilities | 1,938 | 1,704 |
| Total liabilities | 64,826 | 65,405 |
| Shareholders' equity: | | |
| Common stock, par value \$1.25 A share - authorized 1,500,000,000 shares; issued: 3/31/98 - 742,456,059 shares; 12/31/97 - 739,933,014 shares | 928 | 925 |
| Capital surplus | 1,294 | 1,261 |
| Retained earnings | 3,844 | 3,645 |
| Accumulated other comprehensive income | 57 | 59 |
| Total shareholders' equity | 6,123 | 5,890 |
| Total liabilities and shareholders' equity | \$70,949 | \$71,295 |

CONSOLIDATED STATEMENT OF INCOME

| (Dollars in Millions, Except Per Share Data) (Unaudited) | Three Months Ended | |
|---|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| ===== | | |
| INTEREST INCOME | | |
| Loans | \$ 1,204.2 | \$ 1,153.2 |
| Securities: | | |
| Taxable | 85.8 | 96.6 |
| Exempt from federal income taxes | 16.1 | 17.3 |
| Other interest income | 19.0 | 17.1 |
| | ----- | |
| Total interest income | 1,325.1 | 1,284.2 |
| INTEREST EXPENSE | | |
| Deposits | 355.1 | 351.8 |
| Federal funds purchased and repurchase agreements | 33.6 | 47.9 |
| Other short-term funds borrowed | 12.8 | 36.9 |
| Long-term debt | 156.4 | 88.3 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company | 12.3 | 12.3 |
| | ----- | |
| Total interest expense | 570.2 | 537.2 |
| | ----- | |
| Net interest income | 754.9 | 747.0 |
| Provision for credit losses | 90.0 | 84.2 |
| | ----- | |
| Net interest income after provision for credit losses | 664.9 | 662.8 |
| NONINTEREST INCOME | | |
| Credit card fee revenue | 126.8 | 90.7 |
| Service charges on deposit accounts | 97.9 | 95.4 |
| Trust and investment management fees | 94.9 | 84.6 |
| Investment products fees and commissions | 18.2 | 15.8 |
| Securities gains | 12.6 | 1.7 |
| Other | 108.1 | 89.3 |
| | ----- | |
| Total noninterest income | 458.5 | 377.5 |
| NONINTEREST EXPENSE | | |
| Salaries | 239.6 | 240.6 |
| Employee benefits | 54.1 | 61.1 |
| Net occupancy | 43.5 | 45.8 |
| Furniture and equipment | 35.4 | 42.8 |
| Goodwill and other intangible assets | 33.4 | 27.4 |
| Merger-related | 46.5 | -- |
| Other | 153.1 | 157.8 |
| | ----- | |
| Total noninterest expense | 605.6 | 575.5 |
| | ----- | |
| Income before income taxes | 517.8 | 464.8 |
| Applicable income taxes | 189.3 | 171.5 |
| | ----- | |
| Net income | \$ 328.5 | \$ 293.3 |
| | ===== | |
| Net income applicable to common equity | \$ 328.5 | \$ 290.3 |
| | ===== | |
| Earnings per share | \$.44 | \$.39 |
| Diluted earnings per share | \$.44 | \$.39 |
| | ===== | |

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

| (Dollars in Millions) (Unaudited) | Common Shares Outstanding* | Preferred Stock | Common Stock | Capital Surplus |
|---|-------------------------------|--------------------|-----------------|--------------------|
| BALANCE DECEMBER 31, 1996 | 738,017,970 | \$ 150.0 | \$ 948.3 | \$ 1,296.9 |
| Dividends declared: | | | | |
| Preferred | | | | |
| Common | | | | |
| Purchase and retirement of treasury stock | (5,993,250) | | (.3) | (5.2) |
| Issuance of common stock: | | | | |
| Acquisitions | 907,056 | | 1.2 | 13.6 |
| Dividend reinvestment | 217,464 | | | 2.3 |
| Stock option and stock purchase plans | 2,477,454 | | 1.8 | 21.2 |
| | 735,626,694 | 150.0 | 951.0 | 1,328.8 |
| Comprehensive income | | | | |
| Net income | | | | |
| Other comprehensive income: | | | | |
| Unrealized losses on securities of \$54.1 (Net of \$31.1 tax credit) | | | | |
| Total comprehensive income | | | | |
| BALANCE MARCH 31, 1997 | 735,626,694 | \$ 150.0 | \$ 951.0 | \$ 1,328.8 |
| BALANCE DECEMBER 31, 1997 | 739,933,014 | \$ -- | \$ 924.9 | \$ 1,261.1 |
| Common dividends declared | | | | |
| Purchase of treasury stock | (33,411) | | -- | |
| Issuance of common stock: | | | | |
| Dividend reinvestment | 91,116 | | .1 | 3.4 |
| Stock option and stock purchase plans | 2,465,340 | | 3.1 | 29.5 |
| | 742,456,059 | -- | 928.1 | 1,294.0 |
| Comprehensive income | | | | |
| Net income | | | | |
| Other comprehensive income: | | | | |
| Unrealized gain on securities of \$9.0 (Net of \$5.1 tax expense) net of reclassification adjustment for gains included in net income of \$11.1 (Net of \$6.4 tax expense) | | | | |
| Total comprehensive income | | | | |
| BALANCE MARCH 31, 1998 | 742,456,059 | \$ -- | \$ 928.1 | \$ 1,294.0 |

[WIDE TABLE CONTINUED FROM ABOVE]

| (Dollars in Millions) (Unaudited) | Retained Earnings | Accumulated Other Comprehensive Income | Treasury Stock** | Total |
|--|----------------------|---|---------------------|------------|
| BALANCE DECEMBER 31, 1996 | \$ 3,809.4 | \$ 4.7 | (\$ 445.9) | \$ 5,763.4 |
| Dividends declared: | | | | |
| Preferred | (3.0) | | | (3.0) |
| Common | (110.0) | | | (110.0) |
| Purchase and retirement of treasury stock | | | (142.0) | (147.5) |
| Issuance of common stock: | | | | |
| Acquisitions | | | | 14.8 |
| Dividend reinvestment | | | 2.8 | 5.1 |
| Stock option and stock purchase plans | (19.2) | | 17.3 | 21.1 |
| | 3,677.2 | 4.7 | (567.8) | 5,543.9 |
| Comprehensive income | | | | |
| Net income | 293.3 | | | 293.3 |
| Other comprehensive income: | | | | |
| Unrealized losses on securities of \$54.1 (Net of \$31.1 tax credit) | | (54.1) | | (54.1) |
| Total comprehensive income | | | | 239.2 |
| BALANCE MARCH 31, 1997 | \$ 3,970.5 | \$ (49.4) | \$ (567.8) | \$ 5,783.1 |
| BALANCE DECEMBER 31, 1997 | \$ 3,644.8 | \$ 59.3 | \$ -- | \$ 5,890.1 |
| Common dividends declared | (129.8) | | | (129.8) |

| | | | | |
|---|------------|---------|-------|------------|
| Purchase of treasury stock | | | (1.2) | (1.2) |
| Issuance of common stock: | | | | |
| Dividend reinvestment | | | | 3.5 |
| Stock option and stock purchase plans | | | 1.2 | 33.8 |
| | ----- | | | |
| | 3,515.0 | 59.3 | -- | 5,796.4 |
| Comprehensive income | | | | |
| Net income | 328.5 | | | 328.5 |
| Other comprehensive income: | | | | |
| Unrealized gain on securities of \$9.0 (Net of \$5.1 tax expense) net of reclassification adjustment for gains included in net income of \$11.1 (Net of \$6.4 tax expense) | | (2.1) | | (2.1) |
| | ----- | | | |
| Total comprehensive income | | | | 326.4 |
| | ----- | | | |
| BALANCE MARCH 31, 1998 | \$ 3,843.5 | \$ 57.2 | \$ -- | \$ 6,122.8 |
| ===== | | | | |

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

**ENDING TREASURY SHARES WERE 25,235,145 AT MARCH 31, 1997.

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Three Months Ended | |
|--|--------------------|-----------|
| | March 31 | March 31 |
| (Dollars in Millions) | 1998 | 1997 |
| (Unaudited) | | |
| ===== | | |
| OPERATING ACTIVITIES | | |
| Net cash provided by operating activities | \$ 521.0 | \$ 665.2 |
| ----- | | |
| INVESTING ACTIVITIES | | |
| Net cash (used) provided by: | | |
| Interest-bearing deposits with banks | -- | (1.2) |
| Loans outstanding | (249.7) | (731.6) |
| Securities purchased under agreements to resell | 181.9 | 258.5 |
| Available-for-sale securities: | | |
| Sales | 166.6 | 468.9 |
| Maturities | 352.1 | 425.3 |
| Purchases | (37.0) | (813.2) |
| Maturities of held-to-maturity securities | -- | 20.8 |
| Proceeds from sales of other real estate | 13.8 | 18.9 |
| Net purchases of bank premises and equipment | (34.0) | (22.5) |
| Securitization of corporate charge card balances | -- | 418.1 |
| Cash and cash equivalents of acquired subsidiaries | -- | 4.5 |
| Acquisitions, net of cash received | -- | (23.3) |
| Other-net | (145.8) | (37.0) |
| ----- | | |
| Net cash provided (used) by investing activities | 247.9 | (13.8) |
| ----- | | |
| FINANCING ACTIVITIES | | |
| Net cash (used) provided by: | | |
| Deposits | (469.1) | (918.6) |
| Federal funds purchased and securities sold under agreements to repurchase | (255.4) | 274.9 |
| Short-term borrowings | (33.8) | (539.9) |
| Long-term debt transactions: | | |
| Proceeds | 687.3 | 1,161.6 |
| Principal payments | (522.6) | (319.3) |
| Proceeds from issuance of common stock | 37.3 | 26.2 |
| Repurchase of common stock | (1.2) | (147.5) |
| Cash dividends | (129.8) | (111.9) |
| ----- | | |
| Net cash used by financing activities | (687.3) | (574.5) |
| ----- | | |
| Change in cash and cash equivalents | 81.6 | 76.9 |
| Cash and cash equivalents at beginning of period | 4,801.0 | 4,908.1 |
| ----- | | |
| Cash and cash equivalents at end of period | \$4,882.6 | \$4,985.0 |
| ===== | | |

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE A BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations, and cash flow activity required under generally accepted accounting principles. In the opinion of management of the Company, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of results have been made and the Company believes such presentation is adequate to make the information presented not misleading. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997. Certain amounts in prior periods have been reclassified to conform to the current presentation.

NOTE B ACCOUNTING CHANGES

ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES -- Effective January 1, 1997, the Company adopted Statement of Financial Accounting Standards No. ("SFAS") 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," which establishes criteria, based on legal control, to determine whether a transfer of financial assets is considered a sale or secured borrowing. Effective January 1, 1998, and in accordance with SFAS 127 which amended SFAS 125, the Company adopted the provisions of SFAS 125 relating to securities lending, repurchase agreements and other secured financing transactions. The adoption of SFAS 125 did not have a material effect on the Company.

COMPREHENSIVE INCOME -- Effective January 1, 1998, the Company adopted SFAS 130, "Reporting Comprehensive Income," which establishes standards for the reporting and display of comprehensive income and its components in a full set of financial statements. The Statement requires that all items that are required to be recognized under accounting standards as components of comprehensive income be reported in a financial statement that is displayed as prominently as other financial statements. The Statement requires the classification of items of other comprehensive income by their nature in a financial statement and the display of other comprehensive income separately from retained earnings and capital surplus in the equity section of the balance sheet. All prior periods presented have been restated to conform to the provisions of this statement.

SEGMENT DISCLOSURE -- SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," requires the disclosure of financial and descriptive information about reportable operating segments. Operating segments are components of an enterprise about which financial information is available and is evaluated regularly in deciding how to allocate resources and assess performance. The Statement requires the disclosure of profit or loss, certain specific revenue and expense items, and assets of all operating segments, with reconciliations of amounts presented in the financial statements. The Statement also requires the disclosure of how the operating segments were determined, the products and services provided by the segments, differences between measurements used in reporting segment information and those used in the financial statements, and changes in the measurement of segment amounts from period to period. SFAS 131 is effective with the 1998 year-end financial statements, with comparative information for prior periods required.

PENSIONS AND OTHER POSTRETIREMENT BENEFITS DISCLOSURE -- SFAS 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits," standardizes the disclosure requirements for pensions and other postretirement benefits to the extent practicable. The Statement supersedes the disclosure requirements of: SFAS 87, "Employers' Accounting for Pensions;" SFAS 88, "Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits;" and, SFAS 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions." The Statement addresses disclosure only and not measurement or recognition. SFAS 132 is effective for the Company's 1998 year-end financial statements. All prior period disclosures will be restated to conform to the provisions of this statement.

INTERNAL USE COMPUTER SOFTWARE COSTS -- Effective January 1, 1998, the Company adopted Statement of Position ("SOP") 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." SOP 98-1 requires the capitalization of certain costs

incurred in connection with developing or obtaining software for internal use. Historically, the Company has expensed such costs as incurred. Restatement of previously issued annual financial statements or adoption by a cumulative catch-up adjustment is prohibited. The adoption of SOP 98-1 did not have a material effect on the Company.

NOTE C BUSINESS COMBINATIONS AND DIVESTITURES

U.S. BANCORP -- On August 1, 1997, First Bank System, Inc. ("FBS") issued 329.7 million common shares to acquire U.S. Bancorp ("USBC"). As of the acquisition date, the combined institution, now known as U.S. Bancorp, had approximately \$70 billion in assets, \$49 billion in deposits and served nearly four million households and 475,000 businesses in 17 contiguous states from Illinois to Washington. The Company exchanged 2.265 shares of its common stock for each share of USBC common stock. USBC's outstanding stock options also were converted into stock options for the Company's common stock. In addition, each outstanding share of USBC cumulative preferred stock was converted into one share of preferred stock of the combined company having substantially identical terms. The transaction was accounted for as a pooling-of-interests. Accordingly, the Company's financial statements have been restated for all periods prior to the acquisition to include the accounts and operations of USBC.

NORTHWEST BANCSHARES, INC. -- On March 13, 1998, the Company announced an agreement to acquire Northwest Bancshares, Inc., a privately held bank holding company headquartered in Vancouver, Washington, with 10 banking locations and \$344 million in deposits. The acquisition is pending regulatory approval and is expected to close in the third quarter of 1998.

PIPER JAFFRAY COMPANIES INC. -- On May 1, 1998, the Company completed its acquisition of Piper Jaffray Companies Inc. ("Piper Jaffray"), a full-service investment banking and securities brokerage firm. The acquisition allows the Company to offer investment banking and institutional and retail brokerage services through a new subsidiary to be known as U.S. Bancorp Piper Jaffray Inc. The acquisition of Piper Jaffray was accounted for under the purchase method of accounting, and accordingly, the purchase price of \$739 million (including \$721 million aggregate cash consideration for Piper Jaffray shares outstanding) was allocated to assets acquired and liabilities assumed based on their fair market values at the date of acquisition.

OTHER ACQUISITIONS -- Effective December 12, 1997, the Company completed its acquisition of the \$360 million Zappco, Inc., a bank holding company headquartered in St. Cloud, Minnesota. Effective April 30, 1997, USBC completed its acquisition of the \$214 million Business and Professional Bank of Sacramento, California. On January 31, 1997, the Company completed its acquisition of the bond indenture services and paying agency business of Comerica Incorporated. This business serves approximately 860 municipal and corporate clients with about 2,400 bond issues. Effective January 1, 1997, USBC completed its acquisition of the \$70 million Sun Capital Bancorp of St. George, Utah. These transactions were accounted for as purchase acquisitions.

NOTE D SECURITIES

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

| (Dollars in Millions) | March 31, 1998 | | December 31, 1997 | |
|---------------------------|----------------|------------|-------------------|------------|
| | Amortized Cost | Fair Value | Amortized Cost | Fair Value |
| U.S. Treasury | \$ 645 | \$ 646 | \$ 628 | \$ 628 |
| Mortgage-backed | 3,919 | 3,963 | 4,326 | 4,366 |
| Other U.S. agencies | 321 | 331 | 360 | 370 |
| State and political | 1,276 | 1,305 | 1,300 | 1,331 |
| Other | 98 | 106 | 175 | 190 |
| Total | \$6,259 | \$6,351 | \$6,789 | \$6,885 |

NOTE E LOANS

The composition of the loan portfolio was as follows:

| (Dollars in Millions) | March 31 1998 | December 31 1997 |
|--|------------------|---------------------|
| ===== | ===== | ===== |
| COMMERCIAL: | | |
| Commercial | \$23,949 | \$23,399 |
| Real estate: | | |
| Commercial mortgage | 8,174 | 8,025 |
| Construction | 2,446 | 2,359 |
| | ----- | ----- |
| Total commercial | 34,569 | 33,783 |
| | ----- | ----- |
| CONSUMER: | | |
| Residential mortgage | 4,213 | 4,480 |
| Residential mortgage held for sale | 220 | 193 |
| Home equity and second mortgage | 5,411 | 5,373 |
| Credit card | 3,889 | 4,200 |
| Automobile | 3,133 | 3,227 |
| Revolving credit | 1,544 | 1,567 |
| Installment | 1,211 | 1,199 |
| Student* | 779 | 686 |
| | ----- | ----- |
| Total consumer | 20,400 | 20,925 |
| | ----- | ----- |
| Total loans | \$54,969 | \$54,708 |
| ===== | ===== | ===== |

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

At March 31, 1998, the Company had \$223 million in loans considered impaired under SFAS 114 included in its nonaccrual loans. The carrying value of the impaired loans was less than or equal to the appraised collateral value or the present value of expected future cash flows and, accordingly, no allowance for credit losses was specifically allocated to impaired loans. For the quarter ended March 31, 1998, the average recorded investment in impaired loans was approximately \$231 million. No interest income was recognized on impaired loans during the quarter.

NOTE F LONG-TERM DEBT

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

| (Dollars in Millions) | March 31 1998 | December 31 1997 |
|---|------------------|---------------------|
| ===== | ===== | ===== |
| Fixed-rate subordinated notes (6.00% To 8.35%) -- maturities to June 2026 | \$ 2,150 | \$ 1,850 |
| Step-up subordinated notes -- due August 15, 2005 | 100 | 100 |
| Floating-rate notes -- due November 15, 1999 | 200 | 200 |
| Floating-rate notes -- due February 27, 2000 | 250 | 250 |
| Floating-rate subordinated notes -- due November 30, 2010 | 107 | 107 |
| Federal Home Loan Bank advances (5.05% To 9.11%) -- maturities to October 2026... | 1,279 | 1,392 |
| Medium-term notes (5.53% To 6.93%) -- maturities to July 2002 | 1,007 | 652 |
| Bank notes (5.56% To 6.38%) -- maturities to January 2003 | 5,232 | 5,602 |
| Other | 87 | 94 |
| | ----- | ----- |
| Total | \$10,412 | \$10,247 |
| ===== | ===== | ===== |

NOTE G EARNINGS PER SHARE

The components of earnings per share were:

| | Three Months Ended March 31 | |
|--|-----------------------------|-------------|
| | 1998 | 1997 |
| (Dollars in Millions, Except Per Share Data) | | |
| EARNINGS PER SHARE: | | |
| Net income | \$ 328.5 | \$ 293.3 |
| Preferred dividends | -- | (3.0) |
| Net income to common stockholders | \$ 328.5 | \$ 290.3 |
| Average shares outstanding | 738,708,228 | 735,232,950 |
| Earnings per share | \$.44 | \$.39 |
| DILUTED EARNINGS PER SHARE: | | |
| Net income | \$ 328.5 | \$ 293.3 |
| Preferred dividends, excluding 1991A Preferred Stock | -- | (3.0) |
| Net income to common stockholders | \$ 328.5 | \$ 290.3 |
| Average shares outstanding | 738,708,228 | 735,232,950 |
| 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 | 10,927,311 | 8,261,106 |
| Dilutive common shares outstanding | 749,635,539 | 743,494,056 |
| Diluted earnings per share | \$.44 | \$.39 |

NOTE H SHAREHOLDERS' EQUITY

On February 18, 1998, the Company's Board of Directors announced its intention to declare a three-for-one split of the Company's common stock and to increase the number of common and preferred shares which the Company has authority to issue from 500 million shares and 10 million shares, respectively, to 1.5 billion shares and 50 million shares, respectively. The increase in the number of authorized shares was subsequently approved by the shareholders on April 22, 1998. The stock split will be in the form of a 200 percent stock dividend payable May 18, 1998 to shareholders of record on May 4, 1998. The impact of the stock split has been reflected in the financial statements and all share and per share data included herein.

NOTE I MERGER, INTEGRATION AND RESIZING CHARGES

In the first quarter of 1998, the Company recorded merger, integration and resizing charges of \$46.5 million primarily related to conversion expenses associated with the acquisition of USBC. Conversion expenses are recorded as incurred and are associated with the conversion of customer accounts and similar expenses relating to the conversions and integration of acquired branches and operations. The following table presents a summary of activity with respect to the Company's merger, integration and resizing accrual:

| | Three Months Ended |
|--|--------------------|
| | March 31, 1998 |
| (Dollars in Millions) | |
| Balance at December 31, 1997 | \$ 204.6 |
| Provision charged to operating expense | 46.5 |
| Cash outlays | (96.4) |
| Noncash writedowns | (3.9) |
| Balance at March 31, 1998 | \$ 150.8 |

Additional merger-related expenses of approximately \$65.0 million, after tax, are expected to be incurred through the third quarter of 1998 related to the USBC acquisition.

NOTE J INCOME TAXES

The components of income tax expense were:

| (Dollars in Millions) | Three Months Ended | |
|---------------------------------------|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| ===== | | |
| FEDERAL: | | |
| Current tax | \$ 167.1 | \$ 137.5 |
| Deferred tax (credit) provision | (3.5) | 9.9 |
| | ----- | |
| Federal income tax | 163.6 | 147.4 |
| STATE: | | |
| Current tax | 20.0 | 22.4 |
| Deferred tax provision | 5.7 | 1.7 |
| | ----- | |
| State income tax | 25.7 | 24.1 |
| | ----- | |
| Total income tax provision | \$ 189.3 | \$ 171.5 |
| ===== | | |

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

| (Dollars in Millions) | Three Months Ended | |
|--|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| ===== | | |
| Tax at statutory rate (35%) | \$ 181.2 | \$ 162.7 |
| State income tax, at statutory rates, net of federal tax benefit | 16.7 | 15.7 |
| Tax effect of: | | |
| Tax-exempt interest: | | |
| Loans | (2.9) | (1.0) |
| Securities | (5.7) | (8.6) |
| Amortization of nondeductible goodwill | 6.7 | 7.0 |
| Tax credits and other items | (6.7) | (4.3) |
| | ----- | |
| Applicable income taxes | \$ 189.3 | \$ 171.5 |
| ===== | | |

The Company's net deferred tax asset was \$211.8 million at March 31, 1998, and \$108.2 million at December 31, 1997.

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

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

| (Dollars in Millions) | March 31 1998 | December 31 1997 |
|---|------------------|---------------------|
| Commitments to extend credit: | | |
| Commercial | \$ 23,643 | \$ 24,170 |
| Corporate and purchasing cards | 26,037 | 23,502 |
| Consumer credit cards | 14,764 | 14,236 |
| Other consumer | 4,858 | 4,661 |
| Letters of credit: | | |
| Standby | 2,868 | 2,773 |
| Commercial | 435 | 406 |
| Interest rate swap contracts: | | |
| Hedges | 6,024 | 5,315 |
| Intermediated | 824 | 855 |
| Options contracts: | | |
| Hedge interest rate floors purchased | 725 | 750 |
| Intermediated interest rate and foreign exchange caps and floors purchased .. | 285 | 258 |
| Intermediated interest rate and foreign exchange caps and floors written .. | 285 | 258 |
| Forward contracts | 166 | 175 |
| Mortgages sold with recourse | 70 | 74 |
| Foreign currency commitments: | | |
| Commitments to purchase | 820 | 716 |
| Commitments to sell | 821 | 735 |

The Company received fixed rate interest and paid floating rate interest on all swap hedges as of March 31, 1998. Activity for the three months ended March 31, 1998, with respect to interest rate swaps which the Company uses to hedge loans, deposits and long-term debt was as follows:

| | |
|---|----------|
| (Dollars in Millions) | |
| Notional amount outstanding at December 31, 1997..... | \$ 5,315 |
| Additions | 865 |
| Maturities | (156) |
| Notional amount outstanding at March 31, 1998 | \$ 6,024 |
| Weighted average interest rates paid | 5.68% |
| Weighted average interest rates received | 6.33% |

LIBOR-based interest rate floors totaling \$525 million with an average remaining maturity of 3 months at March 31, 1998, and \$550 million with an average remaining maturity of 5 months at December 31, 1997, hedged floating rate commercial loans. The strike rate on these LIBOR- based floors ranged from 3.25 percent to 4.00 percent at March 31, 1998 and December 31, 1997. Constant Maturity Treasury ("CMT") interest rate floors totaling \$200 million with an average remaining maturity of 9 months at March 31, 1998, and 12 months at December 31, 1997, hedged the prepayment risk of fixed rate residential mortgage loans. The strike rate on these CMT floors was 5.60 percent at March 31, 1998 and December 31, 1997.

Net unamortized deferred gains relating to swaps, options and futures were immaterial at March 31, 1998.

NOTE L SUPPLEMENTAL DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEET -- Time certificates of deposit in denominations of \$100,000 or more totaled \$3,293 million and \$3,284 million at March 31, 1998, and December 31, 1997, respectively.

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

| (Dollars in Millions) | Three Months Ended | |
|---|--------------------|------------------|
| | March 31 1998 | March 31 1997 |
| ===== | | |
| Income taxes (recovered) paid | \$ (52.4) | \$ 30.6 |
| Interest paid | 540.1 | 540.0 |
| Net noncash transfers to foreclosed property | 5.6 | 14.3 |
| Change in unrealized gain on available-for-sale securities, net of taxes of \$1.3 in 1998 and \$31.1 in 1997 | (2.1) | (54.1) |
| ===== | | |
| Cash acquisitions of businesses: | | |
| Fair value of noncash assets acquired | \$ -- | \$ 23.3 |
| Liabilities assumed | -- | -- |
| ----- | | |
| Net | \$ -- | \$ 23.3 |
| ===== | | |
| Stock acquisitions of businesses: | | |
| Fair value of noncash assets acquired | \$ -- | \$ 77.2 |
| Net cash acquired | -- | 4.5 |
| Liabilities assumed | -- | (66.9) |
| ----- | | |
| Net value of common stock issued | \$ -- | \$ 14.8 |
| ===== | | |

CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

| For The Three Months Ended March 31 | | | | | |
|--|----------|----------|------------------------|----------|----------|
| 1998 | | | 1997 | | |
| ===== | | | | | |
| (Dollars in Millions) (Unaudited) | Balance | Interest | Yields and Rates | Balance | Interest |
| ----- | | | | | |
| ASSETS | | | | | |
| Securities: | | | | | |
| U.S. Treasury | \$ 632 | \$ 9.2 | 5.90% | \$ 910 | \$ 13.1 |
| Mortgage-backed | 4,112 | 69.7 | 6.87 | 4,196 | 72.0 |
| State and political | 1,284 | 25.2 | 7.96 | 574 | 11.2 |
| U.S. agencies and other | 456 | 6.4 | 5.69 | 717 | 11.3 |
| | ----- | | | | |
| Total available-for-sale securities | 6,484 | 110.5 | 6.91 | 6,397 | 107.6 |
| Unrealized gain (loss) on available-for-sale securities | 97 | | | (12) | |
| | ----- | | | | |
| Net available-for-sale securities | 6,581 | | | 6,385 | |
| Held-to-maturity securities | -- | -- | -- | 784 | 15.1 |
| Trading account securities | 149 | 1.8 | 4.90 | 170 | 2.4 |
| Federal funds sold and resale agreements | 719 | 9.7 | 5.47 | 602 | 8.1 |
| Loans: | | | | | |
| Commercial: | | | | | |
| Commercial | 23,491 | 468.5 | 8.09 | 21,565 | 432.8 |
| Real estate: | | | | | |
| Commercial mortgage | 8,173 | 181.0 | 8.98 | 8,016 | 177.4 |
| Construction | 2,405 | 56.5 | 9.53 | 2,147 | 50.7 |
| | ----- | | | | |
| Total commercial | 34,069 | 706.0 | 8.40 | 31,728 | 660.9 |
| Consumer: | | | | | |
| Residential mortgage | 4,363 | 86.8 | 8.07 | 5,130 | 100.5 |
| Residential mortgage held for sale | 183 | 3.1 | 6.87 | 148 | 2.7 |
| Home equity and second mortgage | 5,385 | 128.6 | 9.69 | 4,843 | 114.4 |
| Credit card | 3,982 | 125.4 | 12.77 | 3,528 | 110.8 |
| Other | 6,675 | 158.7 | 9.64 | 7,061 | 170.0 |
| | ----- | | | | |
| Total consumer | 20,588 | 502.6 | 9.90 | 20,710 | 498.4 |
| | ----- | | | | |
| Total loans | 54,657 | 1,208.6 | 8.97 | 52,438 | 1,159.3 |
| Allowance for credit losses | 1,014 | | | 991 | |
| | ----- | | | | |
| Net loans | 53,643 | | | 51,447 | |
| Other earning assets | 563 | 7.6 | 5.47 | 495 | 6.6 |
| | ----- | | | | |
| Total earning assets* | 62,572 | 1,338.2 | 8.67 | 60,886 | 1,299.1 |
| Cash and due from banks | 3,809 | | | 3,659 | |
| Other assets | 4,357 | | | 4,348 | |
| | ----- | | | | |
| Total assets | \$69,821 | | | \$67,890 | |
| | ===== | | | | |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | | | |
| Noninterest-bearing deposits | \$12,954 | | | \$12,169 | |
| Interest-bearing deposits: | | | | | |
| Interest checking | 5,766 | 24.8 | 1.74 | 5,649 | 22.4 |
| Money market accounts | 10,695 | 104.3 | 3.96 | 10,470 | 97.6 |
| Other savings accounts | 2,603 | 13.6 | 2.12 | 2,933 | 16.0 |
| Savings certificates | 11,982 | 163.4 | 5.53 | 12,345 | 164.6 |
| Certificates over \$100,000 | 3,287 | 49.0 | 6.05 | 3,594 | 51.2 |
| | ----- | | | | |
| Total interest-bearing deposits | 34,333 | 355.1 | 4.19 | 34,991 | 351.8 |
| Short-term borrowings | 3,203 | 46.4 | 5.88 | 6,456 | 84.8 |
| Long-term debt | 10,534 | 156.4 | 6.02 | 5,751 | 88.3 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company | 600 | 12.3 | 8.18 | 600 | 12.3 |
| | ----- | | | | |
| Total interest-bearing liabilities | 48,670 | 570.2 | 4.75 | 47,798 | 537.2 |
| Other liabilities | 2,161 | | | 2,158 | |
| Preferred equity | -- | | | 150 | |
| Common equity | 5,976 | | | 5,616 | |
| Accumulated other comprehensive income (loss) | 60 | | | (1) | |
| | ----- | | | | |
| Total liabilities and shareholders' equity | \$69,821 | | | \$67,890 | |
| | ===== | | | | |
| Net interest income | | \$ 768.0 | | | \$ 761.9 |
| | | ===== | | | ===== |
| Gross interest margin | | | 3.92% | | |
| | | | ===== | | |
| Gross interest margin without taxable-equivalent increments | | | 3.84% | | |
| | | | ===== | | |
| Net interest margin | | | 4.98% | | |
| | | | ===== | | |
| Net interest margin without taxable-equivalent increments | | | 4.89% | | |
| | | | ===== | | |

| | For The Three Months Ended March 31 1997 | |
|--|---|--------------------------------|
| (Dollars in Millions) (Unaudited) | Yields And Rates | % Change Average Balance |
| ===== | | |
| ASSETS | | |
| Securities: | | |
| U.S. Treasury | 5.84% | (30.5)% |
| Mortgage-backed | 6.96 | (2.0) |
| State and political | 7.91 | ** |
| U.S. agencies and other | 6.39 | (36.4) |
| Total available-for-sale securities | 6.82 | 1.4 |
| Unrealized gain (loss) on available-for-sale securities | | ** |
| Net available-for-sale securities | | 3.1 |
| Held-to-maturity securities | 7.81 | ** |
| Trading account securities | 5.73 | (12.4) |
| Federal funds sold and resale agreements | 5.46 | 19.4 |
| Loans: | | |
| Commercial: | | |
| Commercial | 8.14 | 8.9 |
| Real estate: | | |
| Commercial mortgage | 8.98 | 2.0 |
| Construction | 9.58 | 12.0 |
| Total commercial | 8.45 | 7.4 |
| Consumer: | | |
| Residential mortgage | 7.95 | (15.0) |
| Residential mortgage held for sale | 7.40 | 23.6 |
| Home equity and second mortgage | 9.58 | 11.2 |
| Credit card | 12.74 | 12.9 |
| Other | 9.76 | (5.5) |
| Total consumer | 9.76 | (0.6) |
| Total loans | 8.97 | 4.2 |
| Allowance for credit losses | | 2.3 |
| Net loans | | 4.3 |
| Other earning assets | 5.41 | 13.7 |
| Total earning assets* | 8.65 | 2.8 |
| Cash and due from banks | | 4.1 |
| Other assets | | 0.2 |
| Total assets | | 2.8% |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Noninterest-bearing deposits | | 6.5% |
| Interest-bearing deposits: | | |
| Interest checking | 1.61 | 2.1 |
| Money market accounts | 3.78 | 2.1 |
| Other savings accounts | 2.21 | (11.3) |
| Savings certificates | 5.41 | (2.9) |
| Certificates over \$100,000 | 5.78 | (8.5) |
| Total interest-bearing deposits | 4.08 | (1.9) |
| Short-term borrowings | 5.33 | (50.4) |
| Long-term debt | 6.23 | 83.2 |
| Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company | 8.18 | ** |
| Total interest-bearing liabilities | 4.56 | 1.8 |
| Other liabilities | | .1 |
| Preferred equity | | ** |
| Common equity | | 6.4 |
| Accumulated other comprehensive income (loss) | | ** |
| Total liabilities and shareholders' equity | | 2.8% |
| ===== | | |
| Net interest income | | |
| Gross interest margin | 4.09% | |
| ===== | | |
| Gross interest margin without taxable-equivalent increments | 3.99% | |
| ===== | | |
| Net interest margin | 5.07% | |
| ===== | | |
| Net interest margin without taxable- equivalent increments | 4.98% | |
| ===== | | |

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

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

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

**NOT MEANINGFUL

PART II -- OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES -- On May 4, 1998, the Company's Certificate of Incorporation was amended to increase the authorized capital stock of the Company to 1,550,000,000 shares, consisting of 50,000,000 shares of Preferred Stock and 1,500,000,000 shares of Common Stock, as described in Item 4 below, in connection with the Company's three-for-one stock split. The Company also amended its bylaws in certain respects, effective February 18, 1998, in connection with the stock split.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS -- The 1998 Annual Meeting of Shareholders of U.S. Bancorp was held on Wednesday, April 22, 1998, at the Minneapolis Convention Center. John F. Grundhofer, President and Chief Executive Officer, presided.

The holders of 209,955,797 shares (before giving effect to the stock split) of common stock, 84.9 percent of the 247,339,682 outstanding shares entitled to vote as of the record date, were represented at the meeting in person or by proxy. The candidates for election as Class III Directors listed in the proxy statement were elected to serve three-year terms expiring at the 2001 annual shareholders' meeting. The proposal to ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the year ending December 31, 1998, was approved. The proposal to amend the Company's Restated Certificate of Incorporation to increase the authorized capital stock of the Company to 1,550,000,000 shares, consisting of 50,000,000 shares of Preferred Stock and 1,500,000,000 shares of Common Stock, was approved. The shareholder proposal for the annual election of all Directors and the elimination of the Company's classified Board of Directors, was not approved.

SUMMARY OF MATTERS VOTED UPON BY SHAREHOLDERS

| | Number of Shares | | | |
|--|------------------|-------------|-----------|------------|
| | For | Withheld | | |
| ----- | | | | |
| Election of Class III Directors: | | | | |
| Carolyn Silva Chambers | 207,333,106 | 2,622,691 | | |
| Arthur D. Collins, Jr. | 207,359,260 | 2,596,537 | | |
| John F. Grundhofer | 207,315,627 | 2,640,170 | | |
| Delbert W. Johnson | 207,432,326 | 2,523,471 | | |
| Jerry W. Levin | 207,323,441 | 2,632,356 | | |
| | ----- | | | |
| | For | Against | Abstain | Non-vote |
| ----- | | | | |
| Other matters: | | | | |
| Ratification of appointment of Ernst & Young LLP as independent auditors | 208,015,699 | 812,214 | 1,127,884 | 0 |
| Amendment to restated certificate of incorporation | 169,698,996 | 18,014,345 | 1,707,570 | 20,534,886 |
| Proposal for the annual election of all directors | 73,393,122 | 110,710,581 | 5,317,208 | 20,534,886 |

For a copy of the meeting minutes, please write to the Office of the Secretary, U.S. Bancorp, P.O. Box 522, Minneapolis, Minnesota 55480.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

- 3.1 Restated Certificate of Incorporation, as amended.
- 3.2 Bylaws, as amended.
- 10.1 U.S. Bancorp Executive Deferral Plan, as amended.
- 10.2 U.S. Bancorp Nonqualified Supplemental Executive Retirement Plan, as amended.
- 10.3 U.S. Bancorp Special Executive Deferral Plan, as amended.
- 10.4 U.S. Bancorp Independent Director Retirement and Death Benefit Plan, as amended.
- 10.5 U.S. Bancorp Deferred Compensation Plan for Directors, as amended.
- 10.6 Form of Change-in-Control Agreement between U.S. Bancorp and certain officers of the Company, as amended.
- 12 Computation of Ratio of Earnings to Fixed Charges.
- 27 Article 9 Financial Data Schedule.*

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

(b) REPORTS ON FORM 8-K

During the three months ended March 31, 1998, the Company filed the following Current Reports on Form 8-K.

Form 8-K dated January 15, 1998, relating to the announcement of the Company's fourth quarter and full year 1997 earnings.

Form 8-K dated March 30, 1998, relating to the Company entering into distribution agreements with Morgan Stanley & Co. Incorporated, Piper Jaffray Inc., Dain Rauscher Incorporated, Donaldson, Lufkin & Jenrette Securities Corporation, Goldman Sachs & Co., Lehman Brothers, Merrill Lynch & Co. and J.P. Morgan Securities Inc. for the public offering of Medium-Term Notes.

SIGNATURE

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

U.S BANCORP

/S/ SUSAN E. LESTER

By: -----

Susan E. Lester
Executive Vice President and Chief
Financial Officer
(Principal Financial Officer and Duly
Authorized Officer)

DATE: May 13, 1998

[LOGO] US BANCORP

P.O. Box 522
Minneapolis, Minnesota
55480

<http://www.usbank.com>

SHAREHOLDER INQUIRIES

COMMON STOCK TRANSFER AGENT AND REGISTRAR

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

First Chicago Trust Company of New York, P.O. Box 2500, Jersey City,
New Jersey 07303-2500.

Telephone: (201) 324-0498
Fax: (201) 222-4892
Internet Address: <http://www.fctc.com>
E-mail address: fctc@em.fcncb.com

COMMON STOCK LISTING AND TRADING

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

DIVIDENDS

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

DIVIDEND REINVESTMENT PLAN

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

INVESTMENT COMMUNITY CONTACTS

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

Judith T. Murphy
Vice President, Investor Relations
(612) 973-2264

FINANCIAL INFORMATION

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

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

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

Investor and Corporate Relations
(612) 973-2263
U.S. Bancorp
601 Second Avenue South, MPFP1703
Minneapolis, Minnesota 55402-4302

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

RESTATED
 CERTIFICATE OF INCORPORATION
 OF
 U.S. BANCORP

FIRST: The name of this corporation is U.S. Bancorp.

SECOND: The registered office of the corporation in the State of Delaware is to be located at 1209 Orange Street in the City of Wilmington, County of New Castle. The name of the registered agent at such address is The Corporation Trust Company.

THIRD: The purpose of the corporation is to engage in any part of the world in any capacity in any lawful act or activity for which corporations may be organized under the General Corporation Law of Delaware, and the corporation shall be authorized to exercise and enjoy all powers, rights and privileges which corporations organized under the General Corporation Law of Delaware may have under the laws of the State of Delaware as in force from time to time, including without limitation all powers, rights and privileges necessary or convenient to carry out all those acts and activities in which it may lawfully engage.

FOURTH: The total number of shares of all classes of stock which the corporation shall have the authority to issue is 510,000,000, consisting of 10,000,000 shares of Preferred Stock of the par value of \$1.00 each and 500,000,000 shares of Common Stock of the par value of \$1.25 each.

The designations and the powers, preferences and rights, and the qualifications, limitations or restrictions thereof, of each class of stock are as follows:

The Board of Directors is expressly authorized at any time, and from time to time, to provide for the issuance of shares of preferred stock in one or more series, with such voting powers, full or limited, or without voting powers and with such designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof, as shall be stated and expressed in the resolution or resolutions providing for the issue thereof adopted by the board of directors, subject to the limitations prescribed by law and in accordance with the provisions hereof, including (but without limiting the generality thereof) the following:

(a) The designation of the series and the number of shares to constitute the series.

(b) The dividend rate of the series, the conditions and dates upon which such dividends shall be payable, the relation which such dividends shall bear to the dividends payable on any other class or classes of stock, and whether such dividends shall be cumulative or noncumulative.

(c) Whether the shares of the series shall be subject to redemption by the corporation and, if made subject to such redemption, the times, prices and other terms and conditions of such redemption.

(d) The terms and amount of any sinking fund provided for the purchase or redemption of the shares of the series.

(e) Whether or not the shares of the series shall be convertible into or exchangeable for shares of any other class or classes or of any other series of any class or classes of stock of the corporation, and, if provision be made for conversion or exchange, the times, prices, rates, adjustments and other terms and conditions of such conversion or exchange.

(f) The extent, if any, to which the holders of the shares of the series shall be entitled to vote with respect to the election of directors or otherwise.

(g) The restrictions, if any on the issue or reissue of any additional preferred stock.

(h) The rights of the holders of the shares of the series upon the dissolution, liquidation, or winding up of the corporation.

Subject to the prior or equal rights, if any, of the preferred stock of any and all series stated and expressed by the board of directors in the resolution or resolutions providing for the issuance of such preferred stock, the holders of common stock shall be entitled (i) to receive dividends when and as declared by the board of directors out of any funds legally available therefore, (ii) in the event of any dissolution, liquidation or winding up of the corporation, to receive the remaining assets of the corporation, ratably according to the number of shares of common stock held, and (iii) to one vote for each share of common stock held. No holder of common stock shall have any preemptive right to purchase or subscribe for any part of any issue of stock or of securities of the corporation convertible into stock of any class whatsoever, whether now or hereafter authorized.

Pursuant to the authority conferred by this Article FOURTH, the following series of Preferred Stock have been designated, each such series consisting of such number of shares, with such voting powers and with such

designations, preferences and relative, participating, optional or other special rights, and qualifications, limitations or restrictions thereof as are stated and expressed in the exhibit with respect to such series attached hereto as specified below and incorporated herein by reference:

Exhibit A Adjustable Rate Cumulative Preferred Stock, Series 1990A

Exhibit B 8 1/8% Cumulative Preferred Stock, Series A

FIFTH: In furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized:

(a) To fix, determine and vary from time to time the amount to be maintained as surplus and the amount or amounts to be set apart as working capital.

(b) To adopt, amend, alter or repeal by-laws of the corporation, without any action on the part of the shareholders. The by-laws adopted by the directors may be amended, altered, changed, added to or repealed by the shareholders.

(c) To authorize and cause to be executed mortgages and liens, without limit as to amount, upon the real and personal property of this corporation.

(d) To sell, assign, convey or otherwise dispose of a part of the property, assets and effects of this corporation, less than the whole, or less than substantially the whole thereof, on such terms and conditions as they shall deem advisable, without the assent of the shareholders; and also to sell, assign, transfer, convey and otherwise dispose of the whole or substantially the whole of the property, assets, effects, franchises and good will of this corporation on such terms and conditions as they shall deem advisable, but only pursuant to the affirmative vote of the holders of a majority in amount of the stock then having voting power and at the time issued and outstanding, but in any event not less than the amount required by law.

(e) All of the powers of this corporation, insofar as the same lawfully may be vested by this certificate in the board of directors, are hereby conferred upon the board of directors of this corporation.

SIXTH: The affairs of the Corporation shall be conducted by a Board of Directors. Except as otherwise provided by this Article Sixth, the number of directors, not less than twelve (12) nor more than thirty (30), shall be fixed from time to time by the Bylaws. Commencing with the annual election of directors by the stockholders in 1986, the directors shall be divided into three classes: Class I, Class II and Class III, each such class, as nearly as possible, to have the same number of directors. Such classified directors may be removed by vote of the stockholders only for cause. The term of office of the initial Class I directors shall expire at the annual election of directors by the stockholders in 1987, the term of office of the initial Class II directors shall expire at the annual election of directors by the stockholders in 1988, and the term of office of the initial Class III directors shall expire at the annual election of directors by the stockholders in 1989. At each annual election of directors by the stockholders held after 1985, the directors chosen to succeed those whose terms have then expired shall be identified as being of the same class as the directors they succeed and shall be elected by the stockholders for a term expiring at the third succeeding annual election of directors. In all cases, directors shall hold office until their respective successors are elected by the stockholders and have qualified.

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

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

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

Notwithstanding any other provisions of this Amended Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding that a lesser percentage may be specified by law), the provisions of this Article Sixth may not be amended or repealed (except an amendment hereto to reduce the maximum number of directors of the Corporation to not less than the greater of (A) the number of directors then in office and (B) twenty-four (24)) unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of all of the outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, considered for purposes of this Article Sixth as a single class.

SEVENTH: No action required to be taken or which may be taken at any annual meeting or special meeting of stockholders may be taken without a meeting, and the power of stockholders to consent in writing, without a meeting, to the taking of any action is specifically denied.

EIGHTH: (a) In addition to the requirements of the provision of any series of preferred stock which may be outstanding, and whether or not a vote of the stockholders

is otherwise required, the affirmative vote of the holders of not less than eighty percent (80%) of the voting power of the Voting Stock shall be required for the approval or authorization of any Business Transaction with a Related Person, or any Business Transaction in which a Related Person has an interest (other than only a proportionate interest as a stockholder of the Corporation); provided, however, that the eighty percent (80%) voting requirement shall not be applicable if (i) the Business Transaction is Duly Approved by the Continuing Directors, or (ii) all of the following conditions are satisfied:

(A) the Business Transaction is a merger or consolidation or sale of substantially all of the assets of the corporation, and the aggregate amount of cash and the fair market value of the property, securities or other consideration to be received per share (on the date of effectiveness of such merger or consolidation or on the date of distribution to stockholders of the Corporation of the proceeds from such sale of assets) by holders of common stock of the corporation (other than such Related Person) in connection with such Business Transaction is at least equal in value to such Related Person's Highest Common Stock Purchase Price;

(B) after such Related Person has become the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock and prior to the consummation of such Business Transaction, such Related Person shall not have become the Beneficial Owner of any additional shares of Voting Stock or securities convertible into Voting Stock, except (i) as a part of the transaction which resulted in such Related Person becoming the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock, or (ii) as a result of a pro rata stock dividend or stock split; and

(C) prior to the consummation of such Business Transaction, such Related Person shall not have, directly or indirectly, (i) received the benefit (other than only a proportionate benefit as a stockholder of the Corporation) of any loans, advances, guarantees, pledges or other financial assistance or tax credits provided by the corporation or any of its subsidiaries, (ii) caused any material change in the corporation's business or equity capital structure, including, without limitation, the issuance of shares of capital stock of the corporation or (iii) except as Duly Approved by the Continuing Directors, caused the corporation to fail to declare and pay quarterly cash dividends on the outstanding common stock on a per share basis at least equal to the cash dividends being paid thereon by the corporation immediately prior to the date on which the Related Person became a Related Person.

(b) For the purpose of this Article Eighth:

(i) The term "Business Transaction" shall mean (a) any merger or consolidation involving the corporation or a subsidiary of the corporation, (b) any sale, lease, exchange, transfer or other disposition (in one transaction or a series of related transactions), including, without limitation, a mortgage or any other security device, of all or any Substantial Part of the assets either of the corporation or of a subsidiary of the corporation, (c) any sale, lease, exchange, transfer or other disposition (in one transaction

or a series of related transactions) of all or any Substantial Part of the assets of an entity to the corporation or a subsidiary of the corporation, (d) the issuance, sale, exchange, transfer or other disposition (in one transaction or a series of related transactions) by the corporation or a subsidiary of the corporation of any securities of the corporation or any subsidiary of the corporation having an aggregate fair market value of \$100 million or more, (e) any recapitalization or reclassification of the securities of the Corporation (including, without limitation, any reverse stock split) or other transaction that would have the effect of increasing the voting power of a Related Person or reducing the number of shares of each class of Voting Securities outstanding, (f) any liquidation, spinoff, splitoff, splitup or dissolution of the corporation, and (g) any agreement, contract or other arrangement providing for any of the transactions described in this definition of Business Transaction.

(ii) The term "Related Persons" shall mean and include (a) any individual, corporation, partnership, group, association or other person or entity which, together with its Affiliates and Associates, is the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock or was the Beneficial Owner of not less than ten percent (10%) of the voting power of the Voting Stock (x) at the time the definitive agreement providing for the Business Transaction (including any amendment thereof) was entered into, (y) at the time a resolution approving the Business Transaction was adopted by the Board of Directors of the Corporation or (z) as of the record date for the determination of stockholders entitled to notice of and vote on, or consent to, the Business Transaction, and (b) any Affiliate or Associate of any such individual, corporation, partnership, group, association or other person or entity; provided, however, and notwithstanding anything in the foregoing to the contrary, the term "Related Person" shall not include the corporation, a wholly-owned subsidiary of the corporation, any employee stock ownership or other employee benefit plan of the corporation or any wholly-owned subsidiary of the corporation, or any trustee of, or fiduciary with respect to, any such plan when acting in such capacity.

(iii) The term "Beneficial Owner" shall be defined by reference to Rule 13d-3 under the Securities Exchange Act of 1934, as in effect on January 16, 1986; provided, however, that any individual, corporation, partnership, group, association or other person or entity which has the right to acquire any Voting Stock at any time in the future, whether such right is contingent or absolute, pursuant to any agreement, arrangement or understanding or upon exercise of conversion rights, warrants or options, or otherwise, shall be deemed the Beneficial Owner of Voting Stock.

(iv) The term "Highest Common Stock Purchase Price" shall mean the highest amount of consideration paid by such Related Person for a share of Common Stock of the Corporation (including any brokerage commissions, transfer taxes and soliciting dealers' fees) in the transaction which resulted in such Related Person becoming a Related Person or within one year prior to the date such Related Person became a Related Person, whichever is higher; provided, however, that the Highest Common Stock Purchase Price shall be appropriately adjusted to reflect the occurrence of any reclassification,

recapitalization, stock split, reverse stock split or other similar corporate readjustment in the number of outstanding shares of common stock of the corporation between the last date upon which such Related Person paid the Highest Common Stock Purchase Price to the effective date of the merger or consolidation or the date of distribution to stockholders of the corporation of the proceeds from the sale of substantially all of the assets of the corporation referred to in subparagraph (A) of Section 1 of this Article Eighth.

(v) The term "Substantial Part" shall mean more than twenty percent (20%) of the fair market value of the total assets of the entity in question, as reflected on the most recent consolidated balance sheet of such entity existing at the time the stockholders of the corporation would be required to approve or authorize the Business Transaction involving the assets constituting any such Substantial Part.

(vi) In the event of a merger in which the corporation is the surviving corporation, for the purpose of subparagraph (A) of Section 1 of this Article Eighth, the phrase "property, securities or other consideration to be received" shall include, without limitation, Common Stock of the Corporation retained by its stockholders (other than such Related Person).

(vii) The term "Voting Stock" shall mean all outstanding shares of capital stock of the corporation entitled to vote generally in the election of directors, considered for the purpose of this Article Eighth as one class.

(viii) The term "Preferred Stock" shall mean each class or series of capital stock which may from time to time be authorized in or by Article Fourth of the Amended and Restated Certificate of Incorporation which is not designated as "Common Stock".

(ix) The term "Continuing Director" shall mean a director who either was a member of the Board of Directors of the corporation on April 24, 1986 or who became a director of the corporation subsequent to such date and whose election, or nomination for election by the corporation's stockholders, was Duly Approved by the Continuing Directors then on the Board either by a specific vote or by approval of the proxy statement issued by the corporation on behalf of the Board of Directors in which such person is named as nominee for director, without due objection to such nomination; provided, however, that in no event shall a director be considered a "Continuing Director" if such director is a Related Person and the Business Transaction to be voted upon is with such Related Person or is one in which such Related Person has an interest (other than only a proportionate interest as a stockholder of the corporation).

(x) The term "Duly Approved by the Continuing Directors" shall mean an action approved by the vote of at least a majority of the Continuing Directors then on the Board, except, if the votes of such Continuing Directors in favor of such action would be insufficient to constitute an act of the Board of Directors (if a vote by the entire Board of Directors were to have been taken), then such term shall mean an action approved by the

unanimous vote of the Continuing Directors so long as there are at least three Continuing Directors on the Board at the time of such unanimous vote.

(xi) The term "Affiliate", used to indicate a relationship to a specified person, shall mean a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such specified person.

(xii) The term "Associate", used to indicate a relationship with a specified person, shall mean (A) any Corporation, partnership or other organization of which such specified person is an officer or partner (B) any trust or other estate in which such specified person has a substantial beneficial interest or as to which such specified person serves as trustee or in a similar fiduciary capacity, (C) any relative or spouse of such specified person, or any relative of such spouse, who has the same home as such specified person or who is a director or officer of the Corporation or any of its subsidiaries, and (D) any person who is a director, officer or partner of such specified person or of any corporation (other than the corporation or any wholly-owned subsidiary of the corporation), partnership or other entity which is an Affiliate of such specified person.

(c) For the purpose of this Article Eighth, so long as Continuing Directors constitute at least two-thirds of the entire Board of Directors, the Board of Directors shall have the power to make a good faith determination, on the basis of information known to them, of: (i) the number of shares of Voting Stock of which any person is the Beneficial Owner, (ii) whether a person is a Related Person or is an Affiliate or Associate of another, (iii) whether a person has an agreement, arrangement or understanding with another as to the matters referred to in the definition of Beneficial Owner herein, (iv) whether the assets subject to any Business Transaction constitute a Substantial Part, (v) whether any Business Transaction is with a Related Person or is one in which a Related Person has an interest (other than only a proportionate interest as a stockholder of the corporation), (vi) whether a Related Person has, directly or indirectly, received the benefits or caused any of the changes referred to in subparagraph (C) of Section 1 of this Article Eighth, and (vii) such other matters with respect to which a determination is required under this Article Eighth; and such determination by the Board of Directors shall be conclusive and binding for all purposes of this Article Eighth.

(d) Nothing contained in this Article Eighth shall be construed to relieve any Related Person of any fiduciary obligation imposed by law.

(e) The fact that any Business Transaction complies with the provisions of Section 1 of this Article Eighth shall not be construed to impose any fiduciary duty, obligation or responsibility on the Board of Directors, or any member thereof, to approve such Business Transaction or recommend its adoption or approval to the stockholders of the corporation.

(f) Notwithstanding any other provisions of this Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation (and notwithstanding that a

lesser percentage may be specified by law), the provisions of this Article Eighth may not be repealed or amended in any respect, unless such action is approved by the affirmative vote of the holders of not less than eighty percent (80%) of the Voting Stock.

NINTH: No director of the corporation shall be personally liable to the corporation or its stockholders for monetary damages for breach of fiduciary duty by such director as a director; provided, however, that this Article Ninth shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under section 174 of the General Corporation Law of the State of Delaware, or (iv) for any transaction from which the director derived an improper personal benefit. No amendment to or repeal of this Article Ninth shall apply to or have any effect on the liability or alleged liability of any director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

U.S. Bancorp

Adjustable Rate Cumulative Preferred Stock, Series 1990A

(a) Designation. The designation of the series of Preferred Stock created by this resolution shall be "Adjustable Rate Cumulative Preferred Stock, Series 1990A" (hereinafter referred to as this "Series") and the number of shares constituting this Series shall be twelve thousand seven hundred fifty (12,750). The number of authorized shares of this Series may be increased or reduced by further resolution duly adopted by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and by the filing of a certificate pursuant to the provisions of the General Corporation Law of the State of Delaware stating that such reduction or increase, as the case may be, has been so authorized.

(b) Dividends. (1) Dividend periods ("Dividend Periods") shall commence on January 1, April 1, July 1, and October 1 in each year and shall end on and include the day next preceding the first day of the next Dividend Period. Such dividends shall be cumulative from the date of original issue of shares of this Series and shall be payable, when and as declared by the Board of Directors or by any duly authorized committee of the Board of Directors of the Corporation, on March 31, June 30, September 30 and December 31 of each year, commencing [insert first dividend payment date]. Each such dividend shall be paid to the holders of record of shares of this Series as they appear on the stock register of the Corporation on such record date, not exceeding 30 days preceding the payment date thereof, as shall be fixed by the Board of Directors of the Corporation or by any duly authorized committee of the Board of Directors of the Corporation. Dividends on account of arrears for any past Dividend Periods may be declared and paid at any time, without reference to any regular dividend payment date, to holders of record on such date, not exceeding 45 days preceding the payment date thereof, as may be fixed by the Board of Directors of the Corporation or by any duly authorized committee of the Board of Directors of the Corporation.

(2) No full dividends shall be declared or paid or set apart for payment on the Preferred Stock of any series ranking, as to dividends, on a parity with or junior to this Series for any period unless full cumulative dividends have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set apart for such payment on the shares of this Series for all dividend payment periods terminating on or prior to the date of payment of such full cumulative dividends. When dividends are not paid in full, as aforesaid, upon the shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series, all dividends declared upon shares of this Series and any other Preferred Stock ranking on a parity as to dividends with this Series shall be declared pro rata so that the amount of dividends declared per share on this Series and such other Preferred Stock shall in all cases bear to each other the same ratio that accrued dividends per share on the shares of this Series and such other Preferred Stock bear to each other. Except as provided in the

preceding sentence, unless full cumulative dividends on all outstanding shares of this Series shall have been paid or declared and set aside for payment for the then-current dividend payment period and all past dividend payment periods, no dividends (other than a dividend in the Common Stock, par value \$1.25 per share, of the Corporation (the "Common Stock"), or another stock ranking junior to this Series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or other distribution declared or made upon the Common Stock or upon any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation, nor shall any Common Stock or any other stock of the Corporation ranking junior to or on a parity with this Series as to dividends or upon liquidation be redeemed, purchased or otherwise acquired for any consideration (or any moneys be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to this Series as to dividends and upon liquidation). Holders of shares of this Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of full cumulative dividends, as herein provided, on this Series. No interest, or sum of money in lieu of interest, shall be payable in respect of any dividend payment or payments which may be in arrears.

(3) Dividends payable on this Series for each full Dividend Period shall be computed by dividing the dividend rate for such Dividend Period (stated on an annualized basis) by four (4) and applying such rate against the liquidation preference per share of this Series. Dividends payable on this Series for any period less than a full Dividend Period, including the Initial Dividend Period (as defined in Section (c) below), shall be computed on the basis of 30-day months, a 360-day year, and the actual number of days elapsed in the period.

(c) Dividend Rate. (1) The dividend rate on the shares of this Series shall be: (i) for the period (the "Initial Dividend Period") from the date of original issue thereof to and including [insert first dividend payment date], [insert rate for Initial Dividend Period]% per annum of the liquidation preference thereof (excluding any accrued but unpaid dividends) and (ii) for each Dividend Period thereafter a rate per annum of the liquidation preference thereof (excluding any accrued but unpaid dividends) equal to the Applicable Rate (as defined in paragraph (2) of this Section (c)) in respect of such Dividend Period, in each case, as adjusted as described under paragraph 9 of this Section (c).

(2) Except as provided below in this paragraph, the "Applicable Rate" for any Dividend Period shall be (a) [insert amount]% greater than (b) the highest of the Treasury Bill Rate, the Ten Year Constant Maturity Rate or the Thirty Year Constant Maturity Rate (each as hereinafter defined) for such Dividend Period. If the Corporation determines in good faith that for any reason one or more of such rates cannot be determined for any Dividend Period, then the Applicable Rate for such Dividend Period shall be [insert amount]% greater than the higher of whichever of such rates can be so determined. If the Corporation determines in good faith that for any reason none of such rates can be determined for any Dividend Period, then the Applicable Rate in effect for

the preceding Dividend Period shall be continued for such Dividend Period. Anything herein to the contrary notwithstanding, the Applicable Rate for any Dividend Period shall in no event be less than [insert minimum rate]% per annum.

(3) Except as provided below in this paragraph, the "Treasury Bill Rate" for each Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period (as defined below)) for three-month U.S. Treasury bills, as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days immediately preceding the first day of the Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum market discount rate during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period) for three-month U.S. Treasury bills, as published weekly during such Calendar Period by any Federal Reserve Bank or any U.S. Government department or agency selected by the Corporation. In the event that a per annum market discount rate for three-month U.S. Treasury bills shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum market discount rates (or the one weekly per annum market discount rate, if only one such rate shall be published during the relevant Calendar Period) for all of the U.S. Treasury bills then having maturities of not less than 80 nor more than 100 days, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish during such rates, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason no such U.S. Treasury bill rates are published as provided above during such Calendar Period, then the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable noninterest bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Treasury Bill Rate for any Dividend Period as provided above in this paragraph, the Treasury Bill Rate for such Dividend Period shall be the arithmetic average of the per annum market discount rates based upon the closing bids during such Calendar Period for each of the issues of marketable interest-bearing U.S. Treasury securities with a maturity of not less than 80 nor more than 100 days, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the

Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

(4) Except as provided below in this paragraph, the "Ten Year Constant Maturity Rate" for each Dividend Period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (as defined below) (or the one weekly per annum Ten Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days immediately preceding the first day of the Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such weekly per annum Ten Year Average Yield during such Calendar Period, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum Ten Year Average Yields (or the one weekly per annum Ten Year Average Yield, if only such Yield shall be published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Ten Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield shall be published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities (as defined below)) then having maturities of not less than eight nor more than twelve years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Ten Year Constant Maturity Rate for any Dividend Period as provided above in this paragraph, then the Ten Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than eight nor more than twelve years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

(5) Except as provided below in this paragraph, the "Thirty Year Constant Maturity Rate" for each Dividend Period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (as defined below) (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), as published weekly by the Federal Reserve Board during the Calendar Period immediately prior to the last ten calendar days

immediately preceding the first day of the Dividend Period for which the dividend rate on this Series is being determined. In the event that the Federal Reserve Board does not publish such a weekly per annum Thirty Year Average Yield during such Calendar Period, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the two most recent weekly per annum Thirty Year Average Yields (or the one weekly per annum Thirty Year Average Yield, if only one such Yield shall be published during the relevant Calendar Period), as published weekly during such Calendar Period by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that a per annum Thirty Year Average Yield shall not be published by the Federal Reserve Board or by any Federal Reserve Bank or by any U.S. Government department or agency during such Calendar Period, then the Thirty Year Constant Maturity Rate for such Dividend Period will be the arithmetic average of the two most recent weekly per annum average yields to maturity (or the one weekly per annum average yield to maturity, if only one such yield shall be published during the relevant Calendar Period) for all of the actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) then having maturities of not less than twenty-eight nor more than thirty years, as published during such Calendar Period by the Federal Reserve Board or, if the Federal Reserve Board shall not publish such yields, by any Federal Reserve Bank or by any U.S. Government department or agency selected by the Corporation. In the event that the Corporation determines in good faith that for any reason the Corporation cannot determine the Thirty Year Constant Maturity Rate for any Dividend Period as provided above in this paragraph, then the Thirty Year Constant Maturity Rate for such Dividend Period shall be the arithmetic average of the per annum average yields to maturity based upon the closing bids during such Calendar Period for each of the issues of actively traded marketable U.S. Treasury fixed interest rate securities (other than Special Securities) with a final maturity date not less than twenty-eight nor more than thirty years from the date of each such quotation, as chosen and quoted daily for each business day in New York City (or less frequently if daily quotations shall not be generally available) to the Corporation by at least three recognized dealers in U.S. Government securities selected by the Corporation.

(6) The Treasury Bill Rate, the Ten Year Constant Maturity Rate and the Thirty Year Constant Maturity Rate shall each be rounded to the nearest five one-hundredths of a percentage point.

(7) For purposes of paragraphs (3) through (6) of this Section (c), the term

(i) "Calendar Period" means 14 calendar days;

(ii) "Special Securities" means securities which can, at the option of the holder, be surrendered at face value in payment of any Federal estate tax or which provide tax benefits to the holder and are priced to reflect such tax benefits or which were originally issued at a deep or substantial discount;

(iii) "Ten Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of ten years); and

(iv) "Thirty Year Average Yield" means the average yield to maturity for actively traded marketable U.S. Treasury fixed interest rate securities (adjusted to constant maturities of thirty years).

(8) The Corporation will calculate the Applicable Rate with respect to each Dividend Period as promptly as practicable prior to the commencement thereof according to the appropriate method described herein. The Corporation will cause notice of such Applicable Rate to be enclosed with the dividend payment checks next mailed to the holders of shares of this Series.

(9) If, after the day on which shares of this Series are first issued, one or more amendments to the Internal Revenue Code of 1986, as amended (the "Code"), are enacted that change the percentage specified in Section 243(a)(1) of the Code or any successor provision (the "Dividends Received Percentage"), the amount of each dividend payable per share of this Series after the effective date of any such change shall be adjusted by multiplying the amount of dividends determined as described under Section (c)(1) (before adjustment) by a factor, which shall be the number determined in accordance with the following formula, and rounding the result to the nearest cent:

$$\frac{1 - \text{FTR} (1 - \text{OLD})}{1 - \text{FTR} (1 - \text{DRP})}$$

For the purposes of the above formula, "FTR" means the federal income tax rate applicable to corporations under the Code as in effect on the date shares of this Series are first issued, "OLD" means the Dividend Received Percentage as in effect on such date and "DRP" means the Dividends Received Percentage applicable to the dividend in question. Notwithstanding the foregoing provisions, in the event that, with respect to any such amendment, the Corporation shall receive either an unqualified opinion of independent recognized tax counsel or a private letter ruling or similar form of authorization from the Internal Revenue Service to the effect that such an amendment would not apply to dividends payable on this Series, then any such amendment shall not result in the adjustment provided for pursuant to this Section (c)(9). For purposes of these Resolutions, all references to dividends shall mean dividends as adjusted pursuant to the provisions of this Section (c)(9). The Corporation's calculations of the dividends payable as so adjusted and as certified accurate as to calculation and reasonable as to method by the independent certified public accountants then regularly engaged by the Corporation, shall be final and not subject to review.

In the event that the amount of dividends payable per share of this Series shall be adjusted pursuant to the provisions of the foregoing paragraph, the Corporation shall cause notice of each such adjustment, together with the Applicable Rate with respect to such dividend, to be included with the dividend payment checks next mailed to the holders of this Series, each as provided in Section (c)(8) of these Resolutions.

(d) Redemption.

(1) Except as set forth in Section (d)(2), the shares of this Series shall not be redeemable prior to the date that is the tenth anniversary of the day on which shares of this Series are first issued. The Corporation, at its option, may redeem shares of this Series, as a whole or in part, at any time or from time to time on or after such date, at a redemption price equal to the aggregate liquidation value of the shares so redeemed, plus, in each case, accrued and unpaid dividends thereon to the date fixed for redemption.

(2) Notwithstanding the provisions of Section (d)(1), in the event that an amendment to the Code is enacted that would effect a change in the Dividends Received Percentage so as to result in the amount of dividend payable being adjusted upward pursuant to Section (c)(9), the Corporation, at its option, may redeem the issued and outstanding shares of this Series as a whole, at any time after the effective date of any such change in the Dividends Received Percentage, at a redemption price of \$100,000 per share, plus, in each case, an amount equal to accrued and unpaid dividends (whether or not declared) to the date fixed for redemption.

(3) In the event that fewer than all the outstanding shares of this Series are to be redeemed, the number of shares to be redeemed shall be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation and the shares to be redeemed shall be determined by lot or pro rata as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation or by any other method as may be determined by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation in its sole discretion to be equitable, provided that such method satisfies any applicable requirements of any securities exchange on which this Series is listed.

(4) In the event the Corporation shall redeem shares of this Series, notice of such redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares to be redeemed, at such holder's address as the same appears on the stock register of the Corporation. Each such notice shall state: (i) the redemption date; (ii) the number of shares of this Series to be redeemed and, if fewer than all the shares held by such holder are to be redeemed, the number of such shares to be redeemed from such holder; (iii) the redemption price; (iv) the place or places where certificates for such shares are to be surrendered for payment of the redemption price; and (v) that dividends on the shares to be redeemed will cease to accrue on the redemption date.

(5) Notice having been mailed as aforesaid, from and after the redemption date (unless default shall be made by the Corporation in providing money for the payment of the applicable redemption price) dividends on the shares of this Series so called for redemption shall cease to accrue, and said shares shall no longer be deemed to be outstanding, and all rights of the holders thereof as stockholders of the Corporation (except the right to receive from the Corporation the applicable redemption price) shall

cease. Upon surrender in accordance with said notice of the certificates for any shares so redeemed (properly endorsed or assigned for transfer, if the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation shall so require and the notice shall so state), such shares shall be redeemed by the Corporation at the applicable redemption price. In case fewer than all the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(6) Any shares of this Series which shall at any time have been redeemed shall, after such redemption, have the status of authorized but unissued shares of Preferred Stock, without designation as to series until such shares are once more designated as part of a particular series by the Board of Directors of the Corporation or any duly authorized committee of the Board of Directors of the Corporation.

(7) Notwithstanding the foregoing provisions of this Section (d), in the event that full cumulative dividends on the shares of this Series have not been paid, no shares of this Series shall be redeemed unless all outstanding shares of this Series are simultaneously redeemed, and the Corporation shall not purchase or acquire any shares of this Series otherwise than pursuant to a purchase or exchange offer made on the same terms to all holders of outstanding shares of this Series.

(e) Conversion or Exchange. The holders of shares of this Series shall not have any rights to convert such shares into or exchange such shares for shares of any other class or classes or of any other series of any class or classes of capital stock of the Corporation.

(f) Voting Rights. The shares of this Series shall not have any voting powers either general or special, except as expressly required by applicable law and except that:

(1) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of this Series at the time outstanding, voting separately as a class, shall be required to authorize any amendment of the Certificate of Incorporation or of any certificate amendatory thereof or supplemental thereto (including any certificate of designation or any similar document relating to any series of Preferred Stock) which will adversely affect the powers, preferences, privileges or rights of this Series;

(2) Unless the vote or consent of the holders of a greater number of shares shall then be required by law, the affirmative vote or consent of the holders of at least 66-2/3% of all of the shares of this Series and all other series of shares of Preferred Stock ranking on a parity with the shares of this Series, either as to dividends or upon liquidation, at the time outstanding, voting as a single class without regard to series, shall be required to issue, authorize or increase the authorized amount of, or to issue or authorize any obligation or security convertible into or evidencing the right to purchase,

any additional class or series of stock ranking prior to the shares of this Series as to dividends or upon liquidation; and

(3) If at the time of any annual meeting of stockholders for the election of directors a default in preference dividends on the shares of this Series shall exist, the number of directors constituting the Board of Directors of the Corporation shall be increased by one, and the holders of the shares of this Series shall have the right at such meeting, voting together as a single class, to the exclusion of the holders of Common Stock, to elect one director of the Corporation to fill such newly created directorship. Such right shall continue until there are no dividends in arrears upon the shares of this Series. Each director elected by the holders of shares of this Series (herein called a "Preferred Director") shall continue to serve as such director for the full term for which he shall have been elected, notwithstanding that prior to the end of such term a default in preference dividends shall cease to exist. Any Preferred Director may be removed by, and shall not be removed except by, the vote of the holders of record of the outstanding shares of this Series, voting together as a single class, at a meeting of the stockholders, or of the holders of shares of this Series, called for the purpose. So long as a default in any preference dividends on the shares of this Series shall exist any vacancy in the office of a Preferred Director may be filled by the vote of the holders of the outstanding shares of this Series voting together as a single class, at a meeting of the stockholders or of the holders of shares of this Series called for the purpose. Whenever the term of office of the Preferred Director shall end and a default in preference dividends shall no longer exist, the number of directors constituting the Board of Directors of the Corporation shall be reduced by one. For the purposes hereof, a "default in preference dividends" on the shares of this Series shall be deemed to have occurred whenever the amount of accrued but unpaid dividends on such shares shall be equivalent to six full quarter-yearly dividends or more, and, having so occurred, such default shall be deemed to exist thereafter until, but only until, all accrued dividends on all such shares then outstanding shall have been paid to the end of the last preceding dividend period. Notwithstanding anything contained in this Certificate of Designation or any other Certificate of Designation, whether currently in effect or adopted hereafter, or the Certificate of Incorporation, as amended from time to time, to the contrary, the holders of shares of this Series shall not be entitled to vote for the election of directors except as set forth in this Section (f)(3).

(g) Liquidation Rights.

(1) Upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of this Series shall be entitled to receive out of the assets of the Corporation available for distribution to its stockholders, before any payment or distribution of assets shall be made on the Common Stock or on any other class of stock of the Corporation ranking junior to this Series upon liquidation, the amount of \$100,000 per share, plus a sum equal to all dividends (whether or not earned or declared) on such shares accrued and unpaid thereon to the date of final distribution.

(2) For the purposes of this Section (g), a voluntary or involuntary liquidation, dissolution or winding up of the Corporation shall not include the consolidation or merger of the Corporation with or into any other corporation, or any sale, lease or conveyance of all or any part of the property or business of the Corporation.

(3) After the payment to the holders of the shares of this Series of the full preferential amounts provided for in this Section (g), the holders of this Series as such shall not be entitled to any further participation in any distribution of assets of the Corporation.

(4) If upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to the holders of shares of this Series and of any other shares of stock of the Corporation ranking on a parity with this Series upon liquidation shall not be sufficient to pay in full all amounts to which such holders are entitled pursuant to paragraph (1) of this Section (g), the holders of shares of this Series and of such other shares shall share ratably in any such distribution of assets of the Corporation in proportion to the full respective preferential amounts to which they are entitled.

(h) Relative Rank. For purposes of this resolution, any stock of any class or classes of the Corporation shall be deemed to rank:

(1) Prior to the shares of this Series, either as to dividends or upon liquidation, if the holders of such class or classes shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of this Series;

(2) On a parity with shares of this Series, either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation prices per share or sinking fund provisions, if any, be different from those of this Series, if the holders of such stock shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in proportion to their respective dividend rates or

liquidation prices, without preference or priority, one over the other, as between the holders of such stock and the holders of shares of this Series; and

(3) Junior to shares of this Series, either as to dividends or upon liquidation, if such class shall be Common Stock or if the holders of shares of this Series shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of the Corporation, as the case may be, in preference or priority to the holders of shares of such class or classes.

The outstanding shares of the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1983A, the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1989A, the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1989B and the Corporation's Adjustable Rate Cumulative Preferred Stock, Series 1990B shall be deemed to rank on a parity with the outstanding shares of this Series with respect to the payment of dividends and upon liquidation. The Series A Junior Participating Preferred Stock shall be deemed to rank junior to this Series with respect to the payment of dividends and upon liquidation.

U.S. Bancorp

8 1/8% Cumulative Preferred Stock, Series A

Section 1. Designation and Amount. The shares of the series shall be designated as the 8 1/8% Cumulative Preferred Stock, Series A (the "Series"), and the number of shares constituting the Series shall be 6,000,000. The number of shares constituting the Series may be decreased from time to time by action of the Board, but not below the number of shares of the Series then outstanding. The Series shall rank senior to the common stock, par value \$1.25 per share ("Common Stock"), of the Corporation and on a parity with the Adjustable Rate Cumulative Preferred Stock, Series 1990A, par value \$1.00 per share, of the Corporation, as to dividends and upon liquidation.

Section 2. Dividends.

(a) Right to Receive Cash Dividends. The holders of shares of the Series shall be entitled to receive when, as and if declared by the Board out of assets legally available therefor, cumulative cash dividends, payable quarterly in arrears on the fifteenth day of February, May, August and November of each year (each quarterly period ending on any such date being hereinafter referred to as a "dividend period") commencing on the First Payment Date (as defined below) at the rate per annum set forth in Section 2(b). Each such dividend shall be paid to the holders of record of shares of the Series as they appear on the stock books of the Corporation on such record dates, not exceeding 45 days preceding the dividend payment dates therefor, as shall be fixed by the Board. Dividends on shares of the Series shall be cumulative from the date of original issuance of the shares of 8 1/8% Cumulative Preferred Stock, Series A (the "Old Shares"), of U. S. Bancorp, an Oregon corporation ("Old USB") from which the Series shares are converted in the merger (the "Merger") of Old USB and the Corporation and shall include any arrearage on the Old Shares whether or not there shall be assets legally available for the payment of such dividends; PROVIDED, that if Old USB shall have set a record date with respect to the Old Shares which record date is prior to the effective date of the Merger for a dividend payment date after the effective date of the Merger, dividends in respect of the Old Shares shall be deemed to accrue to such dividend payment date notwithstanding the intervening occurrence of the Merger, and no dividends shall accrue on the shares of the Series until the first date following such dividend payment date.

The "First Payment Date" shall be (i) if Old USB shall have set a record date with respect to the Old Shares which record date is prior to the effective date of the Merger for a dividend payment date after the effective date of the Merger, the next succeeding dividend payment date following such dividend payment date; PROVIDED, that the Corporation shall pay the dividend declared on the Old Shares to the holders of record of Old Shares as of such record date or (ii) if no such record date shall have been set by Old USB, the first dividend payment date after the effective date of the Merger (it being the intention that no dividend shall be payable with respect to both the Old Shares and the

shares of the Series with respect to the same period of time or that any loss of dividends result from the conversion of Old Shares into shares of the Series).

(b) Rate. The dividend rate per annum on the shares of the Series shall be 8 1/8% of the liquidating preference of \$25 per share.

(c) Restrictions. No full dividends shall be declared or paid or set aside for payment on any stock of the Corporation ranking, as to dividends, on a parity with or junior to the Series for any period unless full cumulative dividends on the Series have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof set aside for such payment on the Series for all dividend periods terminating on or prior to the date of payment of such dividends. When dividends are not paid in full on the Series and any other preferred stock of the Corporation ranking on a parity as to dividends with the Series, all dividends declared or paid upon shares of the Series and such other preferred stock shall be declared and paid pro rata so that the amount of dividends declared and paid per share on the Series and such other preferred stock shall in all cases bear to each other the same ratio that accrued dividends per share (which in the case of noncumulative preferred stock shall not include any accumulation in respect of unpaid dividends for prior dividend periods) on shares of the Series and such other preferred stock bear to each other. Except as provided in the preceding sentence, unless full cumulative dividends on the Series have been paid or declared and set aside for payment, no dividends (other than dividends or distributions paid in shares of, or options, warrants or rights to subscribe for or purchase shares of, Common Stock or any other stock of the Corporation ranking junior to the Series as to dividends and upon liquidation) shall be declared or paid or set aside for payment or any other distribution declared or made upon the Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Series as to dividends or upon liquidation. No Common Stock or any other stock of the Corporation ranking junior to or on a parity with the Series as to dividends or upon liquidation shall be redeemed, purchased or otherwise acquired for any consideration (and no moneys shall be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by the Corporation (except by conversion into or exchange for stock of the Corporation ranking junior to the Series as to dividends and upon liquidation) unless, in each case, the full cumulative dividends on the Series shall have been paid or declared and set aside for payment. Holders of shares of the Series shall not be entitled to any dividend, whether payable in cash, property or stock, in excess of the full dividends on such shares. No interest shall be payable in respect of any dividend payment which may be in arrears on the Series.

(d) Computation. Dividends payable on shares of the Series (i) for any period other than a full dividend period, shall be computed on the basis of a 360-day year consisting of twelve 30-day months and (ii) for each full dividend period, shall be computed by dividing the annual dividend rate by four. Any dividend payment made on shares of the Series shall first be credited against the earliest accumulated but unpaid dividend due with respect to shares of the Series.

Section 3. Redemption.

(a) Redemption Prices and Dates. The Corporation at its option may redeem shares of the Series, at any time or from time to time, on or after July 23, 1997, at a cash redemption price of \$25 per share plus an amount equal to any accrued and unpaid dividends (including any accumulated dividends) thereon to and including the date fixed for redemption (the "Redemption Price").

Notwithstanding the foregoing, if at the time the Corporation proposes to give a notice of redemption pursuant to Section 3(d), the Board of Governors of the Federal Reserve System (the "Federal Reserve Board"), or a successor Federal agency responsible for supervision of bank holding companies under the Bank Holding Company Act of 1956, as amended, requires that, in order to be counted as "Tier 1" or "core" capital for capital adequacy purposes, bank holding company preferred stock may not be redeemed without the prior approval of the Federal Reserve Board or such successor agency, then the Corporation may not redeem any shares of the Series or give a notice of redemption unless the Federal Reserve Board or such successor agency shall have consented to such redemption.

(b) Pro Rata Redemption. If fewer than all the outstanding shares of the Series are to be redeemed, the shares to be redeemed shall be selected pro rata as nearly as practicable or by lot as may be determined by the Board or by any other method as the Board may determine to be fair and appropriate.

(c) Restrictions on Redemption. Notwithstanding the foregoing, if any quarterly dividend payable on shares of the Series shall be in arrears and until all such dividends in arrears shall have been paid or declared and a sum sufficient for the payment thereof set aside for payment, the Corporation shall not redeem any shares of the Series unless all outstanding shares of the Series are simultaneously redeemed and shall not purchase or otherwise acquire any shares of the Series except pursuant to a purchase or exchange offer made on the same terms to all holders of shares of the Series for the purchase of all outstanding shares thereof.

(d) Notice. Notice of any redemption shall be given by first class mail, postage prepaid, mailed not less than 30 nor more than 60 days prior to the redemption date to each record holder of the shares to be redeemed at the address of such holder appearing in the stock books of the Corporation. Each such notice shall state: (1) the redemption date, (2) the number of shares of the Series to be redeemed, (3) the Redemption Price, (4) that dividends on the shares to be redeemed shall cease to accrue on such redemption date and (5) the place or places where certificates for such shares are to be surrendered for payment of the Redemption Price. If fewer than all the shares of the Series held by any holder are to be redeemed, the notice mailed to such holder shall also specify the number of shares to be redeemed from such holder.

(e) Cessation of Dividends. If notice of redemption has been given, from and after the redemption date for the shares of the Series called for redemption

(unless default shall be made by the Corporation in providing for the payment of the Redemption Price of the shares so called for redemption), dividends on the shares of the Series so called for redemption shall cease to accrue and such shares shall no longer be deemed to be outstanding, and all rights of the holders thereof (except the right to receive the Redemption Price) shall cease. Upon surrender in accordance with such notice of the certificates representing any shares of the Series so redeemed (properly endorsed or assigned for transfer, if the Board shall so require and the notice shall so state), the applicable Redemption Price shall be paid out of funds provided by the Corporation. If fewer than all of the shares represented by any such certificate are redeemed, a new certificate shall be issued representing the unredeemed shares without cost to the holder thereof.

(f) Status of Redeemed and Reacquired Shares. Shares of the Series which have been redeemed or otherwise acquired by the Corporation shall be retired and canceled and shall be restored to the status of authorized but unissued shares of preferred stock, par value \$1.00 per share, without designation as to series, and may thereafter be issued, but not as shares of the Series.

Section 4. Liquidation Rights.

(a) Payment on Liquidation. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of shares of the Series shall be entitled to receive out of the assets of the Corporation available for distribution to shareholders, before any distribution of assets is made to holders of the Common Stock or any other class or series of stock of the Corporation ranking junior to the Series upon liquidation, a liquidating distribution in an amount equal to \$25 per share plus an amount equal to any accrued and unpaid dividends (including any accumulated dividends) thereon to and including the date of such distribution. If, upon any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the assets of the Corporation available for distribution to the holders of shares of the Series and any other preferred stock of the Corporation ranking as to any such distribution on a parity with the Series shall be insufficient to pay in full all amounts to which such holders are entitled, the holders of shares of the Series and other preferred stock shall share ratably in such distribution of assets of the Corporation in proportion to the sums that would be payable to such holders if all sums were paid in full. After payment of the full amount of the liquidation distribution plus accrued and unpaid dividends to which they are entitled, the holders of shares of the Series shall have no right or claim to any of the remaining assets of the Corporation.

(b) Definition. None of the consolidation or merger of the Corporation into or with another corporation or corporations, or the sale, lease or exchange of all or substantially all of the Corporation's assets, shall be deemed a liquidation, dissolution or winding up of the Corporation within the meaning of this Section 4.

Section 5. Voting Rights.

(a) Generally. Except as hereinafter provided or as expressly required by applicable law, the holders of shares of the Series will not be entitled to vote. When holders of shares of the Series are entitled to vote, each holder shall be entitled to one vote per share.

(b) Arrearages. If at any time the equivalent of six quarterly dividends, whether or not consecutive, payable on the Series are unpaid or not declared and set aside for payment, the number of directors of the Corporation shall be increased by two and the holders of shares of the Series outstanding at the time (voting separately as a single class with the holders of shares of any one or more series of preferred stock of the Corporation ranking on a parity with the Series as to dividends or upon liquidation and upon which like voting rights have been conferred and are exercisable) shall have the right to elect two directors to serve as such until all arrearages of dividends on the Series have been paid or declared and set aside for payment at which time the terms of office of the two directors so elected shall terminate and the number of directors of the Corporation shall be reduced by two (subject to any additional rights as to the election of directors provided for the holders of shares of other preferred stock of the Corporation). Any director so elected may be removed by, and shall not be removed except by, the vote of the holders of shares of the Series outstanding at the time (voting separately as a single class with the holders of shares of any one or more series of preferred stock of the Corporation ranking on a parity with the Series as to dividends or upon liquidation and upon which like voting rights have been conferred and are exercisable).

(c) Certain Corporate Actions. So long as any shares of the Series remain outstanding, the Corporation shall not, without the affirmative vote or consent of the holders of at least two-thirds of the shares of the Series and of any other similarly affected series of preferred stock of the Corporation ranking on a parity with the Series as to dividends or upon liquidation and upon which like voting rights have been conferred and are exercisable outstanding at the time (voting separately as a single class without regard to series), given in person or by proxy, either in writing or at a meeting, (i) authorize, create or issue, or increase the authorized or issued amount of, any class or series of stock ranking prior to the Series as to dividends or upon liquidation or (ii) amend, alter or repeal, whether by merger or otherwise, the provisions of the Certificate so as to materially and adversely affect any of the preferences, limitations, and relative rights of the Series; provided, however, that any increase in the amount of the authorized preferred stock of the Corporation or the creation and issuance of other series of preferred stock of the Corporation, in each case ranking on a parity with or junior to the Series as to dividends or upon liquidation, will not be deemed to materially and adversely affect such preferences, limitations and relative rights. Without limiting the foregoing, under any circumstances in which the Series would have additional rights under Oregon law if the Corporation were incorporated under the Oregon Business Corporation Act (rather than the Delaware General Corporation Law), holders of shares of the Series shall be entitled to such rights, including, without limitation, voting rights under Section 60.441, voting and notice rights under Section 60.487 and dissenters' rights under Sections 60.551-

60.594 of the Oregon Business Corporation Act (as such Sections may be amended from time to time).

Section 6. No Sinking Fund. Shares of the Series are not subject to a sinking fund or other obligation of the Corporation to redeem or retire the Series.

CERTIFICATE OF AMENDMENT
OF
RESTATED CERTIFICATE OF INCORPORATION
OF
U.S. BANCORP

U.S. Bancorp, a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the "Corporation"),

DOES HEREBY CERTIFY:

FIRST: That at a meeting of the Corporation's Board of Directors, resolutions were duly adopted setting forth a proposed amendment to the Corporation's Restated Certificate of Incorporation, declaring said amendment to be advisable and that said amendment be submitted for approval by the stockholders of the Corporation at the Corporation's 1998 Annual Meeting of Shareholders. The resolution setting forth the proposed amendment is as follows:

RESOLVED, that the first sentence of Article FOURTH of the Restated Certificate of Incorporation of the Corporation be amended to read as follows:

"FOURTH: The total number of shares of all classes of stock which the corporation shall have the authority to issue is 1,550,000,000, consisting of 50,000,000 shares of Preferred Stock of the par value of \$1.00 each and 1,500,000,000 shares of Common Stock of the par value of \$1.25 each."

SECOND: That thereafter, pursuant to a resolution of its Board of Directors, the 1998 Annual Meeting of the Corporation's Shareholders was duly called and held, upon notice in accordance with Section 222 of the General Corporation Law of the State of Delaware at which meeting the necessary number of shares as required by statute were voted in favor of the amendment.

THIRD: That said amendment was duly adopted in accordance with the provisions of Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, said U.S. Bancorp has caused this certificate to be signed by Lee R. Mitau, its Executive Vice President, General Counsel and Secretary and James L. Chosy, its Vice President, Assistant General Counsel and Assistant Secretary, this Fourth Day of May, 1998.

U.S. BANCORP

By: /s/ Lee R. Mitau

Name: Lee R. Mitau
Title: Executive Vice President,
General Counsel and Secretary

Attest:

/s/ James L. Chosy

Name: James L. Chosy
Title: Vice President, Assistant General Counsel and Assistant Secretary

BYLAWS
OF
U.S. BANCORP

ARTICLE I.
OFFICES

Section 1. Offices.

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

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

ARTICLE II.
STOCKHOLDERS

Section 1. Annual Meeting.

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

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

Section 2. Special Meeting.

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

Section 3. Notice of Meeting.

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

Section 4. Quorum.

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

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

Section 5. Qualification of Voters.

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

Section 6. Procedure.

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

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

Section 7. Nomination of Directors.

Only persons nominated in accordance with the following procedures shall be eligible for election by stockholders as Directors. Nominations of persons for election as Directors at a meeting of stockholders called for the purpose of electing Directors may be made (a) by or at the direction of the Board of Directors or (b) by any stockholder in the manner herein provided. For a nomination to be properly made by a stockholder, the stockholder must give written notice to the Secretary of the Corporation so as to be received at the principal executive offices of the Corporation not later than (i) with respect to an annual meeting of stockholders, 90 days in advance of such meeting and (ii) with respect to a special meeting of stockholders for the election of directors, the close of business on the seventh day following the date on which

the notice of such meeting is first given to stockholders. Each such notice shall set forth (a) the name and address of the stockholder who intends to make the nomination and of the person or persons to be

nominated; (b) a representation that the stockholder is a holder of record of stock of the Corporation entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice; (c) a description of all arrangements or understanding between the stockholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by the stockholder; (d) such other information regarding each nominee proposed by such stockholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated, by the Board; and (e) the consent of each nominee to serve as a Director of the Corporation if so elected.

ARTICLE III. DIRECTORS

Section 1. Number and Election.

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

In the event that the holders of any class or series of stock of the Corporation having a preference as to dividends or upon liquidation of the Corporation shall be entitled, by a separate class vote, to elect Directors as may be specified pursuant to Article Fourth of the Corporation's Restated Certificate of Incorporation, then the provisions of such class or series of stock with respect to their rights shall apply. The number of Directors that may be elected by the holders of any such class or series of stock shall be in addition to the number fixed pursuant to the preceding paragraph. Except as otherwise expressly provided pursuant to Article Fourth of the Corporation's Restated Certificate of Incorporation, the number of Directors that may be so elected by the holders of any such class or series of stock shall be elected for terms expiring at the next annual meeting of stockholders and without regard to the classification of the remaining members of the Board of Directors and vacancies among Directors so elected by the separate class vote of

any such class or series of stock shall be filled by the remaining Directors elected by such class or series, or, if there are no such remaining Directors, by the holders of such class or series in the same manner in which such class or series initially elected a Director.

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

Section 2. Vacancies.

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

Section 3. Regular Meetings.

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

Section 4. Special Meetings.

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

Section 5. Notice of Meetings.

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

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

Section 6. Quorum.

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

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

Section 7. Participation in Meetings by Conference Telephone.

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

Section 8. Powers.

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

Section 9. Compensation of Directors.

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

Section 10. Committees of the Board.

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

ARTICLE IV. EXECUTIVE COMMITTEE

Section 1. Election.

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

Section 2. Powers.

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

Section 3. Rules.

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

Section 4. Vacancies.

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

ARTICLE V. OFFICERS

Section 1. Number.

The officers of the Corporation shall be appointed or elected by the Board of Directors. The officers shall be a Chairman of the Board, a President, one or more Vice Chairmen, such number of Vice Presidents or other officers as the Board may from time to time determine, a Secretary, a Treasurer, and a Controller. The President shall be Chief Executive Officer unless the Board shall determine otherwise. The Chairman of the Board shall preside at all meetings of the Board and shall perform such other duties as may be assigned from time to time by the Board. In the absence of the Chairman or if such office shall be vacant, the President shall preside at all meetings of the Board. In the

absence of the Chairman of the Board and the President, any other Board member designated by the Board may preside at all meetings of the stockholders and of the Board. The Board of Directors may appoint or elect a person as a Vice Chairman without regard to whether such person is a member of the Board of Directors.

Section 2. Staff and Divisional Officers.

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

Section 3. Terms of Office.

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

Section 4. Duties.

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

ARTICLE VI.

INDEMNIFICATION OF DIRECTORS, OFFICERS, AND EMPLOYEES

Section 1.

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

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

Section 2.

Expenses incurred by a director, advisory director or officer in defending a civil or criminal action, suit or proceeding for which indemnification is required pursuant to Section 1 shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director, advisory director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized by Delaware law. Such expenses incurred by other employees and agents may be so paid upon such terms and conditions, if any, as the Board of Directors deems appropriate.

ARTICLE VII. STOCK

Section 1. Certificated or Uncertificated Shares.

The Board of Directors may authorize the issuance of stock either in certificated or in uncertificated form. If shares are issued in uncertificated form, each stockholder shall be entitled upon written request to a stock certificate or certificates, representing and certifying the number and kind of full shares held, signed as provided in Section 2 of this Article VII. Certificates for shares of stock shall be in such form as the Board of Directors may from time to time prescribe. The shares of the stock of the Corporation shall be transferable on the books of the Corporation by the holder thereof in person or by his or her attorney upon surrender for cancellation of a certificate or certificates for the same number of shares, or other evidence of ownership if no certificates shall have been issued, with an assignment and power of transfer endorsed thereon or attached thereto, duly executed, and with such proof of the validity of the signature as the Corporation or its agents may reasonably require.

Section 2. Signatures.

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

Section 3. Replacement.

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

ARTICLE VIII.
MISCELLANEOUS

Section 1. Seal.

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

Section 2. Fiscal Year.

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

ARTICLE IX.
AMENDMENTS

Section 1.

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

ARTICLE X.
EMERGENCY BYLAW

Section 1. Operative Event.

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

emergency the Emergency Bylaw shall cease to be operative unless and until another such emergency shall occur.

Section 2. Notice of Meeting.

During any such emergency, any meeting of the Board of Directors may be called by any officer of the Corporation or by any Director. Notice shall be given by such person or by any officer of the Corporation. The notice shall specify the place of the meeting, which shall be the head office of the Corporation at the time if feasible and otherwise any other place specified in the notice. The notice shall also specify the time of the meeting. Notice may be given only to such of the Directors as it may be feasible to reach at the time and by such means as may be feasible at the time, including publication or radio. If given by mail, messenger, telephone, or telegram, the notice shall be addressed to the Directors at their residences or business addresses, or such other places as the person giving the notice shall deem most suitable. Notice shall be similarly given, to the extent feasible, to the other persons serving as Directors referred to in Section 3 below. Notice shall be given at least two days before the meeting if feasible in the judgment of the person giving the notice and otherwise on any shorter time he may deem necessary.

Section 3. Quorum.

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

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

Section 4. Lines of Management Succession.

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

Section 5. Office Relocation.

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

Section 6. Liability.

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

Section 7. Repeal or Amendment.

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

COMPOSITE COPY

FIRST BANK SYSTEM, INC.
EXECUTIVE DEFERRAL PLAN
(1992 STATEMENT)

First Effective January 1, 1992

AND

As Amended By

The FIRST AMENDMENT Adopted October 20, 1993
But Effective January 1, 1994

The SECOND AMENDMENT Adopted October 20, 1993
But Effective January 1, 1992

The THIRD AMENDMENT Adopted July 17, 1996
But Effective July 17, 1996

The FOURTH AMENDMENT Adopted February 18, 1998
And Effective February 18, 1998

FIRST BANK SYSTEM, INC.
EXECUTIVE DEFERRAL PLAN
(1992 STATEMENT)

TABLE OF CONTENTS

| | PAGE |
|-----------------------------------|------|
| SECTION 1. INTRODUCTION | 1 |
| 1.1. Statement of Plan | |
| 1.2. Definitions | |
| 1.2.1. Account | |
| 1.2.2. Affiliate | |
| 1.2.3. Annual Valuation Date | |
| 1.2.4. Beneficiary | |
| 1.2.5. Change in Control | |
| 1.2.6. Earliest Retirement Age | |
| 1.2.7. Effective Date | |
| 1.2.8. Employer | |
| 1.2.9. Event of Maturity | |
| 1.2.10. FBS | |
| 1.2.11. Normal Retirement Age | |
| 1.2.12. Participant | |
| 1.2.13. Plan | |
| 1.2.14. Plan Statement | |
| 1.2.15. Plan Year | |
| 1.2.16. Principal Sponsor | |
| 1.2.17. Termination of Employment | |
| 1.2.18. Valuation Date | |
| 1.2.19. Service | |
| 1.3. Rules of Interpretation | |
| SECTION 2. PARTICIPATION | 4 |
| 2.1. Participation | |
| 2.2. Enrollment | |
| 2.3. Specific Exclusion | |
| SECTION 3. ADJUSTMENT OF ACCOUNTS | 5 |

- 3.1. Establishment of Accounts
- 3.2. Adjustments of Accounts
 - 3.2.1. Intermediate Distributions Subtraction
 - 3.2.2. Investment Addition
 - 3.2.3. Deferral Addition
 - 3.2.4. Final Distributions Subtraction

SECTION 4. VESTING OF ACCOUNT 6

SECTION 5. MATURITY 7

- 5.1. Events of Maturity
- 5.2. Effect of Maturity upon Further Participation in Plan

SECTION 6. DISTRIBUTION 7

- 6.1. Form of Distribution
 - 6.1.1. Form of Distribution
 - 6.1.2. Time of Payment
 - 6.1.3. Installment Amounts
 - 6.1.4. Default
- 6.2. Previously Scheduled Distribution
 - 6.2.1. Enrolling for the Distribution
 - 6.2.2. Scheduled Distribution
- 6.3. Hardship Distributions
 - 6.3.1. When Available
 - 6.3.2. Purposes
 - 6.3.3. Limitations
 - 6.3.4. Forfeiture
- 6.4. Change in Control Distributions
 - 6.4.1. When Available
 - 6.4.2. Limitations
 - 6.4.3. Forfeiture
- 6.5. Acceleration of Annual Installments
 - 6.5.1. When Available
 - 6.5.2. Forfeiture
- 6.6. Designation of Beneficiaries
 - 6.6.1. Right to Designate
 - 6.6.2. Failure of Designation
 - 6.6.3. Disclaimers by Beneficiaries
 - 6.6.4. Definitions
 - 6.6.5. Special Rules
 - 6.6.6. No Spousal Rights
- 6.7. Death Prior to Full Distribution

| | | |
|---------------|--|-----|
| | 6.8. Facility of Payment | |
| SECTION 7. | FUNDING OF PLAN | 14 |
| | 7.1. Unfunded Agreement | |
| | 7.2. Spendthrift Provision | |
| SECTION 8. | AMENDMENT AND TERMINATION | 15 |
| SECTION 9. | DETERMINATIONS -- RULES AND REGULATIONS | 16 |
| | 9.1. Determinations | |
| | 9.2. Rules and Regulations | |
| | 9.3. Method of Executing Instruments | |
| | 9.4. Claims Procedure | |
| | 9.4.1. Original Claim | |
| | 9.4.2. Claims Review Procedure | |
| | 9.4.3. General Rules | |
| | 9.5. Information Furnished by Participants | |
| SECTION 10. | PLAN ADMINISTRATION | 18 |
| | 10.1. Employer | |
| | 10.1.1. Officers | |
| | 10.1.2. Chief Executive Officer | |
| | 10.1.3. Board of Directors | |
| | 10.2. Conflict of Interest | |
| | 10.3. Administrator | |
| | 10.4. Service of Process | |
| SECTION 11. | DISCLAIMERS | 19 |
| | 11.1. Term of Employment | |
| | 11.2. Source of Payment | |
| | 11.3. Delegation | |
| APPENDIX A -- | CHANGE IN CONTROL DEFINITIONS | A-1 |

FIRST BANK SYSTEM, INC.
EXECUTIVE DEFERRAL PLAN
(1992 STATEMENT)

SECTION 1

INTRODUCTION

1.1. STATEMENT OF PLAN. Effective January 1, 1992, FIRST BANK SYSTEM, INC., a Delaware corporation (hereinafter sometimes referred to as "Principal Sponsor") hereby creates a nonqualified, unfunded, elective deferral plan for the purpose of allowing a select group of management and highly compensated employees of the Principal Sponsor and other Employers to defer the receipt of incentive compensation which would otherwise be paid to those employees.

1.2. DEFINITIONS. When the following terms are used herein with initial capital letters, they shall have the following meanings:

1.2.1. ACCOUNT -- the separate bookkeeping account representing the unfunded and unsecured general obligation of Principal Sponsor established with respect to each Participant to which is credited the dollar amounts specified in Section 3 and from which are subtracted payments and forfeitures made pursuant to Section 6. To the extent necessary to accommodate and effect the distribution elections made by Participants pursuant to Section 2, separate bookkeeping sub-accounts shall be established with respect to each of the several annual deferral elections made by Participants.

1.2.2. AFFILIATE -- a business entity which is affiliated in ownership with the Principal Sponsor or an Employer and is recognized as an Affiliate by the Principal Sponsor for the purposes of this Plan.

1.2.3. ANNUAL VALUATION DATE -- each December 31.

1.2.4. BENEFICIARY -- a person designated by a Participant (or automatically by operation of this Plan Statement) to receive all or a part of the Participant's Account in the event of the Participant's death prior to full distribution thereof. A person so designated shall not be considered a Beneficiary until the death of the Participant.

1.2.5. CHANGE IN CONTROL -- The definition of Change in Control, as well as certain other definitions relating to Change in Control used herein, appear in Appendix A to this Plan Statement.

1.2.6. EARLIEST RETIREMENT AGE -- the earlier of:

- (i) the earliest date that a Participant who is at least age fifty-five (55) years has a sum of his or her age (in whole years) and Service (also in whole years) that equals at least sixty-five (65), or
- (ii) the date a Participant attains Normal Retirement Age.

1.2.7. EFFECTIVE DATE -- January 1, 1992.

1.2.8. EMPLOYER -- the Principal Sponsor and any business entity affiliated with the Principal Sponsor that employs persons who are designated for participation in this Plan.

1.2.9. EVENT OF MATURITY -- any of the occurrences described in Section 5 by reason of which a Participant or Beneficiary may become entitled to a distribution from the Plan.

1.2.10. FBS -- FIRST BANK SYSTEM, INC., a Delaware corporation, or any successor thereto.

1.2.11. NORMAL RETIREMENT AGE -- the last day of the calendar month in which a Participant attains age sixty-five (65) years.

1.2.12. PARTICIPANT -- an employee of the Employer who is designated as eligible to participate in this Plan by the Organization Committee of the Board of Directors and elects to participate in accordance with the terms of this Plan and becomes a Participant in the Plan in accordance with the provisions of Section 2. An employee shall not be eligible to become a Participant unless the employee is a member of a select group of management or highly compensated employees. No employee is presumed or automatically eligible to participate in this Plan. An employee who has become a Participant shall be considered to continue as a Participant in the Plan until the date of the Participant's death or, if earlier, the date when the Participant is no longer employed by an Employer or an Affiliate and upon which the Participant no longer has any Account under the Plan (that is, the Participant has received a distribution of all of the Participant's Account).

1.2.13. PLAN -- the nonqualified, income deferral program maintained by the Principal Sponsor established for the benefit of Participants eligible to participate therein, as set forth in this Plan Statement. (As used herein, "Plan" does not refer to the documents pursuant to which the Plan is maintained. Those

documents are referred to herein as the "Plan Statement"). The Plan shall be referred to as the "FIRST BANK SYSTEM, INC. EXECUTIVE DEFERRAL PLAN."

1.2.14. PLAN STATEMENT -- this document entitled "FIRST BANK SYSTEM, INC. EXECUTIVE DEFERRAL PLAN (1992 Statement)" as adopted by the Organization Committee of the Board of Directors of FIRST BANK SYSTEM, INC. effective as of January 1, 1992, as the same may be amended from time to time thereafter.

1.2.15. PLAN YEAR -- the twelve (12) consecutive month period ending on any Annual Valuation Date.

1.2.16. PRINCIPAL SPONSOR -- FIRST BANK SYSTEM, INC., a Delaware corporation.

1.2.17. TERMINATION OF EMPLOYMENT -- a complete severance of an employee's employment relationship with the Employer and all Affiliates, if any, for any reason other than the employee's death. A transfer from employment with the Employer to employment with an Affiliate of the Employer shall not constitute a Termination of Employment. If an Employer who is an Affiliate ceases to be an Affiliate because of a sale of substantially all the stock or assets of the Employer, then Participants who are employed by that Employer and who cease to be employed by the Principal Sponsor or an Employer on account of the sale of substantially all the stock or assets of the Employer shall be deemed to have thereby had a Termination of Employment for the purpose of commencing distributions from this Plan.

1.2.18. VALUATION DATE -- the last day of each calendar month of the Plan Year.

1.2.19. SERVICE -- a measure of an employee's service with the Employer and all Affiliates (stated as a number of years) which is equal to the number of years of "Vesting Service" determined under the rules of the "First Bank System Personal Retirement Account" (or any similar successor plan) as those rules may exist at the time the Participant's Service is being determined.

1.3. RULES OF INTERPRETATION. An individual shall be considered to have attained a given age on such individual's birthday for that age (and not on the day before). Individuals born on February 29 in a leap year shall be considered to have their birthdays on February 28 in each year that is not a leap year. Notwithstanding any other provision of this Plan Statement or any election or designation made under the Plan, any individual who feloniously and intentionally kills a Participant or Beneficiary shall be deemed for all purposes of this Plan and all elections and designations made under this Plan to have died before such Participant or Beneficiary. A final judgment of conviction of felonious and intentional killing is conclusive for the purposes of this section. In the absence of a conviction of

felonious and intentional killing, the Principal Sponsor shall determine whether the killing was felonious and intentional for the purposes of this section. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to this entire Plan Statement and not to any particular paragraph or section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. This Plan Statement shall be construed and this Plan shall be administered to create an unfunded plan providing deferred compensation to a select group of management or highly compensated employees so that it is exempt from the requirements of Parts 2, 3 and 4 of Title I of ERISA and qualifies for a form of simplified, alternative compliance with the reporting and disclosure requirements of Part 1 of Title I of ERISA. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This document has been executed and delivered in the State of MINNESOTA and has been drawn in conformity to the laws of that State and shall be construed and enforced in accordance with the laws of the State of MINNESOTA.

SECTION 2

PARTICIPATION

2.1. PARTICIPATION. Each employee of the Employer designated by the Organization Committee of the Board of Directors as eligible to enroll in this Plan shall be a participant in the Plan as of the first day of the Plan Year with respect to which the employee first enrolls as Participant. Employees shall be designated as eligible to enroll on a Plan Year by Plan Year basis. Eligibility to enroll one Plan Year does not entitle the employee to enroll the next Plan Year.

2.2. ENROLLMENT. Prior to the first day of any Plan Year, an employee who has been designated as eligible to enroll may make an enrollment for that Plan Year. A separate enrollment shall be made for each Plan Year. Each such enrollment:

- (a) Shall be irrevocable for the remainder of the Plan Year with respect to which it is made once it has been accepted by the Principal Sponsor.

- (b) Shall designate the amount or portion of the Participant's incentive compensation or base compensation or both which is earned during that Plan Year (without regard to whether it would be paid during that or a subsequent Plan Year) which shall not be paid to the Participant but instead shall be accumulated in this Plan under Section 3 and distributed from this Plan under Section 6. The amount or portion may be designed as a dollar amount or a percentage. The amount or portion of the base compensation that can be designated shall not exceed fifty percent (50%) of the Participant's base compensation.
- (c) Shall specify the form in which distribution of the portion of the Account attributable to that enrollment shall be made under Section 6 upon the occurrence of an Event of Maturity (and if such designation is not clearly made to the contrary shall be deemed to have been an election of a single lump sum distribution).
- (d) Shall specify whether and what amount of the Account attributable to that enrollment shall be distributed before an Event of Maturity in accordance with Section 6.2.
- (e) Shall be made upon forms furnished by the Principal Sponsor, shall be made at such time as the Principal Sponsor shall determine, shall be made before the beginning of the Plan Year with respect to which it is made and shall conform to such other procedural and substantive rules as the Principal Sponsor shall make.

2.3. SPECIFIC EXCLUSION. Notwithstanding anything apparently to the contrary in this Plan Statement or in any written communication, summary, resolution or document or oral communication, no individual shall be a Participant in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for himself or herself or his or her survivors) unless such individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA). If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Plan at any time. If any person not so defined has been erroneously treated as a Participant in this Plan, upon discovery of such error such person's erroneous participation

shall immediately terminate AB INITIO and the Employer shall distribute the individual's Account immediately.

SECTION 3

ADJUSTMENT OF ACCOUNTS

3.1. ESTABLISHMENT OF ACCOUNTS. There shall be established for each Participant an unfunded, bookkeeping Account which shall be adjusted each Valuation Date.

3.2. ADJUSTMENTS OF ACCOUNTS. As of each Valuation Date (the "current Valuation Date"), the value of each Account determined as of the immediately preceding Valuation Date (the "initial Account value") shall be increased (or decreased) by the following adjustments made in the following sequence:

3.2.1. INTERMEDIATE DISTRIBUTIONS SUBTRACTION. The initial Account value shall be reduced by the total amount distributed in fact to (or with respect to) the Participant (or forfeited in connection with a distribution) from such Account as of a date subsequent to the immediately preceding Valuation Date but prior to the current Valuation Date.

3.2.2. INVESTMENT ADDITION. The initial Account value (as adjusted above) shall be increased by interest.

- (a) The rate shall be determined from time to time by the Principal Sponsor. Except as provided in Section 8, the rate may be changed by the Principal Sponsor by amendment of the Plan Statement without notice to or the consent of any Participant, former Participant or any Beneficiary.
- (b) Beginning January 1, 1992, the rate for each month shall be determined annually for each Plan Year and shall be equal to the monthly equivalent of one hundred percent (100%) of the 10-year Treasury Note 120 month rolling average (as established on the September 30 of the preceding Plan Year).
- (c) This rate shall be uniform for all Participants for the same Valuation Date but may change from Valuation Date to Valuation Date.

3.2.3. DEFERRAL ADDITION. The initial Account value (as adjusted above) shall be increased by the total amount of incentive compensation, if any, which

would have been paid to the Participant as of a date subsequent to the immediately preceding Valuation Date but prior to or coincident with the current Valuation Date but for the enrollment agreement signed by the Participant pursuant to Section 2.

3.2.4. FINAL DISTRIBUTIONS SUBTRACTION. The initial Account value (as adjusted above) shall be reduced by the total amount distributed in fact to (or with respect to) the Participant (or forfeited in connection with a distribution) from such Account as of the current Valuation Date.

SECTION 4

VESTING OF ACCOUNT

Except as provided in Section 6.2 and Section 6.4 (relating to the forfeiture for hardship or Change in Control distributions) and Section 8 (relating to the ability to amend the Plan Statement and terminate the Plan), the Account of each Participant shall be fully (100%) vested and nonforfeitable at all times.

SECTION 5

MATURITY

5.1. EVENTS OF MATURITY. A Participant's Account shall mature and shall become distributable in accordance with Section 6 upon the earliest occurrence of any of the following events while in the employment of the Employer or an Affiliate:

- (a) his or her death, or
- (b) his or her Termination of Employment from the Employer, or
- (c) termination of the Plan;

provided, however, that a termination of the opportunity to make an enrollment by action of the Organization Committee of the Board of Directors pursuant to Section 2 or a transfer of employment to an Affiliate that is not an Employer shall not constitute an Event of Maturity.

5.2. EFFECT OF MATURITY UPON FURTHER PARTICIPATION IN PLAN. On the occurrence of an Event of Maturity, a Participant shall cease to have any interest in the Plan other than the right to receive payment of his or her Account as provided in Section 6 hereof, adjusted from time to time as provided in Section 3.

SECTION 6

DISTRIBUTION

6.1. FORM OF DISTRIBUTION. Upon the occurrence of an Event of Maturity effective as to a Participant, the Principal Sponsor shall commence payment of such Participant's Account (reduced by the amount of any applicable payroll, withholding and other taxes) in the form designated by the Participant in his or her enrollment. A Participant shall not be required to make application to receive payment. Distribution shall not be made to any Beneficiary, however, until such Beneficiary shall have filed a written application for benefits in a form acceptable to the Principal Sponsor and such application shall have been approved by the Principal Sponsor.

6.1.1. FORM OF DISTRIBUTION. Distribution shall be made in whichever of the following forms as the Participant shall have designated in writing at the time of his or her enrollment (to the extent that such election is consistent with the rules of this Plan Statement):

- (a) TERM CERTAIN INSTALLMENTS TO PARTICIPANT. If the Distributee is a Participant, the Account at the Termination of Employment is at least Twenty Thousand Dollars (\$20,000) and the Participant had attained Earliest Retirement Age at the Termination of Employment, in a series of annual installments payable over fifteen (15) years. (For the purpose of applying this dollar limitation, all portions of the Account distributable in fifteen annual installments shall be considered together notwithstanding that such amounts may have been attributable to enrollments relating to more than one Plan Year.)
- (b) CONTINUED TERM CERTAIN INSTALLMENTS TO BENEFICIARY. If the Distributee is a Beneficiary of a deceased Participant and distribution had commenced to the deceased Participant before his or her death over a fifteen (15) year period as specified in paragraph (a) above, in a series of annual installments payable over the remainder of the fifteen (15) year period.
- (c) LUMP SUM. If the Distributee is a Participant, in a single lump sum. If the Distributee is a Beneficiary of a deceased Participant and distribution had not commenced to the deceased Participant before his or her death, in a single lump sum payment.

6.1.2. TIME OF PAYMENT. Payment shall be made or commenced to a Participant in accordance with the following rules:

- (a) RETIREMENT. If the Participant's Termination of Employment is on a date on or after the Participant's Earliest Retirement Age, payment shall be made or commenced as of the Annual Valuation Date coincident with or immediately following the Participant's Termination of Employment and shall be made or commenced as soon as practicable after such Annual Valuation Date.
- (b) DEATH. If the payment is made or commenced on account of the Participant's death, payment shall be made or commenced as of the Annual Valuation Date coincident with or immediately following the Participant's Termination of Employment and shall be made or commenced as soon as practicable after such Annual Valuation Date.
- (c) OTHER. In all other cases, payment to the Participant shall be made as of the second Valuation Date subsequent to the Participant's Termination of Employment and shall be made as soon as practicable after such second Valuation Date.
- (d) CODE SS.162(m) DELAY. If the Principal Sponsor determines that delaying the time of the initial payments are made or commenced would increase the probability that such payments would be fully deductible for federal or state income tax purposes, the Principal Sponsor may unilaterally delay the time of the making or commencement of payments for up to twenty-four (24) months after the date such payments would otherwise be payable.

6.1.3. INSTALLMENT AMOUNTS. The amount of the annual installments shall be determined by dividing the amount of the Account as of the Annual Valuation Date as of which the installment is being paid by the number of remaining installment payments to be made (including the payment being determined).

6.1.4. DEFAULT. If for any reason a Participant shall have failed to make a timely written designation of form for distribution (including reasons entirely beyond the control of the Participant), the distribution shall be made in a single lump sum. No spouse, former spouse, Beneficiary or other person shall have any right to participate in the Participant's selection of a form of benefit.

6.2. PREVIOUSLY SCHEDULED DISTRIBUTION.

6.2.1. ENROLLING FOR THE DISTRIBUTION. At the time of enrollment for each Plan Year, each enrolling Participant shall have the opportunity to elect to cause the Plan to make a scheduled distribution to the Participant from the Account of a fixed dollar amount or percentage of Account (not less than \$2,000) as of an Annual Valuation Date designated by the Participant in the enrollment which distribution shall be made as soon as practicable after such Annual Valuation Date. The failure to make such a scheduled distribution election one Plan Year shall not preclude an election in a subsequent Plan Year. Making a scheduled distribution election for one Plan Year shall not require any such election in a subsequent Plan Year. The scheduled distribution election that is made with each Plan Year's enrollment shall relate only to the portion of the Account that is attributable to that Plan Year's deferrals.

6.2.2. SCHEDULED DISTRIBUTION. As of the Annual Valuation Date designated by the Participant in his or her enrollment, there shall be distributed from the Account to the Participant such amount as the Participant shall have elected to receive from the Account when the Participant enrolled. Notwithstanding the dollar amount designated by the Participant in his or her enrollment, if a scheduled distribution is required as of an Annual Valuation Date and the value of the portion of the Account that is attributable to the Plan Year's deferrals on such Annual Valuation Date is less than Five Thousand Dollars (\$5,000) the entire Account attributable to that Plan Year's deferrals shall be distributed. In no event shall such scheduled distributions occur after the death of the Participant or after any other Event of Maturity with respect to the Participant. In no event shall such scheduled distributions made pursuant to an enrollment for a Plan Year exceed the Account attributable to that Plan Year.

6.3. HARDSHIP DISTRIBUTIONS.

6.3.1. WHEN AVAILABLE. A Participant may receive a hardship distribution from his or her Account if the Principal Sponsor determines that such hardship distribution is for a purpose described in Section 6.3.2 and the conditions in Section 6.3.3 and Section 6.3.4 have been fulfilled. To receive such a distribution, the Participant must file a written hardship distribution application with the Principal Sponsor and furnish such documentation as the Principal Sponsor may require. In the application, the Participant shall specify the basis for the distribution and the dollar amount to be distributed. If such hardship distribution is approved by the Principal Sponsor, distribution shall be made as of the Valuation Date coincident with or next following the approval of a completed application by the Principal Sponsor and such hardship distribution shall be made in a lump sum cash payment as soon as administratively feasible after such Valuation Date. The

amount of each hardship distribution shall be taken from the portion of the Account attributable to the earliest enrollment (including related earnings) first.

6.3.2. PURPOSES. Hardship distributions shall be allowed under Section 6.3.1 only if the Participant establishes that the hardship distribution is to be made on account of an immediate and heavy financial need of the Participant for which the Participant does not have other available resources.

6.3.3. LIMITATIONS. The amount of the hardship distribution shall not exceed the amount of the Participant's proven immediate and heavy financial need. A hardship distribution shall not be made after the death of the Participant or after the occurrence of any other Event of Maturity. The amount of approved hardship distribution (and the forfeiture described below) shall not exceed the value of the Account.

6.3.4. FORFEITURE. Upon the approval of a hardship distribution, there shall be irrevocably forfeited from the Account of the Participant an amount equal to ten percent (10%) of the amount approved for distribution.

6.4. CHANGE IN CONTROL DISTRIBUTIONS.

6.4.1. WHEN AVAILABLE. A Participant or Beneficiary may receive a distribution of his or her entire Account (after reduction for the forfeiture described in Section 6.4.3) if a Full Change in Control or a Qualifying Termination has occurred and the condition in Section 6.4.2 has been fulfilled (a "Change in Control Distribution"). To receive such a distribution, the Participant or Beneficiary must file a written distribution application with the Principal Sponsor. The Principal Sponsor shall approve the Change in Control Distribution if such application has been filed and a Full Change in Control or a Qualifying Termination has occurred. Distribution of the entire Account (after reduction for the forfeiture described in Section 6.4.3) shall be made as of the Valuation Date coincident with or next following the approval of a completed application by the Principal Sponsor. Such distribution shall be made in a lump sum cash payment as soon as administratively feasible after such Valuation Date.

6.4.2. LIMITATIONS. The amount of approved Change in Control Distribution (and the forfeiture described below) shall not exceed the value of the Account.

6.4.3. FORFEITURE. Upon the approval of a Change in Control Distribution, there shall be irrevocably forfeited from the Account of the Participant or Beneficiary an amount equal to five percent (5%) of the Account.

6.5. ACCELERATION OF ANNUAL INSTALLMENTS.

6.5.1. WHEN AVAILABLE. A Participant or Beneficiary who is receiving annual installments may receive an accelerated payment of his or her entire Account (after reduction for the forfeiture described in Section 6.5.2). To receive such an accelerated payment, the Participant or Beneficiary must file a written payment application with the Principal Sponsor. Payment of the accelerated payment (after reduction for the forfeiture described in Section 6.5.2) shall be made as of the Annual Valuation Date coincident with or next following the approval of a completed application by the Principal Sponsor. Such accelerated payment shall be made in a lump sum cash payment as soon as administratively feasible after such Valuation Date. The amount of the accelerated payment shall be equal to the value of the Account as of such Annual Valuation Date (after reduction for the forfeiture described below).

6.5.2. FORFEITURE. Upon the approval of an accelerated payment, there shall be irrevocably forfeited from the Account of the Participant or Beneficiary an amount equal to ten percent (10%) of the Account.

6.6. DESIGNATION OF BENEFICIARIES.

6.6.1. RIGHT TO DESIGNATE. Each Participant may designate, upon forms to be furnished by and filed with the Principal Sponsor, one or more primary Beneficiaries or alternative Beneficiaries to receive all or a specified part of such Participant's Account in the event of such Participant's death. The Participant may change or revoke any such designation from time to time without notice to or consent from any Beneficiary. No such designation, change or revocation shall be effective unless executed by the Participant and received by the Principal Sponsor during the Participant's lifetime.

6.6.2. FAILURE OF DESIGNATION. If a Participant:

- (a) fails to designate a Beneficiary,
- (b) designates a Beneficiary and thereafter revokes such designation without naming another Beneficiary, or
- (c) designates one or more Beneficiaries and all such Beneficiaries so designated fail to survive the Participant,

such Participant's Account, or the part thereof as to which such Participant's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Beneficiaries with a member surviving the Participant and

(except in the case of surviving issue) in equal shares if there is more than one member in such class surviving the Participant:

- Participant's surviving spouse
- Participant's surviving issue per stirpes and not per capita
- Participant's surviving parents
- Participant's surviving brothers and sisters
- Representative of Participant's estate.

6.6.3. DISCLAIMERS BY BENEFICIARIES. A Beneficiary entitled to a distribution of all or a portion of a deceased Participant's Account may disclaim an interest therein subject to the following requirements. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of all or any portion of the Account at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed Account is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to the Principal Sponsor after the date of the Participant's death but not later than one hundred eighty (180) days after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to the Principal Sponsor. A disclaimer shall be considered to be delivered to the Principal Sponsor only when actually received by the Principal Sponsor. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 6 and shall not be considered to be an assignment or alienation of benefits in violation of federal law prohibiting the assignment or alienation of benefits under this Plan. No other form of attempted disclaimer shall be recognized by the Principal Sponsor.

6.6.4. DEFINITIONS. When used herein and, unless the Participant has otherwise specified in the Participant's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Participant.

6.6.5. SPECIAL RULES. Unless the Participant has otherwise specified in the Participant's Beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Participant, it shall be deemed that the Beneficiary was not living at the time of the death of the Participant.
- (b) The automatic Beneficiaries specified in Section 6.6.2 and the Beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a Beneficiary survives the Participant but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.
- (c) If the Participant designates as a Beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a Beneficiary on a form executed by the Participant and received by the Principal Sponsor after the date of the legal termination of the marriage between the Participant and such former spouse, and during the Participant's lifetime.)
- (d) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.
- (e) Any designation of a Beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.

A Beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

6.6.6. NO SPOUSAL RIGHTS. No spouse or surviving spouse of a Participant and no person designated to be a Beneficiary shall have any rights or interest in the benefits accumulated under this Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the designation of Beneficiaries (or the changing of designated Beneficiaries) by the Participant.

6.7. DEATH PRIOR TO FULL DISTRIBUTION. If, at the death of the Participant, any payment to the Participant was due or otherwise pending but not actually paid, the amount of such payment shall be included in the Account which are payable to the Beneficiary (and shall not be paid to the Participant's estate).

6.8. FACILITY OF PAYMENT. In case of the legal disability, including minority, of a Participant or Beneficiary entitled to receive any distribution under the Plan, payment shall be made, if the Principal Sponsor shall be advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such Participant or Beneficiary, or
- (b) to a person or institution entrusted with the care or maintenance of the incompetent or disabled Participant or Beneficiary, provided such person or institution has satisfied the Principal Sponsor that the payment will be used for the best interest and assist in the care of such Participant or Beneficiary, and provided further, that no prior claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such Participant or Beneficiary.

Any payment made in accordance with the foregoing provisions of this section shall constitute a complete discharge of any liability or obligation of the Principal Sponsor therefor.

SECTION 7

FUNDING OF PLAN

7.1. UNFUNDED AGREEMENT. The obligation of the Employer to make payments under this Plan constitutes only the unsecured (but legally enforceable) promise of the Employer to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of the Employer. The Employer is not required to establish or maintain any fund, trust or account (other than a bookkeeping account or reserve) for the purpose of funding or paying the benefits

promised under this Plan. If such a fund is established, the property therein shall remain the sole and exclusive property of the Employer. The Employer will pay the cost of this Plan out of its general assets. All references to accounts, accruals, gains, losses, income, expenses, payments, custodial funds and the like are included merely for the purpose of measuring the Employer's obligation to Participants in this Plan and shall not be construed to impose on the Employer the obligation to create any separate fund for purposes of this Plan.

If the Employer elects to finance all or a portion of its costs in connection with this Plan through the purchase of life insurance or other similar investments, the Participant agrees, as a condition of participation in this Plan, to cooperate with the Employer in the purchase of such investment to any extent reasonably required by the Employer and relinquishes any claim he or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then notwithstanding any other provision of this Plan Statement (including, without limiting the generality of the foregoing, Section 4) the Employer shall distribute the individual's Account immediately and the Participant shall not be eligible to enroll in the Plan again.

7.2. SPENDTHRIFT PROVISION. No Participant or Beneficiary shall have any interest in any Account which can be transferred nor shall any Participant or Beneficiary have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of the Employer, nor shall the Employer recognize any assignment thereof, either in whole or in part, nor shall any Account be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of the Employer.

The power to designate Beneficiaries to receive the Account of a Participant in the event of such Participant's death shall not permit or be construed to permit such power or right to be exercised by the Participant so as thereby to anticipate, pledge, mortgage or encumber such Participant's Account or any part thereof, and any attempt of a Participant so to exercise said power in violation of this provision shall be of no force and effect and shall be disregarded by the Employer.

This section shall not prevent the Employer from exercising, in its discretion, any of the applicable powers and options granted to it upon the occurrence of an Event of Maturity, as such powers may be conferred upon it by any applicable provision hereof.

SECTION 8

AMENDMENT AND TERMINATION

The Principal Sponsor reserves the power to amend the Plan Statement or terminate the Plan prior to a Full Change in Control. No such amendment of the Plan Statement or termination of the Plan, however, shall reduce a Participant's Account earned as of the date of such amendment unless the Participant so affected consents in writing to the amendment. After a Full Change in Control, the Plan cannot be amended or terminated (as applied to Participants who are Participants on the date of the Full Change in Control) unless:

- (a) all Accounts of all Participants as of the date of the Full Change in Control have been paid, or
- (b) eighty percent (80%) of all the Participants as of the date of the Full Change in Control give written consent to such amendment or termination.

SECTION 9

DETERMINATIONS -- RULES AND REGULATIONS

9.1. DETERMINATIONS. The Principal Sponsor shall make such determinations as may be required from time to time in the administration of the Plan. The Principal Sponsor shall have the discretionary authority and responsibility to interpret and construe the Plan Statement and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Participants and Beneficiaries, and the amounts of their respective interests. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

9.2. RULES AND REGULATIONS. Any rule not in conflict or at variance with the provisions hereof may be adopted by the Principal Sponsor.

9.3. METHOD OF EXECUTING INSTRUMENTS. Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this Plan Statement may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

9.4. CLAIMS PROCEDURE. The claims procedure set forth in this Section 9.4 shall be the exclusive procedure for the disposition of claims for benefits arising under the Plan until such time as a Full Change in Control occurs.

9.4.1. ORIGINAL CLAIM. Any employee, former employee or beneficiary of such employee or former employee may, if he or she so desires, file with the Principal Sponsor a written claim for benefits under the Plan. Within ninety (90) days after the filing of such a claim, the Principal Sponsor shall notify the claimant in writing whether the claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Principal Sponsor shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Plan Statement on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

9.4.2. CLAIMS REVIEW PROCEDURE. Within sixty (60) days after receipt of notice that the claim has been denied in whole or in part, the claimant may file with the Principal Sponsor a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Principal Sponsor shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

9.4.3. GENERAL RULES.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Principal Sponsor may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Principal Sponsor upon request.

- (b) All decisions on claims and on requests for a review of denied claims shall be made by the Principal Sponsor.
- (c) the Principal Sponsor may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) A claimant may be represented by a lawyer or other representative (at the claimant's own expense), but the Principal Sponsor reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to copies of all notices given to the claimant.
- (e) The decision of the Principal Sponsor on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.
- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this Plan Statement and all other pertinent documents in the possession of the Principal Sponsor.

9.5. INFORMATION FURNISHED BY PARTICIPANTS. The Principal Sponsor shall not be liable or responsible for any error in the computation of the Account of a Participant resulting from any misstatement of fact made by the Participant, directly or indirectly, to the Principal Sponsor, and used by it in determining the Participant's Account. The Principal Sponsor shall not be obligated or required to increase the Account of such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the Account of any Participant which are overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of the truth.

SECTION 10

PLAN ADMINISTRATION

10.1. EMPLOYER.

10.1.1. OFFICERS. Except as hereinafter provided, functions generally assigned to the Principal Sponsor shall be discharged by its officers or delegated and allocated as provided herein.

10.1.2. CHIEF EXECUTIVE OFFICER. Except as hereinafter provided, the Chief Executive Officer of the Principal Sponsor may delegate or redelegate and allocate and reallocate to one or more persons or to a committee of persons jointly or severally, and whether or not such persons are directors, officers or employees, such functions assigned to the Employer generally hereunder as the Chief Executive Officer may from time to time deem advisable.

10.1.3. BOARD OF DIRECTORS. Notwithstanding the foregoing, the Organization Committee of the Board of Directors of the Principal Sponsor shall have the exclusive authority, which may not be delegated, to act for the Principal Sponsor to amend this Plan Statement, to terminate this Plan, and to determine eligibility to participate in the Plan under Section 2.

10.2. CONFLICT OF INTEREST. If any officer or employee of the Employer, or any member of the Organization Committee of the Board of Directors of the Employer to whom authority has been delegated or redelegated hereunder shall also be a Participant in the Plan, such Participant shall have no authority as such officer, employee or member with respect to any matter specially affecting such Participant's individual interest hereunder or the interest of a person superior to him or her in the organization (as distinguished from the interests of all Participants and Beneficiaries or a broad class of Participants and Beneficiaries), all such authority being reserved exclusively to the other officers, employees or members as the case may be, to the exclusion of such Participant, and such Participant shall act only in such Participant's individual capacity in connection with any such matter.

10.3. ADMINISTRATOR. FIRST BANK SYSTEM, INC. shall be the administrator for purposes of section 3(16)(A) of the Employee Retirement Income Security Act of 1974.

10.4. SERVICE OF PROCESS. In the absence of any designation to the contrary by the Employer, the Secretary of FIRST BANK SYSTEM, INC. is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

SECTION 11

DISCLAIMERS

11.1. TERM OF EMPLOYMENT. Neither the terms of this Plan Statement nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. The Employer shall not be obliged to continue the Plan. The terms of this Plan Statement shall not give any employee the right to be retained in the employment of the Employer.

11.2. SOURCE OF PAYMENT. Neither the Employer nor any of its officers nor any member of its Organization Committee of the Board of Directors in any way secure or guarantee the payment of any benefit or amount which may become due and payable hereunder to any Participant or to any Beneficiary or to any creditor of a Participant or a Beneficiary. Each Participant, Beneficiary or other person entitled at any time to payments hereunder shall look solely to the assets of the Employer for such payments or to the Accounts distributed to any Participant or Beneficiary, as the case may be, for such payments. In each case where Accounts shall have been distributed to a former Participant or a Beneficiary or to the person or any one of a group of persons entitled jointly to the receipt thereof and which purports to cover in full the benefit hereunder, such former Participant or Beneficiary, or such person or persons, as the case may be, shall have no further right or interest in the other assets of the Employer. Neither the Employer nor any of its officers nor any member of its Board of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Plan by reason of the insolvency of the Employer.

11.3. DELEGATION. The Employer and its officers and the members of its Board of Directors shall not be liable for an act or omission of another person with regard to a responsibility that has been allocated to or delegated to such other person pursuant to the terms of this Plan Statement or pursuant to procedures set forth in this Plan Statement.

_____, 1991

FIRST BANK SYSTEM, INC.

By

Its

APPENDIX A

CHANGE IN CONTROL DEFINITIONS

SECTION 1

1.1. ACQUIRING PERSON -- any Person who or which, together with all Affiliates (CIC) and Associates of such person, is the Beneficial Owner, directly or indirectly, of securities of FBS representing 20% or more of the combined voting power of FBS's then outstanding securities, but shall not include any Company Entity.

1.2. AFFILIATE (CIC) -- shall have the meaning ascribed to the term "Affiliate" in Rule 12b-2 promulgated under the Exchange Act.

1.3. ASSOCIATE -- shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

1.4. BENEFICIAL OWNER -- shall have the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

1.5. BOARD OF DIRECTORS -- the board of directors of FBS.

1.6. CHANGE IN CONTROL -- a Full Change in Control or a Partial Change in Control.

1.7. COMPANY ENTITY -- FBS, any subsidiary of FBS or any employee benefit plan of FBS or of any subsidiary of FBS or any entity holding shares of the voting capital stock of FBS organized, appointed or established for, or pursuant to the terms of, any such plan.

1.8. CONTINUING DIRECTOR -- any person who is a member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Acquiring Person or an Affiliate (CIC) or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate (CIC) or Associate, and who (x) was a member of the Board of Directors as of February 18, 1998 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 has been approved in advance by the Continuing Directors; provided that any director designated by or on behalf of a Person who has entered into an agreement with FBS (or who is contemplating entering into such an agreement) to effect a consolidation or merger of FBS or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, and any director that serves in

connection with the act of the Board of Directors of increasing the number of directors and filling vacancies in connection with, or in contemplation of, any such transaction, shall not be deemed to have received such advance approval for initial nomination or election, and any such director shall not be deemed to be a Continuing Director, in each case solely for the purpose of determining whether the addition of members of the Board of Directors in connection with, or in contemplation of, such transaction results in a Full Change in Control under clause (b) of the definition of Full Change in Control.

1.9. EXCHANGE ACT -- the Securities Exchange Act of 1934, as amended.

1.10. FULL CHANGE IN CONTROL -- shall mean:

- (a) 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 FBS or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of FBS (x) representing 20% or more, but not more than 50%, of the combined voting power of FBS's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors or (y) representing more than 50% of the combined voting power of FBS's then outstanding securities (regardless of any approval by the Continuing Directors); or
- (b) the Continuing Directors cease to constitute a majority of the Board of Directors of FBS or the Resulting Corporation, except in accordance with the terms of a Permitted Transaction and except as a result of the death, retirement or disability of one or more Continuing Directors; or
- (c) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the consolidated assets of FBS and its subsidiaries or the adoption of any plan of liquidation or dissolution of FBS.

1.11. PARTIAL CHANGE IN CONTROL -- shall mean:

- (a) a consolidation or merger of FBS or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, as a result of which less than 60% of the outstanding voting securities of the Resulting Corporation are, or are to be, owned by former shareholders of FBS as determined

immediately prior to consummation of such transaction (excluding voting securities of the Resulting Corporation owned, or to be owned, by such shareholders by reason of their ownership prior to such transaction of securities of any entity other than FBS) and as a result of which the Continuing Directors constitute (i) more than 50% of the Board of Directors of the Resulting Corporation or (ii) exactly 50% of the Board of Directors of the Resulting Corporation if the transaction resulting in such event is a Permitted Transaction; 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 FBS or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of FBS representing 20% or more, but not more than 50%, of the combined voting power of FBS's then outstanding securities if the transaction resulting in such ownership has been approved in advance by the Continuing Directors.

1.12. PERMITTED DIRECTOR -- a director who was a Continuing Director immediately prior to consummation of a Permitted Transaction and any director who fills a vacancy created by the termination of service as a director or expiration of the term as a director of any Permitted Director if such person was selected solely by the then current Permitted Directors.

1.13. PERMITTED TRANSACTION -- a transaction in which, pursuant to a written agreement between FBS and all Persons who have entered into an agreement with FBS to effect a transaction described in paragraph (a) of the definition of Partial Change in Control, it is agreed that (w) the Chief Executive Officer of FBS immediately prior to the consummation of such transaction shall be the Chief Executive Officer of the Resulting Corporation for not less than three years following consummation of such transaction, (x) upon termination of service of any Permitted Director for any reason, including upon death, disability or retirement, prior to the expiration of such director's term during such three-year period, the vacancy thereby created shall be filled by a nominee selected solely by the Permitted Directors, (y) upon expiration of the term of any Permitted Director during such three-year period, the nominee to succeed such director shall be selected solely by the Permitted Directors and (z) the parties will take other appropriate steps to ensure that the Board of Directors of the Resulting Corporation will be evenly divided between Permitted Directors and all directors designated by other parties to the transaction during such three-year period. Notwithstanding the foregoing, such agreement may provide that directors added to the Board of Directors (x) pursuant to an expansion of the number of members of the Board of Directors approved by 75% of the then current members of the Board of Directors or (y) pursuant to the terms of

any subsequent agreement relating to an acquisition by or of FBS, shall not be subject to the foregoing limitations. The determination of whether a transaction constitutes a Permitted Transaction shall be made at the time of consummation of such transaction, and no subsequent events shall cause such transaction to no longer constitute a Permitted Transaction.

1.14. PERSON -- shall have the meaning ascribed to such term as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

1.15. QUALIFYING TERMINATION -- a termination of employment of a Participant prior to a Full Change in Control or prior to or following a Partial Change in Control that results in such Participant becoming entitled to receive change in control related severance payments pursuant to the terms of the change in control provisions of an employment contract, an individual change in control severance agreement, the First Bank System, Inc. Senior Management Change in Control Severance Pay Plan (including any successor plan thereto), the First Bank System, Inc. Middle Management Change in Control Severance Pay Program (including any successor program thereto) or the First Bank System, Inc. Broad-Based Change in Control Severance Pay Program (including any successor program thereto).

1.16. RESULTING CORPORATION -- the surviving corporation in any consolidation, merger or other reorganization to which FBS is a party; provided, however, that if the surviving corporation in any such transaction is a subsidiary of another corporation, then the Resulting Corporation is the ultimate parent corporation of such surviving corporation; and provided, further, that in the event of a consolidation, merger or other reorganization to which a Company Entity (other than FBS) is a party, then FBS shall be deemed the Resulting Corporation.

COMPOSITE COPY

FIRST BANK SYSTEM, INC.
NONQUALIFIED SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN

Effective January 1, 1992

And

As Amended By

The FIRST AMENDMENT Adopted October 21, 1991
But Effective January 1, 1992The SECOND AMENDMENT Adopted January 20, 1993
But Effective January 1, 1992The THIRD AMENDMENT Adopted January 18, 1995
But Effective January 1, 1992 and January 1, 1995The FOURTH AMENDMENT Adopted July 17, 1996
And Effective July 17, 1996The FIFTH AMENDMENT Adopted February 18, 1998
And Effective February 18, 1998FIRST BANK SYSTEM, INC.
NONQUALIFIED SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN

Effective January 1, 1992

TABLE OF CONTENTS

PAGE

SECTION 1. INTRODUCTION

1

| | | |
|---------|--------------------------------|--|
| 1.1. | History | |
| 1.2. | Definitions | |
| 1.2.1. | Accrual Percentage | |
| 1.2.2. | Accrued SERP Benefit | |
| 1.2.3. | Actuarial Equivalent | |
| 1.2.4. | Affiliate | |
| 1.2.5. | Average Compensation | |
| 1.2.6. | Beneficiary | |
| 1.2.7. | CAP | |
| 1.2.8. | Change in Control | |
| 1.2.9. | Compensation | |
| 1.2.10. | Effective Date | |
| 1.2.11. | Employer | |
| 1.2.12. | FBS | |
| 1.2.13. | Normal Retirement Age | |
| 1.2.14. | Organization Committee | |
| 1.2.15. | Participant | |
| 1.2.16. | Plan | |
| 1.2.17. | Plan Statement | |
| 1.2.18. | PRA | |
| 1.2.19. | Principal Sponsor | |
| 1.2.20. | Prior Plans' Offset | |
| 1.2.21. | Projected Average Compensation | |
| 1.2.22. | Projected Compensation | |
| 1.2.23. | Projected PIA | |
| 1.2.24. | Projected PRA Account | |
| 1.2.25. | Projected PRA Annuity | |
| 1.2.26. | SERP Benefit | |
| 1.2.27. | Service | |
| 1.2.28. | Social Security Benefit | |

| | | |
|------------|--|----|
| | 1.2.29. Survivor Benefit | |
| | 1.2.30. Termination of Employment | |
| 1.3. | Rules of Interpretation | |
| SECTION 2. | ELIGIBILITY AND PARTICIPATION | 11 |
| 2.1. | General Eligibility Rule | |
| 2.2. | Specific Exclusion | |
| SECTION 3. | PARTICIPANT'S BENEFIT | 12 |
| 3.1. | SERP Benefit | |
| 3.2. | Suspension of Benefits | |
| 3.3. | Change in Control Distributions | |
| | 3.3.1. Accelerated Determination of Participant Status | |
| | 3.3.2. Accelerated Payment Upon Request | |
| | 3.3.3. Forfeitures | |
| 3.4. | Other Accelerated Distributions | |
| | 3.4.1. When Available | |
| | 3.4.2. Amount | |
| | 3.4.3. Forfeitures | |
| 3.5. | Effect on Service | |
| SECTION 4. | FORM OF PAYMENT | 16 |
| 4.1. | Optional Forms of Payment | |
| 4.2. | Payments in Case of Incompetency or Disability | |
| 4.3. | Small Benefits | |
| SECTION 5. | DEATH BENEFITS | 17 |
| 5.1. | Death Benefits | |
| | 5.1.1. Death Before SERP Benefit Commencement | |
| | 5.1.2. Death After SERP Benefit Commencement | |
| 5.2. | Designation of Beneficiaries | |
| | 5.2.1. Right to Designate | |
| | 5.2.2. Failure of Designation | |
| | 5.2.3. Disclaimers by Beneficiaries | |
| | 5.2.4. Definitions | |
| | 5.2.5. Special Rules | |
| | 5.2.6. No Spousal Rights | |
| 5.3. | Death Prior to Full Distribution | |
| SECTION 6. | FUNDING OF PLAN | 21 |

| | | |
|---|--|-----|
| 6.1. | Unfunded Agreement | |
| 6.2. | Spendthrift Provision | |
| SECTION 7. | AMENDMENT AND TERMINATION | 22 |
| SECTION 8. | DETERMINATIONS-- RULES AND REGULATIONS | 23 |
| 8.1. | Determinations | |
| 8.2. | Rules and Regulations | |
| 8.3. | Method of Executing Instruments | |
| 8.4. | Claims Procedure | |
| 8.4.1. | Original Claim | |
| 8.4.2. | Claims Review Procedure | |
| 8.4.3. | General Rules | |
| 8.5. | Information Furnished by Participants | |
| SECTION 9. | PLAN ADMINISTRATION | 26 |
| 9.1. | Principal Sponsor | |
| 9.1.1. | Officers | |
| 9.1.2. | Chief Executive Officer | |
| 9.1.3. | Board of Directors | |
| 9.2. | Conflict of Interest | |
| 9.3. | Administrator | |
| 9.4. | Service of Process | |
| 9.5. | IRC and ERISA Status | |
| SECTION 10. | DISCLAIMERS | 28 |
| 10.1. | Term of Employment | |
| 10.2. | Source of Payment | |
| 10.3. | Delegation | |
| SCHEDULE I | SI-1 | |
| SCHEDULE II | SII-1 | |
| APPENDIX A -- ACTUARIALLY EQUIVALENT BENEFITS | | A-1 |
| APPENDIX B -- CHANGE IN CONTROL DEFINITIONS | | B-1 |

FIRST BANK SYSTEM, INC.
NONQUALIFIED SUPPLEMENTAL
EXECUTIVE RETIREMENT PLAN

SECTION 1

INTRODUCTION

1.1. HISTORY. First Bank System, Inc., a Delaware corporation (hereinafter "Principal Sponsor") and certain subsidiaries of the Principal Sponsor have heretofore adopted and currently maintain a tax qualified defined benefit ("cash balance") pension plan known as the "First Bank System, Inc. Personal Retirement Account" (hereinafter "PRA") and a tax qualified defined contribution profit sharing plan (including a qualified cash or deferred arrangement, sometimes called a ss.401(k) feature) known as the First Bank System, Inc. Capital Accumulation Plan (hereinafter "CAP") for the purpose of developing retirement benefits for employees. PRA and CAP are subject to the Employee Retirement Income Security Act of 1974, as amended (hereinafter "ERISA") and they are intended to qualify under section 401(a) of the Internal Revenue Code of 1986, as amended (hereinafter "Code").

By operation of section 401(a) of the Code, benefits which may be paid under PRA are restricted so that they do not exceed certain maximum limitations established under section 415 of the Code. For benefits accruing under PRA during plan years beginning after December 31, 1988, the maximum amount of annual compensation which may be taken into account for any employee may not exceed a fixed dollar amount which is established under section 401(a)(17) of the Code. Regulations issued under section 401(a)(4) of the Code limit the amounts and types of remuneration that can be taken into account under PRA without engaging in discrimination in favor of highly compensated employees which is prohibited for tax qualified plans under the Code.

ERISA authorizes the establishment of an unfunded, nonqualified plan of deferred compensation maintained by an employer solely for the purpose of providing benefits for employees which are in excess of the limitations on benefits imposed on qualified defined benefit plans by section 415 of the Code. ERISA also authorizes the establishment of an unfunded, nonqualified plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees. To make provision for such benefits, effective January 1, 1984, the Principal Sponsor adopted the "First Bank System, Inc. Excess Benefit Plan" to provide benefits not otherwise available under

PRA. Effective January 1, 1989, that Plan was amended and restated by the adoption of the "First Bank System, Inc. Excess Benefit Plan (1989 Restatement)."

It is in the interest of this corporation to provide benefits to certain executive employees in excess of those available under PRA, to provide the full allocations for those certain employees under PRA without regard to the limitations on benefits imposed by section 415, 401(a)(17) and 401(a)(4) of the Code, to coordinate the benefits provided to them under PRA and the Excess Plan and that an unfunded nonqualified deferred compensation plan be maintained for those purposes.

Therefore, this corporation does hereby establish this Plan, the terms and conditions of which are as follows.

1.2. DEFINITIONS. Words used herein with initial capital letters which are also defined in Section 1 of PRA shall have the meanings assigned in PRA unless a contrary intention is expressed herein. When used herein with initial capital letters, the following words have the following meanings:

1.2.1. ACCRUAL PERCENTAGE -- a number not greater than one (expressed as either a decimal or a percentage) determined as of a specified date which is equal to (a) divided by (b) divided by (c):

- (a) Fifty-five percent (55%) of the Participant's Projected Average Compensation determined as of such specified date, minus the total of:
 - (i) The Participant's Projected PRA Annuity determined as of such specified date, and
 - (ii) Seventy-five percent (75%) of the Participant's Projected PIA determined as of such specified date, and
 - (iii) The Participant's Prior Plans' Offset determined as of such specified date.
- (b) The Participant's Projected Average Compensation determined as of such specified date.
- (c) The number (never less than one) of total possible years of continuous and full time service with the Employer which the Participant could have completed from his or her most recent date of hire to his or her Normal Retirement Age. To the same extent that the Organization Committee determines under

Section 1.2.11 of the Plan Statement that a business entity was an Employer prior to the date on which the business entity first became an Employer, the business entity shall be considered an Employer for the purposes of this subparagraph.

The Accrual Percentage may decrease from time to time.

1.2.2. ACCRUED SERP BENEFIT -- a dollar amount determined as of a specified date which is equal to the product of (a) multiplied by (b) multiplied by (c):

- (a) The Participant's Accrual Percentage determined as of such specified date.
- (b) The Participant's Average Compensation determined as of such specified date.
- (c) The number (which may be less than one, but may not exceed the number of years determined under Section 1.2.1(c)) of total years of continuous and full-time service with the Employer which the Participant has completed from his or her most recent date of hire to the date the Accrued SERP Benefit is determined; provided, however, that a Participant may receive credit for additional years of service, solely for purposes of this Section 1.2.2(c), under subparagraph (i), (ii) or (iii) below, using the greatest number if more than one applies, but not under more than one subparagraph:
 - (i) If a Participant attains age 60 while employed by an Employer, five additional years of service shall be added to the years of continuous and full-time service of such Participant.
 - (ii) If a Participant is entitled to receive severance payments under a severance pay plan maintained by an Employer and such payments are made on account of a Change in Control, there shall be included within the years of continuous and full-time service of such Participant the number of years and fractions of years of such payments (even if such payments are paid in a lump sum or other accelerated manner).
 - (iii) A Participant who terminates employment shall be credited with additional years of service to the extent such credit is expressly provided under the terms of an employment agreement or a change in control severance

plan or agreement between the Participant and an Employer.

The Accrued SERP Benefit may decrease from time to time. To the same extent that the Organization Committee determines under Section 1.2.11 of the Plan Statement that a business entity was an Employer prior to the date on which the business entity first became an Employer, the business entity shall be considered an Employer for the purposes of this subparagraph.

1.2.3. ACTUARIAL EQUIVALENT -- a benefit of equivalent value computed on the basis of actuarial tables, factors and assumptions set forth in the Appendix A to this Plan Statement.

1.2.4. AFFILIATE -- a business entity which is affiliated in ownership with the Principal Sponsor or an Employer and is recognized as an Affiliate by the Principal Sponsor for the purposes of this Plan.

1.2.5. AVERAGE COMPENSATION -- a dollar amount which is the annual average of the Participant's Compensation for each of the thirty-six (36) calendar months ending with the last day of the calendar month immediately before the date the Average Compensation is determined. Average Compensation may decrease from time to time. For this purpose, short term annual incentive compensation which has been determined in fact by the Employer before the date as of which the Average Compensation is determined shall be treated as if paid in fact before such event. If it is not so determined before such date, it shall be wholly disregarded for the purposes of this Plan. For this purpose, short term annual incentive compensation, although paid less frequently, shall be evenly allocated to the calendar months with respect to which it is paid. Notwithstanding anything apparently to the contrary, in determining Average Compensation, there shall be taken into account the short term annual incentive compensation attributable to the thirty-six (36) calendar months preceding the date as of which the Average Compensation is determined or, if it would produce a greater Average Compensation, the short term annual incentive compensation attributable to the thirty-six (36) calendar months ending with the December 31 preceding the date as of which the Average Compensation is determined.

1.2.6. BENEFICIARY -- a person designated by a Participant (or automatically by operation of this Plan Statement) to receive the Survivor Benefit in the event of the Participant's death under circumstances when such benefit is payable under Section 5. A person so designated shall not be considered a Beneficiary until the death of the Participant.

1.2.7. CAP -- the tax-qualified defined contribution ("ss.401(k)") profit sharing plan known as the FIRST BANK SYSTEM, INC. CAPITAL

ACCUMULATION PLAN, as the same is existing and may be amended from time to time.

1.2.8. CHANGE IN CONTROL -- The definition of Change in Control, as well as certain other definitions relating to Change in Control used herein, appear in Appendix B to this Plan Statement.

1.2.9. COMPENSATION -- a dollar amount which is the annual amount of base salary and short term annual incentive compensation paid to the Participant for services rendered as an employee of the Employer. Compensation may decrease from time to time.

- (a) CAP INCOME. Compensation shall include amounts which the Participant would have received and would have been included as Compensation but for section 402(a)(8) of the Code.
- (b) CAFETERIA PLAN CONTRIBUTIONS. Compensation shall include amounts which the Participant would have received and which would have been included as Compensation but for section 125 of the Code.
- (c) DEFERRED COMPENSATION. Notwithstanding the foregoing, Compensation shall include amounts of base salary and short term annual incentive compensation which were deferred at the election of the Participant or otherwise under a nonqualified plan of deferred compensation at the time such amounts would have been paid but for such election to defer and not at the time actually received by the Participant.

1.2.10. EFFECTIVE DATE -- January 1, 1992.

1.2.11. EMPLOYER -- the Principal Sponsor and any business entity affiliated with the Principal Sponsor that employs persons who are designated for participation in this Plan. Unless the Organization Committee determines otherwise, no business entity shall be considered an Employer for any period of time prior to the date on which the business entity first became an Employer.

1.2.12. FBS -- FIRST BANK SYSTEM, INC., a Delaware corporation.

1.2.13. NORMAL RETIREMENT AGE -- a date determined as of a specified date:

- (a) for a Participant who is not yet age sixty-five (65) years as of the specified date, the last day of the calendar month in which the Participant will attain age sixty-five (65) years, or
- (b) for a Participant who is age sixty-five (65) years or older as of the specified date, the last day of the calendar month immediately preceding the date as of which the Normal Retirement Age is being determined.

1.2.14. ORGANIZATION COMMITTEE -- the committee of that name constituted by the Board of Directors of the Principal Sponsor.

1.2.15. PARTICIPANT -- an employee of an Employer who becomes a Participant in the Plan in accordance with the provisions of Section 2. An employee who has become a Participant shall be considered to continue as a Participant in the Plan until the date of the Participant's death or, if earlier, the date when the Participant is no longer employed by an Employer and upon which the Participant no longer has any SERP Benefit under the Plan (that is, the Participant has received a distribution of all of the Participant's SERP Benefit or the Participant's SERP Benefit has been forfeited).

1.2.16. PLAN -- the nonqualified deferred compensation plan of the Employer established for the benefit of employees eligible to participate therein, as first set forth in this Plan Statement. (As used herein, "Plan" refers to the legal entity established by an Employer and not to the document pursuant to which the Plan is maintained. That document is referred to herein as the "Plan Statement.") The Plan shall be referred to as the "FIRST BANK SYSTEM, INC. NONQUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN."

1.2.17. PLAN STATEMENT -- this document entitled "FIRST BANK SYSTEM, INC. NONQUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN," as adopted by the Principal Sponsor effective as of January 1, 1992, as the same may be amended from time to time thereafter.

1.2.18. PRA -- the tax-qualified defined benefit ("cash balance") pension plan known as the FIRST BANK SYSTEM, INC. PERSONAL RETIREMENT ACCOUNT, as the same is existing and amended from time to time.

1.2.19. PRINCIPAL SPONSOR -- FIRST BANK SYSTEM, INC., a Delaware corporation, or any successor thereto.

1.2.20. PRIOR PLANS' OFFSET -- a dollar amount equal to the product of the Participant's Projected Average Compensation multiplied by the factor for that Participant determined from Schedule II to this Plan Statement. The factor for the participant shall be determined by reference to the Participant's age at his or her

most recent date of hire by the Employer. To the same extent that the Organization Committee determines under Section 1.2.11 of the Plan Statement that a business entity was an Employer prior to the date on which the business entity first became an Employer, the business entity shall be considered an Employer for the purposes of this paragraph.

1.2.21. PROJECTED AVERAGE COMPENSATION -- a dollar amount which is the average of the Participant's Compensation or Projected Compensation or both for each of the three (3) calendar years ending with:

- (a) if the date as of which the Projected Average Compensation is determined is before the Participant's Normal Retirement Age, the calendar year in which the Participant would attain Normal Retirement Age, or
- (b) if the date as of which the Projected Average Compensation is determined is on or after the Participant's Normal Retirement Age, the Plan Year in which the Participant's SERP Benefit is determined.

Projected Average Compensation may decrease from time to time.

1.2.22. PROJECTED COMPENSATION -- a separate dollar amount determined for each Plan Year commencing after the date as of which Projected Compensation is determined, assuming:

- (a) the Participant continues to earn short-term incentive payments at the target levels, and
- (b) the annual rate of the Participant's Compensation as of the first day of the Plan Year in which it is determined increased at four percent (4%) per annum, compounded annually, on the first day of each successive Plan Year.

Projected Compensation may decrease from time to time.

1.2.23. PROJECTED PIA -- the dollar amount of annual old age Social Security benefit expected to be paid to the Participant at the Participant's Normal Retirement Age, assuming:

- (a) that the Participant has had and continues to have taxable wages at or above the taxable wage base for Social Security purposes,

- (b) that the maximum Social Security taxable wage base increases at the rate at which Projected Compensation is deemed to increase under this Plan Statement,
- (c) that the consumer price index increases at one percentage point less than the rate at which Projected Compensation is deemed to increase under this Plan Statement.

1.2.24. PROJECTED PRA ACCOUNT -- a dollar amount equal to the Account balance the Participant would be expected to have under PRA at his or her Normal Retirement Age based on the following assumptions:

- (a) The initial account balance shall be the balance determined under PRA as of the last day of the Plan Year immediately preceding the date as of which the Projected PRA Account is determined (together with such amounts as would have been included in such balance if there were no limitations on benefits under section 415 of the Internal Revenue Code and no limitations on compensation under section 401(a)(17) of the Internal Revenue Code).
- (b) The Participant shall receive increases in recognized compensation at the rate Projected Compensation is deemed to increase under this Plan Statement.
- (c) Compensation credits under PRA shall be made under the terms of PRA as they exist on the last day of the Plan Year immediately preceding the date as of which the Projected PRA Account is determined.
- (d) Interest credits under PRA shall be made at an annual rate that is 3 percentage points greater than the rate at which Projected Compensation is deemed to increase under this Plan Statement.
- (e) Compensation credits and interest credits under PRA have been and shall be made as if there were no limitations on benefits under section 415 of the Internal Revenue Code and no limitations on compensation under section 401(a)(17) of the Internal Revenue Code.
- (f) Subject to the following, the Participant's initial account balance shall not include any amounts attributable to service with a business entity prior to the date the business entity first became an Employer. To the same extent that the Organization

Committee determines under Section 1.2.11 of the Plan Statement that a business entity was an Employer prior to the date on which the business entity first became an Employer, amounts attributable to service with the business entity shall be included in the Participant's initial account balance.

(g) Projected PRA Account may decrease from time to time.

1.2.25. PROJECTED PRA ANNUITY -- a dollar amount equal to the Actuarial Equivalent amount of single life annuity payable at Normal Retirement Age which the Projected PRA Account will produce.

1.2.26. SERP BENEFIT -- a single, lump sum, dollar amount which is equal to the Actuarial Equivalent present value of the Participant's Accrued SERP Benefit payable as a single life annuity commencing at the Participant's Normal Retirement Age. The SERP Benefit may decrease from time to time. The SERP Benefit may be paid in any of the optional forms of payment which are permitted under Section 4.1.

1.2.27. SERVICE -- a measure of an employee's service with all Employers and all Affiliates (stated as a number of years) which is equal to the number of years of "Vesting Service" determined under the rules of PRA (or any similar successor plan) as those rules may exist at the time the Participant's Service is being determined. For this purpose, however, there shall be taken into account only years of continuous and full time service with the Employer which the Participant has completed from his or her most recent date of hire. Unless the Organization Committee determines otherwise, service with an employer prior to the date on which the employer first became an Employer shall not be taken into account for this purpose. Any determination by the Organization Committee under this Section 1.2.27 shall be independent of any determination by the Organization Committee under Section 1.2.11 of the Plan Statement.

1.2.28. SOCIAL SECURITY BENEFIT -- the approximate monthly amount available for the benefit of the Participant at age sixty-five (65) years, (including amounts available for spouses but excluding amounts available for other dependents), as an old age or disability insurance benefit under the provisions of Title II of the Federal Social Security Act in effect on the date of the Participant's Termination of Employment (or his or her sixty-fifth birthday if the Termination of Employment is later than the sixty-fifth birthday) whether or not payment of such amount is delayed, suspended or forfeited because of failure to apply, accepting other work, or any other similar reason within the control of the Participant (and determined without any increases in cost of living, legislated changes or any other similar factors). For this purpose, the Participant's spouse, if any, shall be deemed to be the same age as the Participant. Unless the Participant shall have furnished

verified proof of wages before the earlier of his or her Termination of Employment or death, he or she shall be deemed to have had taxable wages at or above the taxable wage base in all years prior to the year of his or her Termination of Employment or death. The determination by the Principal Sponsor of the Social Security Benefit shall be final and binding upon all parties interested in this Plan.

1.2.29. SURVIVOR BENEFIT -- the lump sum benefit or single life annuity payable to the Beneficiary of a deceased Participant pursuant to Section 5.1.

1.2.30. TERMINATION OF EMPLOYMENT -- a complete severance of an employee's employment relationship with the Principal Sponsor, all Employers and all Affiliates, if any, for any reason other than the employee's death. A transfer from employment with an Employer to employment with an Affiliate of an Employer shall not constitute a Termination of Employment. If an Employer who is an Affiliate ceases to be an Affiliate because of a sale of substantially all the stock or assets of an Employer, then Participants who are employed by that Employer and who cease to be employed by the Principal Sponsor or that Employer on account of the sale of substantially all the stock or assets of that Employer shall be deemed to have thereby had a Termination of Employment for the purpose of making distributions from this Plan.

1.3. RULES OF INTERPRETATION. An individual shall be considered to have attained a given age on the individual's birthday for that age (and not on the day before). The birthday of any individual born on a February 29 shall be deemed to be February 28 in any year that is not a leap year. Notwithstanding any other provision of this Plan Statement or any election or designation made under the Plan, any individual who feloniously and intentionally kills a Participant shall be deemed for all purposes of this Plan and all elections and designations made under this Plan to have died before such Participant. A final judgment of conviction of felonious and intentional killing is conclusive for the purposes of this Section. In the absence of a conviction of felonious and intentional killing, the Principal Sponsor shall determine whether the killing was felonious and intentional for the purposes of this Section. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to the entire Plan Statement and not to any particular paragraph or Section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various Sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This instrument has been executed and delivered in the State of Minnesota and has been drawn in conformity to the laws of that State and shall, except to the extent that federal law is controlling, be construed and enforced in accordance with the laws of the State of Minnesota.

SECTION 2

ELIGIBILITY AND PARTICIPATION

2.1. GENERAL ELIGIBILITY RULE. The status of an employee as a Participant in this Plan shall be determined only as of Termination of Employment or death. Each employee who:

- (a) has not less than five (5) years of Service with FIRST BANK SYSTEM, INC. and its subsidiaries at Termination of Employment or death; and
- (b) was actively employed at Grade 18 or above for at least one year immediately prior to Termination of Employment or death; and
- (c) is a "highly compensated employee" as defined in Code section 414(q) at the time of Termination of Employment or death; and
- (d) was actively employed by an Employer on or after January 1, 1992,

shall be a Participant in this Plan at his or her Termination of Employment or death (subject to Section 2.2 and all other rules of this Plan Statement). Notwithstanding the foregoing, the Chief Executive Officer of the Principal Sponsor may exclude any individual who would otherwise be Participant from being a Participant and such determination shall be effective if such person receives notice of such determination in writing before his or her Termination of Employment.

2.2. SPECIFIC EXCLUSION. Notwithstanding anything apparently to the contrary in this Plan or in any written communication, summary, resolution or document or oral communication, no individual shall be a Participant in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for himself or his or her survivors) unless such individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA). If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Plan at any time. If any person not so defined has been erroneously treated as a Participant in this Plan, upon discovery of such error such person's erroneous participation shall immediately terminate AB INITIO and upon demand such person shall be obligated to reimburse the Principal Sponsor for all amounts erroneously paid to him or her.

SECTION 3

PARTICIPANT'S BENEFIT

3.1. SERP BENEFIT. Upon Termination of Employment, the Participant shall receive a SERP Benefit determined as of the date of the Termination of Employment. The SERP Benefit shall be paid in a single lump sum unless an election of an optional form of payment is in effect under Section 4.1. Payment shall be made or commenced as soon as may be practicable on or after the fifteenth day of the second calendar month following Termination of Employment. Such payment shall be in full and complete discharge of all benefits payable to, or with respect to, the Participant under this Agreement including, but not limited to, any Survivor Benefit to which his or her Beneficiary might otherwise have been entitled. The consent of a spouse or Beneficiary shall not be required before making the single lump sum payment or optional form of payment herein described.

3.2. SUSPENSION OF BENEFITS. The SERP Benefit shall not be paid during employment, reemployment or continued employment under rules adopted by the Principal Sponsor. Until such rules are adopted, the suspension of benefits rules of PRA shall apply.

3.3. CHANGE IN CONTROL DISTRIBUTIONS.

3.3.1. ACCELERATED DETERMINATION OF PARTICIPANT STATUS.

Notwithstanding anything apparently to the contrary in this Plan Statement, upon the occurrence of a Full Change in Control all employees who would be considered Participants if they had a Termination of Employment on the date of the Full Change in Control shall be considered Participants; and notwithstanding anything apparently to the contrary in this Plan Statement, upon the occurrence of a Qualifying Termination any employee who would be considered a Participant if such employee had a Termination of Employment on the date of such Qualifying Termination shall be a Participant. This determination shall be made without regard to whether such employees have five (5) or more years of Service with FIRST BANK SYSTEM, INC. and its subsidiaries at the date of such Full Change in Control or Qualifying Termination and without regard to whether such employees were actively employed at Grade 18 or above for at least one year immediately prior to the date of such Full Change in Control or Qualifying Termination (if such employees were actively employed at Grade 18 or above immediately prior to the date of such Full Change in Control or Qualifying Termination).

3.3.2. ACCELERATED PAYMENT UPON REQUEST. A Participant who has not yet commenced to receive payments of the SERP Benefit may receive a distribution

of his or her entire SERP Benefit (after reduction for the forfeiture described in Section 3.4.3) if a Full Change in Control or a Qualifying Termination has occurred.

3.3.3. FORFEITURES. Upon the approval of a Change in Control distribution, there shall be irrevocably forfeited from the SERP Benefit of the Participant an amount equal to five percent (5%) of the SERP Benefit. A Participant receiving this distribution of the SERP Benefit on account of a Change in Control shall not thereafter ever be a Participant in the Plan again.

3.4. OTHER ACCELERATED DISTRIBUTIONS.

3.4.1. WHEN AVAILABLE. At any time following the Participant's Termination of Employment, the Participant or the Beneficiary of a deceased Participant who has elected an optional form of payment under Section 4.1 may elect to receive an accelerated distribution of the SERP Benefit in a lump sum payment determined under this Section 3.4 payable sixty (60) days after giving the Principal Sponsor written notice of the election on a form furnished by and filed with the Principal Sponsor.

In the event of the severe financial hardship of a Participant following Termination of Employment or of a Beneficiary, the Participant or Beneficiary may elect to receive an accelerated distribution of part of the SERP benefit in a lump sum payment determined under this Section 3.4. The Principal Sponsor shall determine whether a severe financial hardship exists in its sole discretion, in good faith, and on a uniform, nondiscriminatory and reasonable basis.

3.4.2. AMOUNT. Subject to penalties under Section 3.4.3, the amount of any accelerated lump sum distribution shall be determined as follows:

- (a) Before the commencement of payment of the SERP Benefit, the lump sum payment to a Participant shall equal the lump sum value of the Participant's Accrued SERP Benefit.
- (b) After the commencement of payment of the SERP Benefit, the lump sum payment to a Participant shall equal the difference between (i) minus (ii) below, determined as of the date for the commencement of SERP Benefit payments (the "Commencement Date") and accumulated to the date of the lump sum payment using the same interest rate that is used in calculating the amounts under (i) and (ii):
 - (i) The lump sum value of the Participant's Accrued SERP Benefit determined as of the Participant's Commencement Date,

(ii) The lump sum value of the SERP Benefit payments previously paid to the Participant discounted to the Participant's Commencement Date. The lump sum value of the SERP Benefit payments previously paid to the Participant shall be calculated based on the monthly payments which would have been made if the Participant had elected to receive the SERP Benefit as a single life annuity, irrespective of the optional form of payment of the SERP Benefit actually elected by the Participant.

(c) The lump sum payment to a Beneficiary of a deceased Participant shall be determined in a manner similar to that used for a Participant, except that the lump sum payment shall only reflect the value of the remaining payments of the SERP Benefit which would be made to the Beneficiary under the optional form of payment elected by the Participant assuming that the Beneficiary dies upon reaching his or her original life expectancy determined as of the Participant's Commencement Date.

(d) For an accelerated distribution to a Participant or Beneficiary on account of a severe financial hardship, the lump sum payment shall not exceed the amount necessary to relieve the hardship, and subsequent payments of the SERP Benefit shall be reduced according to the ratio of (i) to (ii) below:

(i) The amount of the hardship distribution paid to the Participant or Beneficiary,

(ii) The entire lump sum payment which the Participant or Beneficiary could have elected to receive on the date of the hardship distribution.

For example, if the hardship distribution represents forty percent (40%) of the entire lump sum distribution which could have been received, subsequent payments to the Participant or Beneficiary will each be reduced by forty percent (40%).

(e) All calculations under this Section 3.4. shall be based on the tables, factors (including interest rate), and assumptions that are set forth in Appendix A to this Plan Statement for determining Actuarially Equivalent benefits.

- (f) All calculations under this Section 3.4 shall be made by the Principal Sponsor, and its determinations with respect to accelerated distributions shall be final and binding on all parties.

3.4.3. FORFEITURES. Any lump sum payment under this Section 3.4, except any hardship distribution, shall be reduced by a penalty equal to ten percent (10%) of such payment which shall be forfeited to the Principal Sponsor; provided, however, that if any such payment is made within 24 months after a Change in Control has occurred, the penalty shall be equal to five percent (5%). Notwithstanding any other provisions of this Plan, no penalty shall apply if the Principal Sponsor determines, based on the advice of counsel or a final determination by the Internal Revenue Service or any court of competent jurisdiction, that by reason of the elective provisions of this Section 3.4, any Participant or Beneficiary has recognized or will recognize gross income for federal income tax purposes under this Plan in advance of payment to him or her of the SERP Benefit. The Principal Sponsor may also reduce or eliminate the penalty if it determines that this action will not cause any Participant or Beneficiary to recognize gross income for federal income tax purposes under this Plan in advance of payment of the SERP Benefit.

3.5. EFFECT ON SERVICE. If a Participant receives a lump sum distribution or commences to receive any optional form of payment of the Participant's SERP Benefit, the Plan shall thereafter disregard the Participant's Service and the Participant's years of continuous and full-time service used in determining the SERP Benefit with respect to which the Participant received or commenced to receive such distribution.

SECTION 4

FORM OF PAYMENT

4.1. OPTIONAL FORMS OF PAYMENT. An employee who has four (4) or more years of Service with FIRST BANK SYSTEM, INC., is actively employed at Grade 18 or above, and is a "highly compensated employee" as defined in Code section 414(q) may elect at any time more than 12 months preceding Termination of Employment to have the SERP Benefit paid in monthly payments as a single life annuity, 50% or 100% joint and survivor annuity, or single life annuity with 10 or 15 year certain payments. All optional forms of payment shall have the same Actuarial Equivalent present value as the lump sum payment. An election of an optional form of payment must be made by the Participant in writing on a form furnished by and filed with the Principal Sponsor and may be changed at any time more than 12 months preceding Termination of Employment. Any election which is not timely made will be disregarded. Notwithstanding such an election, an optional form of payment of the SERP Benefit (other than a lump sum payment) will only be made to a Participant who has a Termination of Employment (A) after attaining age 65 or (B) after attaining age 55, when the sum of the Participant's age and years of continuous and full-time service with the Employer equals or exceeds 65.

4.2. PAYMENTS IN CASE OF INCOMPETENCY OR DISABILITY. In case of legal incompetency or disability, (including minority), of a person entitled to receive any payment under this Plan, payment may be made, if the Principal Sponsor has been advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such incompetent or disabled person; or
- (b) to a person or institution entrusted with the care or maintenance of the incompetent or disabled person, provided such person or institution has satisfied the Principal Sponsor that the payment will be used for the best interest and assist in the care of such disabled or incompetent person or, provided further, that no prior claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such disabled or incompetent person.

Any payment made in accordance with this Section shall constitute a complete discharge of any liability or obligation of this Plan, the Principal Sponsor and all Employers therefor.

4.3. SMALL BENEFITS. Notwithstanding any other provision of this Plan Statement to the contrary, the Principal Sponsor, in its discretion, may pay any benefit which is payable under the Plan to a Participant or Beneficiary in a lump sum payment if the lump sum amount which is payable is less than \$50,000.

SECTION 5

DEATH BENEFITS

5.1. DEATH BENEFITS.

5.1.1. DEATH BEFORE SERP BENEFIT COMMENCEMENT. Upon the death of a Participant who at his or her death had not yet commenced to receive payment of the SERP Benefit under the Plan, there shall be paid to the Participant's Beneficiary the single lump sum which the Participant would have received under Section 3.1 if the Participant had not died, but had instead had a Termination of Employment on the date of his or her death; provided, however, that an employee who is eligible to make an election under Section 4.1 may elect at any time prior to his or her death to have the death benefit which is payable upon his or her death before commencement of payment of the SERP Benefit paid as a single life annuity for the life of the Beneficiary. Such single life annuity shall have the same Actuarial Equivalent present value as the lump sum payment which would otherwise be made to the Beneficiary. An election to have the death benefit paid as a single life annuity must be made by the employee eligible to make such an election in writing on a form furnished by and filed with the Principal Sponsor and may be changed at any time during such employee's lifetime before commencement of payment of the SERP Benefit. Payment to the Beneficiary shall be made or commenced as soon as may be practicable on or after the fifteenth day of the second calendar month after the death of the Participant.

5.1.2. DEATH AFTER SERP BENEFIT COMMENCEMENT. If payment to a Participant of the SERP Benefit has been made in a lump sum or commenced as a single life annuity, no death benefit will be payable upon the death of the Participant. If payment to a Participant of the SERP Benefit has commenced as a 50% or 100% joint and survivor annuity or as a single life annuity with 10 or 15 year certain payments, payments will be made following the death of the Participant only in accordance with the terms of the optional form of payment of the SERP Benefit which was elected by the Participant.

5.2. DESIGNATION OF BENEFICIARIES.

5.2.1. RIGHT TO DESIGNATE. Each employee who is eligible to make an election under Section 4.1 may designate, upon forms to be furnished by and filed with the Principal Sponsor, one or more primary Beneficiaries or alternate Beneficiaries to receive all or a specified part of such employee's Survivor Benefit in the event of his or her death. Such employee may change or revoke any such designation from time to time before commencement of payment of the SERP Benefit without notice to or consent from any Beneficiary or spouse. No such

designation, change or revocation shall be effective unless executed by the employee eligible to make such designation and received by the Principal Sponsor during such employee's lifetime and prior to commencement of payment of the SERP Benefit.

5.2.2. FAILURE OF DESIGNATION. If a Participant:

- (a) fails to designate a Beneficiary,
- (b) designates a Beneficiary and thereafter revokes such designation without naming another Beneficiary, or
- (c) designates one or more Beneficiaries and all such Beneficiaries so designated fail to survive the Participant,

such Participant's Survivor Benefit, or the part thereof as to which such Participant's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Beneficiaries with a member surviving the Participant and (except in the case of surviving issue) in equal shares if there is more than one member in such class surviving the Participant:

Participant's surviving spouse
Participant's surviving issue per stirpes and not per capita
Participant's surviving parents
Participant's surviving brothers and sisters
Representative of Participant's estate.

5.2.3. DISCLAIMERS BY BENEFICIARIES. A Beneficiary entitled to a distribution of all or a portion of a deceased Participant's Survivor Benefit may disclaim an interest therein subject to the following requirements. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of all or any portion of the lump sum death benefit at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed Survivor Benefit is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to the Principal Sponsor after the date of the Participant's death but not later than one hundred eighty (180) days after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to the Principal Sponsor. A disclaimer shall be considered to be delivered to the Principal Sponsor only when actually received by the Principal Sponsor. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A

disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 6 and shall not be considered to be an assignment or alienation of benefits in violation of federal law prohibiting the assignment or alienation of benefits under this Plan. No other form of attempted disclaimer shall be recognized by the Principal Sponsor.

5.2.4. DEFINITIONS. When used herein and, unless the Participant has otherwise specified in the Participant's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Participant.

5.2.5. SPECIAL RULES. Unless the Participant has otherwise specified in the Participant's Beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Participant, it shall be deemed that the Beneficiary was not living at the time of the death of the Participant.
- (b) The automatic Beneficiaries specified in Section 5.2.2 and the Beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a Beneficiary survives the Participant but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.
- (c) If the Participant designates as a Beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a Beneficiary on a form executed by the Participant and received by the Principal Sponsor after the date of the legal termination of the marriage between the Participant and such former spouse, and during the Participant's lifetime.)

- (d) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.
- (e) Any designation of a Beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.

A Beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

5.2.6. NO SPOUSAL RIGHTS. No spouse or surviving spouse of a Participant and no person designated to be a Beneficiary shall have any rights or interest in the benefits accumulated under this Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the designation of Beneficiaries (or the changing of designated Beneficiaries) by the Participant.

5.3. DEATH PRIOR TO FULL DISTRIBUTION. If, at the death of the Participant, any payment to the Participant was due or otherwise pending but not actually paid, the amount of such payment shall be included in the Survivor Benefit which are payable to the Beneficiary (and shall not be paid to the Participant's estate).

SECTION 6

FUNDING OF PLAN

6.1. UNFUNDED AGREEMENT. The obligation of the Employers to make payments under this Plan constitutes only the unsecured (but legally enforceable) promise of the Employers to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of any Employer. If a fund is established by the Employers in connection with this Plan, the property therein shall remain the sole and exclusive property of the Employers. The Employers will pay the cost of this Plan out of their general assets.

If the Principal Sponsor elects to finance all or a portion of its costs in connection with this Plan through the purchase of life insurance or other similar investments, the Participant agrees, as a condition of participation in this Plan, to cooperate with the Principal Sponsor in the purchase of such investment to any extent reasonably required by the Principal Sponsor and relinquishes any claim he or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then notwithstanding any other provision of this Plan Statement (including, without limiting the generality of the foregoing, Section 4) the Principal Sponsor shall immediately and irrevocably terminate and forfeit the Participant's entitlement to benefits under the Plan.

6.2. SPENDTHRIFT PROVISION. No Participant or Beneficiary shall have any interest under this Plan which can be transferred nor shall any Participant or Beneficiary have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of the Employers, nor shall the Principal Sponsor recognize any assignment thereof, either in whole or in part, nor shall any benefit under this Plan be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of the Employers.

The power to designate Beneficiaries to receive the Survivor Benefit of a Participant in the event of such Participant's death shall not permit or be construed to permit such power or right to be exercised by the Participant so as thereby to anticipate, pledge, mortgage or encumber such Participant's SERP Benefit or any part thereof, and any attempt of a Participant so to exercise said power in violation of this provision shall be of no force and effect and shall be disregarded by the Principal Sponsor.

SECTION 7

AMENDMENT AND TERMINATION

The Principal Sponsor reserves the power to amend the Plan Statement or terminate the Plan prior to a Full Change in Control. No such amendment of the Plan Statement or termination of the Plan, however, shall reduce a Participant's SERP Benefit earned as of the date of such amendment unless the Participant so affected consents in writing to the amendment. After a Full Change in Control, the Plan cannot be amended or terminated (as applied to Participants who are Participants on the date of the Full Change in Control) unless:

- (a) all SERP Benefits of all Participants as of the date of the Full Change in Control have been paid, or
- (b) eighty percent (80%) of all the Participants as of the date of the Full Change in Control give written consent to such amendment or termination.

Notwithstanding the rules of Section 2, for the purposes of the rules of this Section 7, each employee who would be a Participant at the time of the Full Change in Control if he or she: (i) had a Termination of Employment coincident with the Full Change in Control, and (ii) had not less than five (5) years of Service with FIRST BANK SYSTEM, INC. and its subsidiaries and at least one year active employment at Grade 18 or above at the time of the Full Change in Control, shall be considered a Participant (assuming that such employees were actively employed at Grade 18 or above immediately prior to the time of the Full Change in Control). No modification of the terms of this Plan Statement shall be effective unless it is in writing and signed on behalf of the Principal Sponsor by a person authorized to execute such writing. No oral representation concerning the interpretation or effect of this Plan Statement shall be effective to amend the Plan Statement.

SECTION 8

DETERMINATIONS -- RULES AND REGULATIONS

8.1. DETERMINATIONS. The Principal Sponsor shall make such determinations as may be required from time to time in the administration of the Plan. The Principal Sponsor shall have the discretionary authority and responsibility to interpret and construe the Plan Statement and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Participants and Beneficiaries, and the amounts of their respective interests. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

8.2. RULES AND REGULATIONS. Any rule not in conflict or at variance with the provisions hereof may be adopted by the Principal Sponsor. The Principal Sponsor shall adopt rules regarding the computation of continuous and full time service with the Employer including, without limiting the generality of the foregoing, rules regarding the exclusion of periods of employment with respect to which benefits may have been previously paid under this Plan, the exclusion of periods of employment at levels or in positions not covered by this Plan, the computation of continuous and full time service upon the reemployment of a former employee and the exclusion of periods of employment when disabled (under the Employer's separate plan of long term disability benefits or otherwise). Such rules shall also prescribe the effect of loss of eligibility, deemed Termination of Employment upon loss of eligibility, the computation of continuous and full time service upon reemployment and the method for computing the Projected PRA Account when the period benefits accrued under PRA does not match the period of continuous and full time service under this Plan.

8.3. METHOD OF EXECUTING INSTRUMENTS. Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this Plan Statement may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

8.4. CLAIMS PROCEDURE. The claims procedure set forth in this Section 8.4 shall be the exclusive procedure for the disposition of claims for benefits arising under the Plan until such time as a Full Change in Control occurs.

8.4.1. ORIGINAL CLAIM. Any employee, former employee or beneficiary of such employee or former employee may, if he or she so desires, file with the Principal Sponsor a written claim for benefits under the Plan. Within ninety (90) days after the filing of such a claim, the Principal Sponsor shall notify the claimant

in writing whether the claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Principal Sponsor shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Plan Statement on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

8.4.2. CLAIMS REVIEW PROCEDURE. Within sixty (60) days after receipt of notice that the claim has been denied in whole or in part, the claimant may file with the Principal Sponsor a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Principal Sponsor shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

8.4.3. GENERAL RULES.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Principal Sponsor may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Principal Sponsor upon request.
- (b) All decisions on claims and on requests for a review of denied claims shall be made by the Principal Sponsor.
- (c) the Principal Sponsor may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.

- (d) A claimant may be represented by a lawyer or other representative (at the claimant's own expense), but the Principal Sponsor reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to copies of all notices given to the claimant.
- (e) The decision of the Principal Sponsor on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.
- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this Plan Statement and all other pertinent documents in the possession of the Principal Sponsor.

8.5. INFORMATION FURNISHED BY PARTICIPANTS. The Principal Sponsor shall not be liable or responsible for any error in the computation of the SERP Benefit of a Participant resulting from any misstatement of fact made by the Participant, directly or indirectly, to the Principal Sponsor, and used by it in determining the Participant's SERP Benefit. The Principal Sponsor shall not be obligated or required to increase the SERP Benefit of such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the SERP Benefit of any Participant which are overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of the truth.

SECTION 9

PLAN ADMINISTRATION

9.1. PRINCIPAL SPONSOR.

9.1.1. OFFICERS. Except as hereinafter provided, functions generally assigned to the Principal Sponsor shall be discharged by its officers or delegated and allocated as provided herein.

9.1.2. CHIEF EXECUTIVE OFFICER. Except as hereinafter provided, the Chief Executive Officer of the Principal Sponsor may delegate or redelegate and allocate and reallocate to one or more persons or to a committee of persons jointly or severally, and whether or not such persons are directors, officers or employees, such functions assigned to the Principal Sponsor generally hereunder as the Chief Executive Officer may from time to time deem advisable.

9.1.3. BOARD OF DIRECTORS. Notwithstanding the foregoing, the Organization Committee of the Board of Directors of the Principal Sponsor shall have the exclusive authority, which may not be delegated, to act for the Principal Sponsor to amend this Plan Statement, to terminate this Plan, and to determine eligibility to participate in the Plan under Section 2.

9.2. CONFLICT OF INTEREST. If any officer or employee of the Principal Sponsor or any Employer, or any member of the Organization Committee of the Board of Directors of the Principal Sponsor or any Employer to whom authority has been delegated or redelegated hereunder shall also be a Participant in the Plan, such Participant shall have no authority as such officer, employee or member with respect to any matter specially affecting such Participant's individual interest hereunder or the interest of a person superior to him or her in the organization (as distinguished from the interests of all Participants and Beneficiaries or a broad class of Participants and Beneficiaries), all such authority being reserved exclusively to the other officers, employees or members as the case may be, to the exclusion of such Participant, and such Participant shall act only in such Participant's individual capacity in connection with any such matter.

9.3. ADMINISTRATOR. FIRST BANK SYSTEM, INC. shall be the administrator for purposes of section 3(16)(A) of the Employee Retirement Income Security Act of 1974.

9.4. SERVICE OF PROCESS. In the absence of any designation to the contrary by the Principal Sponsor, the Secretary of FIRST BANK SYSTEM, INC. is designated as the

appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

9.5. IRC AND ERISA STATUS. This Plan is intended to be a nonqualified deferred compensation arrangement. The rules of section 401(a) ET. SEQ. of the Code shall not apply to this Plan. This Plan is adopted with the understanding that it is in part an unfunded excess benefit plan within the meaning of section 3(36) ERISA and is in part an unfunded plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees as provided in sections 201(2), 301(3) and 401(a)(1) of ERISA. Each provision hereof shall be interpreted and administered accordingly. This Plan shall not alter, enlarge or diminish any person's employment rights or obligations or rights or obligations under PRA or any other plan.

It is specifically contemplated that PRA and the Excess Plan will, from time to time, be amended and possibly terminated. All such amendments and termination shall be given effect under this Plan (it being expressly intended that this Plan shall not lock in the benefit structures of PRA and the Excess Plan as they exist at the adoption of this Plan or upon the commencement of participation, or commencement of benefits by any Participant).

This Plan will not provide any excess benefits with respect to any profit sharing plan, stock bonus plan, employee stock ownership plan or PAYSOP. This Plan shall be construed to prevent the duplication of benefits provided under any other plan or arrangement, whether qualified or nonqualified, funded or unfunded, to the extent that such other benefits are provided directly or indirectly by an Employer.

SECTION 10

DISCLAIMERS

10.1. TERM OF EMPLOYMENT. Neither the terms of this Plan Statement nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. The Principal Sponsor and the Employers shall not be obliged to continue the Plan. The terms of this Plan Statement shall not give any employee the right to be retained in the employment of any Employer.

10.2. SOURCE OF PAYMENT. Neither the Principal Sponsor, any Employer nor any of its officers nor any member of their Boards of Directors in any way secure or guarantee the payment of any benefit or amount which may become due and payable hereunder to any Participant or to any Beneficiary or to any creditor of a Participant or a Beneficiary. Each Participant, Beneficiary or other person entitled at any time to payments hereunder shall look solely to the assets of the Employers for such payments or to the benefits distributed to any Participant or Beneficiary, as the case may be, for such payments. In each case where benefits shall have been distributed to a former Participant or a Beneficiary or to the person or any one of a group of persons entitled jointly to the receipt thereof and which purports to cover in full the benefit hereunder, such former Participant or Beneficiary, or such person or persons, as the case may be, shall have no further right or interest in the other assets of the Employers. Neither the Employers nor any of their officers nor any member of their Boards of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Plan by reason of the insolvency of any of the Employers.

10.3. DELEGATION. The Employers and their officers and the members of their Boards of Directors shall not be liable for an act or omission of another person with regard to a responsibility that has been allocated to or delegated to such other person pursuant to the terms of this Plan Statement or pursuant to procedures set forth in this Plan Statement.

SCHEDULE I

PARTICIPATING EMPLOYERS

Effective as of January 1, 1995

| NAME - - - - - | EMPLOYER ID NUMBER ----- |
|--|-----------------------------|
| Boulevard Bank National Association | 36-1521230 |
| Boulevard Technical Services, Inc., Chicago, IL | 36-3610403 |
| Colorado Capital Advisors, Inc., Denver, CO | 84-1072892 |
| Colorado National Bank, Denver, CO | 84-0165025 |
| Colorado National Bank Aspen, Aspen, CO | 84-0671596 |
| Colorado National Bankshares, Inc., Denver, CO | 84-0571505 |
| Colorado National Leasing, Inc., Denver, CO | 84-0636453 |
| Colorado National Service Corporation, Denver, CO | 84-1041820 |
| FBS Ag. Credit, Inc., Englewood, CO | 84-0818505 |
| FBS Business Finance Corporation, Minneapolis, MN | 41-0832663 |
| FBS Card Services, Inc., Minneapolis, MN | 41-1558798 |
| FBS Information Services Corporation, St. Paul, MN | 41-0880291 |
| FBS Investment Services, Inc., Denver, CO | 84-1019337 |
| FBS Mortgage Corporation, Minneapolis, MN | 58-1025135 |
| First Bank (N.A.), Milwaukee, WI | 39-0152428 |
| First Bank Montana, National Association, Billings, MT | 81-0166295 |
| First Bank National Association, Minneapolis, MN | 41-0256895 |
| First Bank of North Dakota, National Association, Fargo, ND | 45-0164355 |
| First Bank of South Dakota, National Association, Sioux Falls, SD | 46-0168855 |
| First Bank System, Inc., Minneapolis, MN | 41-0255900 |
| First National Bank of East Grand Forks, East Grand Forks, MN | 41-0417860 |
| First System Agencies, Inc., Minneapolis, MN | 41-0831328 |
| First System Services, Inc., Minneapolis, MN | 41-0257030 |
| First Trust National Association, St. Paul, MN | 41-0257700 |
| First Trust Company of Montana, National Association, Billings, MT | 81-0259015 |
| First Trust Company of North Dakota, Fargo, ND | 45-0342631 |
| First Trust of California, National Association, San Francisco, CA | 94-3160100 |
| First Trust of New York, National Association, New York, NY | 13-3781471 |
| First Trust Washington, Seattle, WA | 91-1587893 |
| Republic Acceptance Corporation, Minneapolis, MN | 41-1753837 |
| Rocky Mountain BankCard System, Inc., Denver, CO | 84-1010148 |

SCHEDULE II

PRIOR PLANS' OFFSET

| AGE WHEN FIRST EMPLOYED | FACTOR |
|-------------------------|--------|
| 36 | 0.45% |
| 37 | 0.94% |
| 38 | 1.47% |
| 39 | 2.06% |
| 40 | 2.71% |
| 41 | 3.41% |
| 42 | 4.18% |
| 43 | 5.01% |
| 44 | 5.92% |
| 45 | 6.91% |
| 46 | 7.98% |
| 47 | 9.14% |
| 48 | 10.40% |
| 49 | 11.76% |
| 50 | 13.23% |
| 51 | 14.82% |
| 52 | 16.53% |
| 53 | 18.38% |
| 54 | 20.37% |
| 55 | 22.51% |
| 56 | 24.82% |
| 57 | 27.30% |
| 58 | 29.97% |
| 59 | 32.83% |
| 60 | 35.91% |
| 61 | 39.21% |
| 62 | 42.76% |
| 63 | 46.56% |
| 64 | 50.63% |
| 65 | 55.00% |

APPENDIX A

ACTUARIALLY EQUIVALENT BENEFITS

Section 1. GENERAL RULES. The point of reference for determining the Actuarially Equivalent single lump sum benefit is the monthly benefit amount expressed in the single life annuity form. When, under the terms of the Plan, the monthly amount of the SERP Benefit or other benefit has been determined in the single life annuity form, reference to the following factors and tables will determine the Actuarially Equivalent single lump sum benefit:

INTEREST: The interest rate used by the Pension Benefit Guaranty Corporation to value immediate annuities (for participants who are age 65 years) in the event of plan terminations occurring on the first day of the Plan Year in which occurs the date as of which the Actuarially Equivalent single lump sum benefit is being determined

MORTALITY: 1971 Group Annuity Mortality Table, assuming all Participants are male.

The single life annuity benefit to be converted to the single lump sum benefit shall be the benefit commencing on the first day of the calendar month following the attainment of age sixty-five (65) years or if later the first day of the calendar month after Termination of Employment.

APPENDIX B

CHANGE IN CONTROL DEFINITIONS

SECTION 1

1.1. ACQUIRING PERSON -- shall mean any Person who or which, together with all Affiliates (CIC) and Associates of such person, is the Beneficial Owner, directly or indirectly, of securities of the Principal Sponsor representing 20% or more of the combined voting power of the Principal Sponsor's then outstanding securities, but shall not include any Principal Sponsor Entity.

1.2. AFFILIATE (CIC) -- shall have the meaning ascribed to the term "Affiliate" in Rule 12b-2 promulgated under the Exchange Act.

1.3. ASSOCIATE -- shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

1.4. BENEFICIAL OWNER -- shall have the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

1.5. BOARD OF DIRECTORS -- shall mean the board of directors of the Principal Sponsor.

1.6. CHANGE IN CONTROL -- shall mean a Full Change in Control or a Partial Change in Control.

1.7. CONTINUING DIRECTOR -- shall mean any person who is a member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Acquiring Person or an Affiliate (CIC) or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate (CIC) or Associate, and who (x) was a member of the Board of Directors as of February 18, 1998 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 has been approved in advance by the Continuing Directors; provided that any director designated by or on behalf of a Person who has entered into an agreement with the Principal Sponsor (or who is contemplating entering into such an agreement) to effect a consolidation or merger of the Principal Sponsor or a Principal Sponsor Entity, or other reorganization, with or into one or more entities which are not Principal Sponsor Entities, and any director that serves in connection with the act of the Board of Directors of increasing the number of directors and filling vacancies in connection with, or in contemplation of, any such transaction, shall not be deemed to have received such advance approval for initial nomination or election, and any

such director shall not be deemed to be a Continuing Director, in each case solely for the purpose of determining whether the addition of members of the Board of Directors in connection with, or in contemplation of, such transaction results in a Full Change in Control under clause (b) of the definition of Full Change in Control.

1.8. EXCHANGE ACT -- shall mean the Securities Exchange Act of 1934, as amended.

1.9. FULL CHANGE IN CONTROL -- shall mean:

- (a) 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 the Principal Sponsor or any Person that a Person (other than a Principal Sponsor Entity) has become the Beneficial Owner, directly or indirectly, of securities of the Principal Sponsor (x) representing 20% or more, but not more than 50%, of the combined voting power of the Principal Sponsor's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors or (y) representing more than 50% of the combined voting power of the Principal Sponsor's then outstanding securities (regardless of any approval by the Continuing Directors); or
- (b) the Continuing Directors cease to constitute a majority of the Board of Directors of the Principal Sponsor or the Resulting Corporation, except in accordance with the terms of a Permitted Transaction and except as a result of the death, retirement or disability of one or more Continuing Directors; or
- (c) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the consolidated assets of the Principal Sponsor and its subsidiaries or the adoption of any plan of liquidation or dissolution of the Principal Sponsor.

1.10. PARTIAL CHANGE IN CONTROL -- shall mean:

- (a) a consolidation or merger of the Principal Sponsor or a Principal Sponsor Entity, or other reorganization, with or into one or more entities which are not Principal Sponsor Entities, as a result of which less than 60% of the outstanding voting securities of the Resulting Corporation are, or are to be, owned by former shareholders of the Principal Sponsor as determined

immediately prior to consummation of such transaction (excluding voting securities of the Resulting Corporation owned, or to be owned, by such shareholders by reason of their ownership prior to such transaction of securities of any entity other than the Principal Sponsor) and as a result of which the Continuing Directors constitute (i) more than 50% of the Board of Directors of the Resulting Corporation or (ii) exactly 50% of the Board of Directors of the Resulting Corporation if the transaction resulting in such event is a Permitted Transaction; 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 the Principal Sponsor or any Person that a Person (other than a Principal Sponsor Entity) has become the Beneficial Owner, directly or indirectly, of securities of the Principal Sponsor representing 20% or more, but not more than 50%, of the combined voting power of the Principal Sponsor's then outstanding securities if the transaction resulting in such ownership has been approved in advance by the Continuing Directors.

1.11. PERMITTED DIRECTOR -- a director who was a Continuing Director immediately prior to consummation of a Permitted Transaction and any director who fills a vacancy created by the termination of service as a director or expiration of the term as a director of any Permitted Director if such person was selected solely by the then current Permitted Directors.

1.12. PERMITTED TRANSACTION -- shall mean a transaction in which, pursuant to a written agreement between the Principal Sponsor and all Persons who have entered into an agreement with the Principal Sponsor to effect a transaction described in paragraph (A) of the definition of Partial Change in Control, it is agreed that (w) the Chief Executive Officer of the Principal Sponsor immediately prior to the consummation of such transaction shall be the Chief Executive Officer of the Resulting Corporation for not less than three years following consummation of such transaction, (x) upon termination of service of any Permitted Director for any reason, including upon death, disability or retirement, prior to the expiration of such director's term during such three-year period, the vacancy thereby created shall be filled by a nominee selected solely by the Permitted Directors, (y) upon expiration of the term of any Permitted Director during such three-year period, the nominee to succeed such director shall be selected solely by the Permitted Directors and (z) the parties will take other appropriate steps to ensure that the Board of Directors of the Resulting Corporation will be evenly divided between Permitted Directors and all directors designated by other parties to the transaction during such three-year period. Notwithstanding the foregoing, such agreement may provide that directors

added to the Board of Directors (x) pursuant to an expansion of the number of members of the Board of Directors approved by 75% of the then current members of the Board of Directors or (y) pursuant to the terms of any subsequent agreement relating to an acquisition by or of the Principal Sponsor, shall not be subject to the foregoing limitations. The determination of whether a transaction constitutes a Permitted Transaction shall be made at the time of consummation of such transaction, and no subsequent events shall cause such transaction to no longer constitute a Permitted Transaction.

1.13. PERSON -- shall have the meaning ascribed to such term as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

1.14. PRINCIPAL SPONSOR ENTITY -- shall mean the Principal Sponsor, any subsidiary of the Principal Sponsor or any employee benefit plan of the Principal Sponsor or of any subsidiary of the Principal Sponsor or any entity holding shares of the voting capital stock of the Principal Sponsor organized, appointed or established for, or pursuant to the terms of, any such plan.

1.15. QUALIFYING TERMINATION -- shall mean a termination of employment of a Participant prior to a Full Change in Control or prior to or following a Partial Change in Control that results in such Participant becoming entitled to receive change in control related severance payments pursuant to the terms of the change in control provisions of an employment contract, an individual change in control severance agreement or the First Bank System, Inc. Senior Management Change in Control Severance Pay Plan (including any successor plan thereto).

1.16. RESULTING CORPORATION -- shall mean the surviving corporation in any consolidation, merger or other reorganization to which the Principal Sponsor is a party; provided, however, that if the surviving corporation in any such transaction is a subsidiary of another corporation, then the Resulting Corporation is the ultimate parent corporation of such surviving corporation; and provided, further, that in the event of a consolidation, merger or other reorganization to which a Principal Sponsor Entity (other than the Principal Sponsor) is a party, then the Principal Sponsor shall be deemed the Resulting Corporation.

COMPOSITE COPY

U.S. BANCORP
SPECIAL EXECUTIVE DEFERRAL PLAN

Effective November 1, 1997

AND

As Amended By

The FIRST AMENDMENT Adopted February 18, 1998
And Effective February 18, 1998U.S. BANCORP
SPECIAL EXECUTIVE DEFERRAL PLAN

TABLE OF CONTENTS

| | PAGE |
|-----------------------------------|------|
| SECTION 1. INTRODUCTION | 1 |
| 1.1. Statement of Plan | |
| 1.2. Definitions | |
| 1.2.1. Account | |
| 1.2.2. Affiliate | |
| 1.2.3. Annual Valuation Date | |
| 1.2.4. Beneficiary | |
| 1.2.5. Change in Control | |
| 1.2.6. Earliest Retirement Age | |
| 1.2.7. Effective Date | |
| 1.2.8. EIP | |
| 1.2.9. Employer | |
| 1.2.10. Event of Maturity | |
| 1.2.11. Normal Retirement Age | |
| 1.2.12. Participant | |
| 1.2.13. Plan | |
| 1.2.14. Plan Statement | |
| 1.2.15. Plan Year | |
| 1.2.16. Principal Sponsor | |
| 1.2.17. Termination of Employment | |
| 1.2.18. USB | |
| 1.2.19. Valuation Date | |
| 1.2.20. Service | |
| 1.3. Rules of Interpretation | |
| SECTION 2. PARTICIPATION | 4 |
| 2.1. Participation | |
| 2.2. Enrollment | |
| 2.3. Specific Exclusion | |
| SECTION 3. ADJUSTMENT OF ACCOUNTS | 5 |

- 3.1. Establishment of Accounts
- 3.2. Adjustments of Accounts
 - 3.2.1. Intermediate Distributions Subtraction
 - 3.2.2. Investment Addition
 - 3.2.3. Deferral Addition
 - 3.2.4. Final Distributions Subtraction

SECTION 4. VESTING OF ACCOUNT 6

SECTION 5. MATURITY 6

- 5.1. Events of Maturity
- 5.2. Effect of Maturity upon Further Participation in Plan

SECTION 6. DISTRIBUTION 7

- 6.1. Form of Distribution
 - 6.1.1. Form of Distribution
 - 6.1.2. Time of Payment
 - 6.1.3. Installment Amounts
 - 6.1.4. Default
- 6.2. Previously Scheduled Distribution
 - 6.2.1. Enrolling for the Distribution
 - 6.2.2. Scheduled Distribution
- 6.3. Hardship Distributions
 - 6.3.1. When Available
 - 6.3.2. Purposes
 - 6.3.3. Limitations
 - 6.3.4. Forfeiture
- 6.4. Change in Control Distributions
 - 6.4.1. When Available
 - 6.4.2. Limitations
 - 6.4.3. Forfeiture
- 6.5. Acceleration of Annual Installments
 - 6.5.1. When Available
 - 6.5.2. Forfeiture
- 6.6. Designation of Beneficiaries
 - 6.6.1. Right to Designate
 - 6.6.2. Failure of Designation
 - 6.6.3. Disclaimers by Beneficiaries
 - 6.6.4. Definitions
 - 6.6.5. Special Rules
 - 6.6.6. No Spousal Rights
- 6.7. Death Prior to Full Distribution

| | | |
|---------------|--|-----|
| | 6.8. Facility of Payment | |
| SECTION 7. | FUNDING OF PLAN | 14 |
| | 7.1. Unfunded Agreement | |
| | 7.2. Spendthrift Provision | |
| SECTION 8. | AMENDMENT AND TERMINATION | 15 |
| SECTION 9. | DETERMINATIONS -- RULES AND REGULATIONS | 15 |
| | 9.1. Determinations | |
| | 9.2. Rules and Regulations | |
| | 9.3. Method of Executing Instruments | |
| | 9.4. Claims Procedure | |
| | 9.4.1. Original Claim | |
| | 9.4.2. Claims Review Procedure | |
| | 9.4.3. General Rules | |
| | 9.5. Information Furnished by Participants | |
| SECTION 10. | PLAN ADMINISTRATION | 17 |
| | 10.1. Employer | |
| | 10.1.1. Officers | |
| | 10.1.2. Chief Executive Officer | |
| | 10.1.3. Board of Directors | |
| | 10.2. Conflict of Interest | |
| | 10.3. Administrator | |
| | 10.4. Service of Process | |
| SECTION 11. | DISCLAIMERS | 18 |
| | 11.1. Term of Employment | |
| | 11.2. Source of Payment | |
| | 11.3. Delegation | |
| APPENDIX A -- | CHANGE IN CONTROL DEFINITIONS | A-1 |

U.S. BANCORP
SPECIAL EXECUTIVE DEFERRAL PLAN

SECTION 1

INTRODUCTION

1.1. STATEMENT OF PLAN. Effective November 1, 1997, U.S. BANCORP, a Delaware corporation (hereinafter sometimes referred to as "Principal Sponsor") hereby creates a nonqualified, unfunded, elective deferral plan for the purpose of allowing a select group of management and highly compensated employees of the Principal Sponsor and other Employers to defer the receipt of compensation which would otherwise be paid to those employees, in order to offset the effect of direct dividend payments made to those employees pursuant to the U.S. Bancorp Employee Investment Plan.

1.2. DEFINITIONS. When the following terms are used herein with initial capital letters, they shall have the following meanings:

1.2.1. ACCOUNT -- the separate bookkeeping account representing the unfunded and unsecured general obligation of the Principal Sponsor established with respect to each Participant to which is credited the dollar amounts specified in Section 3 and from which are subtracted payments and forfeitures made pursuant to Section 6. To the extent necessary to accommodate and effect the distribution elections made by Participants pursuant to Section 2, separate bookkeeping sub-accounts shall be established with respect to each of the several annual deferral elections made by Participants.

1.2.2. AFFILIATE -- a business entity which is affiliated in ownership with the Principal Sponsor or an Employer and is recognized as an Affiliate by the Principal Sponsor for the purposes of this Plan.

1.2.3. ANNUAL VALUATION DATE -- each December 31.

1.2.4. BENEFICIARY -- a person designated by a Participant (or automatically by operation of this Plan Statement) to receive all or a part of the Participant's Account in the event of the Participant's death prior to full distribution thereof. A person so designated shall not be considered a Beneficiary until the death of the Participant.

1.2.5. CHANGE IN CONTROL -- The definition of Change in Control, as well as certain other definitions relating to Change in Control used herein, appear in Appendix A to this Plan Statement.

1.2.6. EARLIEST RETIREMENT AGE -- the earlier of:

- (i) the earliest date that a Participant who is at least age fifty-five (55) years has a sum of his or her age (in whole years) and Service (also in whole years) that equals at least sixty-five (65), or
- (ii) the date a Participant attains Normal Retirement Age.

1.2.7. EFFECTIVE DATE -- November 1, 1997.

1.2.8. EIP -- the U.S. BANCORP EMPLOYEE INVESTMENT PLAN, or any similar successor plan.

1.2.9. EMPLOYER -- the Principal Sponsor and any business entity affiliated with the Principal Sponsor that employs persons who are designated for participation in this Plan.

1.2.10. EVENT OF MATURITY -- any of the occurrences described in Section 5 by reason of which a Participant or Beneficiary may become entitled to a distribution from the Plan.

1.2.11. NORMAL RETIREMENT AGE -- the last day of the calendar month in which a Participant attains age sixty-five (65) years.

1.2.12. PARTICIPANT -- an employee of the Employer who is identified in Appendix B and elects to participate in accordance with the terms of this Plan and becomes a Participant in the Plan in accordance with the provisions of Section 2. An employee shall not be eligible to become a Participant unless the employee is a member of a select group of management or highly compensated employees. No employee is presumed or automatically eligible to participate in this Plan. An employee who has become a Participant shall be considered to continue as a Participant in the Plan until the date of the Participant's death or, if earlier, the date when the Participant is no longer employed by an Employer or an Affiliate and upon which the Participant no longer has any Account under the Plan (that is, the Participant has received a distribution of all of the Participant's Account).

1.2.13. PLAN -- the nonqualified, income deferral program maintained by the Principal Sponsor established for the benefit of Participants eligible to participate therein, as set forth in this Plan Statement. (As used herein, "Plan" does

not refer to the documents pursuant to which the Plan is maintained. Those documents are referred to herein as the "Plan Statement"). The Plan shall be referred to as the "U.S. BANCORP SPECIAL EXECUTIVE DEFERRAL PLAN."

1.2.14. PLAN STATEMENT -- this document entitled "U.S. BANCORP SPECIAL EXECUTIVE DEFERRAL PLAN" as adopted by the Compensation and Human Resources Committee of the Board of Directors of U.S. BANCORP effective as of November 1, 1997, as the same may be amended from time to time thereafter.

1.2.15. PLAN YEAR-- the twelve (12) consecutive month period ending on any Annual Valuation Date.

1.2.16. PRINCIPAL SPONSOR -- U.S. BANCORP, a Delaware corporation.

1.2.17. TERMINATION OF EMPLOYMENT -- a complete severance of an employee's employment relationship with the Employer and all Affiliates, if any, for any reason other than the employee's death. A transfer from employment with the Employer to employment with an Affiliate of the Employer shall not constitute a Termination of Employment. If an Employer who is an Affiliate ceases to be an Affiliate because of a sale of substantially all the stock or assets of the Employer, then Participants who are employed by that Employer and who cease to be employed by the Principal Sponsor or an Employer on account of the sale of substantially all the stock or assets of the Employer shall be deemed to have thereby had a Termination of Employment for the purpose of commencing distributions from this Plan.

1.2.18. USB -- U.S. BANCORP, a Delaware corporation, or any successor thereto.

1.2.19. VALUATION DATE -- the last day of each calendar month of the Plan Year.

1.2.20. SERVICE -- a measure of an employee's service with the Employer and all Affiliates (stated as a number of years) which is equal to the number of years of service credited to the employee for the purpose of determining the nonforfeitable portion of the employee's benefit under the rules of the tax-qualified defined benefit pension plan in which the employee participates as those rules may exist at the time the Participant's Service is being determined.

1.3. RULES OF INTERPRETATION. An individual shall be considered to have attained a given age on such individual's birthday for that age (and not on the day before). Individuals born on February 29 in a leap year shall be considered to have their birthdays on February 28 in each year that is not a leap year. Notwithstanding any other provision of this Plan Statement or any election or designation made under the Plan, any individual who feloniously and intentionally kills a Participant or Beneficiary shall be deemed for all purposes of this Plan and all elections and

designations made under this Plan to have died before such Participant or Beneficiary. A final judgment of conviction of felonious and intentional killing is conclusive for the purposes of this section. In the absence of a conviction of felonious and intentional killing, the Principal Sponsor shall determine whether the killing was felonious and intentional for the purposes of this section. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to this entire Plan Statement and not to any particular paragraph or section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. This Plan Statement shall be construed and this Plan shall be administered to create an unfunded plan providing deferred compensation to a select group of management or highly compensated employees so that it is exempt from the requirements of Parts 2, 3 and 4 of Title I of ERISA and qualifies for a form of simplified, alternative compliance with the reporting and disclosure requirements of Part 1 of Title I of ERISA. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This document has been executed and delivered in the State of MINNESOTA and has been drawn in conformity to the laws of that State and shall be construed and enforced in accordance with the laws of the State of MINNESOTA to the extent not preempted by ERISA.

SECTION 2

PARTICIPATION

2.1. PARTICIPATION. Each employee of the Employer identified in Appendix B to this Plan Statement shall be a participant in the Plan as of November 1, 1997, provided the employee has enrolled as a Participant prior to that date.

2.2. ENROLLMENT. Prior to November 1, 1997, an employee who is identified in Appendix B to this Plan Statement may enroll for the period commencing November 1, 1997 and ending December 31, 1997 (the "Enrollment Period"). No subsequent enrollments shall be permitted. Each such enrollment:

- (a) Shall be irrevocable once it has been received by the Principal Sponsor.

- (b) Shall designate the amount or portion of the Participant's base compensation which is earned during the Enrollment Period (without regard to whether it would be paid during that or a subsequent Plan Year) which shall not be paid to the Participant but instead shall be accumulated in this Plan under Section 3 and distributed from this Plan under Section 6. The amount or portion of the base compensation that can be designated may not exceed the dividends paid to the Participant during 1997 pursuant to Section 8.7 of the EIP. The amount or portion of the base compensation that can be designated also shall not exceed one hundred percent (100%) of the Participant's base compensation during the Enrollment Period less all previously authorized non-tax deductions.
- (c) Shall specify the form in which distribution of the Account shall be made under Section 6 upon the occurrence of an Event of Maturity (and if such designation is not clearly made to the contrary shall be deemed to have been an election of a single lump sum distribution).
- (d) Shall specify whether and what amount of the Account shall be distributed before an Event of Maturity in accordance with Section 6.2.
- (e) Shall be made upon forms furnished by the Principal Sponsor and shall conform to such other procedural and substantive rules as the Principal Sponsor shall make.

2.3. SPECIFIC EXCLUSION. Notwithstanding anything apparently to the contrary in this Plan Statement or in any written communication, summary, resolution or document or oral communication, no individual shall be a Participant in this Plan, develop benefits under this Plan or be entitled to receive benefits under this Plan (either for himself or herself or his or her survivors) unless such individual is a member of a select group of management or highly compensated employees (as that expression is used in ERISA). If a court of competent jurisdiction, any representative of the U.S. Department of Labor or any other governmental, regulatory or similar body makes any direct or indirect, formal or informal, determination that an individual is not a member of a select group of management or highly compensated employees (as that expression is used in ERISA), such individual shall not be (and shall not have ever been) a Participant in this Plan at any time. If any person not so defined has been erroneously treated as a Participant in this Plan, upon discovery of such error such person's erroneous participation shall immediately terminate AB INITIO and the Employer shall distribute the individual's Account immediately.

SECTION 3

ADJUSTMENT OF ACCOUNTS

3.1. ESTABLISHMENT OF ACCOUNTS. There shall be established for each Participant an unfunded bookkeeping Account which shall be adjusted each Valuation Date.

3.2. ADJUSTMENTS OF ACCOUNTS. As of each Valuation Date (the "current Valuation Date"), the value of each Account determined as of the immediately preceding Valuation Date (the "initial Account value") shall be increased (or decreased) by the following adjustments made in the following sequence:

3.2.1. INTERMEDIATE DISTRIBUTIONS SUBTRACTION. The initial Account value shall be reduced by the total amount distributed in fact to (or with respect to) the Participant (or forfeited in connection with a distribution) from such Account as of a date subsequent to the immediately preceding Valuation Date but prior to the current Valuation Date.

3.2.2. INVESTMENT ADDITION. The initial Account value (as adjusted above) shall be increased by interest.

- (a) The rate shall be determined from time to time by the Principal Sponsor. Except as provided in Section 8, the rate may be changed by the Principal Sponsor by amendment of the Plan Statement without notice to or the consent of any Participant, former Participant or any Beneficiary.
- (b) Beginning November 1, 1997, the rate for each month in a Plan Year shall be equal to the monthly equivalent of one hundred percent (100%) of the 120 month rolling average of the 10-year Treasury Note determined as of September 30 of the preceding Plan Year.
- (c) This rate shall be uniform for all Participants for the same Valuation Date but may change from Valuation Date to Valuation Date.

3.2.3. DEFERRAL ADDITION. The initial Account value (as adjusted above) shall be increased by the total amount of compensation, if any, which would have been paid to the Participant as of a date subsequent to the immediately preceding Valuation Date but prior to or coincident with the current Valuation Date but for

the enrollment agreement signed by the Participant pursuant to Section 2. No increases shall be made pursuant to this Section 3.2.3 for amounts paid as of a date after December 31, 1997.

3.2.4. FINAL DISTRIBUTIONS SUBTRACTION. The initial Account value (as adjusted above) shall be reduced by the total amount distributed in fact to (or with respect to) the Participant (or forfeited in connection with a distribution) from such Account as of the current Valuation Date.

SECTION 4

VESTING OF ACCOUNT

Except as provided in Section 6.2 and Section 6.4 (relating to the forfeiture for hardship or Change in Control distributions) and Section 8 (relating to the ability to amend the Plan Statement and terminate the Plan), the Account of each Participant shall be fully (100%) vested and nonforfeitable at all times.

SECTION 5

MATURITY

5.1. EVENTS OF MATURITY. A Participant's Account shall mature and shall become distributable in accordance with Section 6 upon the earliest occurrence of any of the following events while in the employment of the Employer or an Affiliate:

- (a) his or her death, or
- (b) his or her Termination of Employment from the Employer, or
- (c) termination of the Plan;

provided, however, that a transfer of employment to an Affiliate that is not an Employer shall not constitute an Event of Maturity.

5.2. EFFECT OF MATURITY UPON FURTHER PARTICIPATION IN PLAN. On the occurrence of an Event of Maturity, a Participant shall cease to have any interest in the Plan other than the right to receive payment of his or her Account as provided in Section 6 hereof, adjusted from time to time as provided in Section 3.

SECTION 6

DISTRIBUTION

6.1. FORM OF DISTRIBUTION. Upon the occurrence of an Event of Maturity effective as to a Participant, the Principal Sponsor shall commence payment of such Participant's Account (reduced by the amount of any applicable payroll, withholding and other taxes) in the form designated by the Participant in his or her enrollment. A Participant shall not be required to make application to receive payment. Distribution shall not be made to any Beneficiary, however, until such Beneficiary shall have filed a written application for benefits in a form acceptable to the Principal Sponsor and such application shall have been approved by the Principal Sponsor.

6.1.1. FORM OF DISTRIBUTION. Distribution shall be made in whichever of the following forms as the Participant shall have designated in writing at the time of his or her enrollment (to the extent that such election is consistent with the rules of this Plan Statement):

- (a) TERM CERTAIN INSTALLMENTS TO PARTICIPANT. If the Distributee is a Participant, the Account at the Termination of Employment is at least Twenty Thousand Dollars (\$20,000) and the Participant had attained Earliest Retirement Age at the Termination of Employment, in a series of annual installments payable over fifteen (15) years.
- (b) CONTINUED TERM CERTAIN INSTALLMENTS TO BENEFICIARY. If the Distributee is a Beneficiary of a deceased Participant and distribution had commenced to the deceased Participant before his or her death over a fifteen (15) year period as specified in paragraph (a) above, in a series of annual installments payable over the remainder of the fifteen (15) year period.
- (c) LUMP SUM. If the Distributee is a Participant, in a single lump sum. If the Distributee is a Beneficiary of a deceased Participant and distribution had not commenced to the deceased Participant before his or her death, in a single lump sum payment.

6.1.2. TIME OF PAYMENT. Payment shall be made or commenced to a Participant in accordance with the following rules:

- (a) RETIREMENT. If the Participant's Termination of Employment is on a date on or after the Participant's Earliest Retirement Age,

payment shall be made or commenced as of the Annual Valuation Date coincident with or immediately following the Participant's Termination of Employment and shall be made or commenced as soon as practicable after such Annual Valuation Date.

- (b) DEATH. If the payment is made or commenced on account of the Participant's death, payment shall be made or commenced as of the Annual Valuation Date coincident with or immediately following the Participant's Termination of Employment and shall be made or commenced as soon as practicable after such Annual Valuation Date.
- (c) OTHER. In all other cases, payment to the Participant shall be made as of the second Valuation Date subsequent to the Participant's Termination of Employment and shall be made as soon as practicable after such second Valuation Date.
- (d) CODE SS.162(m) DELAY. If the Principal Sponsor determines that delaying the time of the initial payments are made or commenced would increase the probability that such payments would be fully deductible for federal or state income tax purposes, the Principal Sponsor may unilaterally delay the time of the making or commencement of payments for up to twenty-four (24) months after the date such payments would otherwise be payable.

6.1.3. INSTALLMENT AMOUNTS. The amount of the annual installments shall be determined by dividing the amount of the Account as of the Annual Valuation Date as of which the installment is being paid by the number of remaining installment payments to be made (including the payment being determined).

6.1.4. DEFAULT. If for any reason a Participant shall have failed to make a timely written designation of form for distribution (including reasons entirely beyond the control of the Participant), the distribution shall be made in a single lump sum. No spouse, former spouse, Beneficiary or other person shall have any right to participate in the Participant's selection of a form of benefit.

6.2. PREVIOUSLY SCHEDULED DISTRIBUTION.

6.2.1. ENROLLING FOR THE DISTRIBUTION. At the time of enrollment, each enrolling Participant shall have the opportunity to elect to cause the Plan to make a scheduled distribution to the Participant from the Account of a fixed dollar amount

or percentage of Account (not less than \$2,000) as of an Annual Valuation Date designated by the Participant in the enrollment which distribution shall be made as soon as practicable after such Annual Valuation Date.

6.2.2. SCHEDULED DISTRIBUTION. As of the Annual Valuation Date designated by the Participant in his or her enrollment, there shall be distributed from the Account to the Participant such amount as the Participant shall have elected to receive from the Account when the Participant enrolled. Notwithstanding the dollar amount designated by the Participant in his or her enrollment, if a scheduled distribution is required as of an Annual Valuation Date and the value of the portion of the Account that is attributable to the Participant's deferrals on such Annual Valuation Date is less than Five Thousand Dollars (\$5,000) the entire Account attributable to that Participant's deferrals shall be distributed. In no event shall such scheduled distributions occur after the death of the Participant or after any other Event of Maturity with respect to the Participant. In no event shall such scheduled distributions made pursuant to an enrollment for a Plan Year exceed the Account attributable to that Plan Year.

6.3. HARDSHIP DISTRIBUTIONS.

6.3.1. WHEN AVAILABLE. A Participant may receive a hardship distribution from his or her Account if the Principal Sponsor determines that such hardship distribution is for a purpose described in Section 6.3.2 and the conditions in Section 6.3.3 and Section 6.3.4 have been fulfilled. To receive such a distribution, the Participant must file a written hardship distribution application with the Principal Sponsor and furnish such documentation as the Principal Sponsor may require. In the application, the Participant shall specify the basis for the distribution and the dollar amount to be distributed. If such hardship distribution is approved by the Principal Sponsor, distribution shall be made as of the Valuation Date coincident with or next following the approval of a completed application by the Principal Sponsor and such hardship distribution shall be made in a lump sum cash payment as soon as administratively feasible after such Valuation Date.

6.3.2. PURPOSES. Hardship distributions shall be allowed under Section 6.3.1 only if the Participant establishes that the hardship distribution is to be made on account of an immediate and heavy financial need of the Participant for which the Participant does not have other available resources.

6.3.3. LIMITATIONS. The amount of the hardship distribution shall not exceed the amount of the Participant's proven immediate and heavy financial need. A hardship distribution shall not be made after the death of the Participant or after the occurrence of any other Event of Maturity. The amount of approved hardship distribution (and the forfeiture described below) shall not exceed the value of the Account.

6.3.4. FORFEITURE. Upon the approval of a hardship distribution, there shall be irrevocably forfeited from the Account of the Participant an amount equal to ten percent (10%) of the amount approved for distribution.

6.4. CHANGE IN CONTROL DISTRIBUTIONS.

6.4.1. WHEN AVAILABLE. A Participant or Beneficiary may receive a distribution of his or her entire Account (after reduction for the forfeiture described in Section 6.4.3) if a Full Change in Control or a Qualifying Termination has occurred and the condition in Section 6.4.2 has been fulfilled (a "Change in Control Distribution"). To receive such a distribution, the Participant or Beneficiary must file a written distribution application with the Principal Sponsor. The Principal Sponsor shall approve the Change in Control Distribution if such application has been filed and a Full Change in Control or a Qualifying Termination has occurred. Distribution of the entire Account (after reduction for the forfeiture described in Section 6.4.3) shall be made as of the Valuation Date coincident with or next following the approval of a completed application by the Principal Sponsor. Such distribution shall be made in a lump sum cash payment as soon as administratively feasible after such Valuation Date.

6.4.2. LIMITATIONS. The amount of approved Change in Control Distribution (and the forfeiture described below) shall not exceed the value of the Account.

6.4.3. FORFEITURE. Upon the approval of a Change in Control Distribution, there shall be irrevocably forfeited from the Account of the Participant or Beneficiary an amount equal to five percent (5%) of the Account.

6.5. ACCELERATION OF ANNUAL INSTALLMENTS.

6.5.1. WHEN AVAILABLE. A Participant or Beneficiary who is receiving annual installments may receive an accelerated payment of his or her entire Account (after reduction for the forfeiture described in Section 6.5.2). To receive such an accelerated payment, the Participant or Beneficiary must file a written payment application with the Principal Sponsor. Payment of the accelerated payment (after reduction for the forfeiture described in Section 6.5.2) shall be made as of the Annual Valuation Date coincident with or next following the approval of a completed application by the Principal Sponsor. Such accelerated payment shall be made in a lump sum cash payment as soon as administratively feasible after such Valuation Date. The amount of the accelerated payment shall be equal to the value of the Account as of such Annual Valuation Date (after reduction for the forfeiture described below).

6.5.2. FORFEITURE. Upon the approval of an accelerated payment, there shall be irrevocably forfeited from the Account of the Participant or Beneficiary an amount equal to ten percent (10%) of the Account.

6.6. DESIGNATION OF BENEFICIARIES.

6.6.1. RIGHT TO DESIGNATE. Each Participant may designate, upon forms to be furnished by and filed with the Principal Sponsor, one or more primary Beneficiaries or alternative Beneficiaries to receive all or a specified part of such Participant's Account in the event of such Participant's death. The Participant may change or revoke any such designation from time to time without notice to or consent from any Beneficiary. No such designation, change or revocation shall be effective unless executed by the Participant and received by the Principal Sponsor during the Participant's lifetime.

6.6.2. FAILURE OF DESIGNATION. If a Participant:

- (a) fails to designate a Beneficiary,
- (b) designates a Beneficiary and thereafter revokes such designation without naming another Beneficiary, or
- (c) designates one or more Beneficiaries and all such Beneficiaries so designated fail to survive the Participant,

such Participant's Account, or the part thereof as to which such Participant's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Beneficiaries with a member surviving the Participant and (except in the case of surviving issue) in equal shares if there is more than one member in such class surviving the Participant:

Participant's surviving spouse
Participant's surviving issue per stirpes and not per capita
Participant's surviving parents
Participant's surviving brothers and sisters
Representative of Participant's estate.

6.6.3. DISCLAIMERS BY BENEFICIARIES. A Beneficiary entitled to a distribution of all or a portion of a deceased Participant's Account may disclaim an interest therein subject to the following requirements. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of all or any portion of the Account at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Participant's death. Any disclaimer must be in writing and must be executed

personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed Account is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to the Principal Sponsor after the date of the Participant's death but not later than one hundred eighty (180) days after the date of the Participant's death. A disclaimer shall be irrevocable when delivered to the Principal Sponsor. A disclaimer shall be considered to be delivered to the Principal Sponsor only when actually received by the Principal Sponsor. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Participant as to the interest disclaimed. A disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 6 and shall not be considered to be an assignment or alienation of benefits in violation of federal law prohibiting the assignment or alienation of benefits under this Plan. No other form of attempted disclaimer shall be recognized by the Principal Sponsor.

6.6.4. DEFINITIONS. When used herein and, unless the Participant has otherwise specified in the Participant's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Participant.

6.6.5. SPECIAL RULES. Unless the Participant has otherwise specified in the Participant's Beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Participant, it shall be deemed that the Beneficiary was not living at the time of the death of the Participant.
- (b) The automatic Beneficiaries specified in Section 6.6.2 and the Beneficiaries designated by the Participant shall become fixed at the time of the Participant's death so that, if a Beneficiary survives the Participant but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.

- (c) If the Participant designates as a Beneficiary the person who is the Participant's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Participant and such person shall automatically revoke such designation. (The foregoing shall not prevent the Participant from designating a former spouse as a Beneficiary on a form executed by the Participant and received by the Principal Sponsor after the date of the legal termination of the marriage between the Participant and such former spouse, and during the Participant's lifetime.)
- (d) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Participant shall be given effect without regard to whether the relationship to the Participant exists either then or at the Participant's death.
- (e) Any designation of a Beneficiary only by statement of relationship to the Participant shall be effective only to designate the person or persons standing in such relationship to the Participant at the Participant's death.

A Beneficiary designation is permanently void if it either is executed or is filed by a Participant who, at the time of such execution or filing, is then a minor under the law of the state of the Participant's legal residence. The Principal Sponsor shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

6.6.6. NO SPOUSAL RIGHTS. No spouse or surviving spouse of a Participant and no person designated to be a Beneficiary shall have any rights or interest in the benefits accumulated under this Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the designation of Beneficiaries (or the changing of designated Beneficiaries) by the Participant.

6.7. DEATH PRIOR TO FULL DISTRIBUTION. If, at the death of the Participant, any payment to the Participant was due or otherwise pending but not actually paid, the amount of such payment shall be included in the Account which are payable to the Beneficiary (and shall not be paid to the Participant's estate).

6.8. FACILITY OF PAYMENT. In case of the legal disability, including minority, of a Participant or Beneficiary entitled to receive any distribution under the Plan, payment shall be made, if the Principal Sponsor shall be advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such Participant or Beneficiary, or
- (b) to a person or institution entrusted with the care or maintenance of the incompetent or disabled Participant or Beneficiary, provided such person or institution has satisfied the Principal Sponsor that the payment will be used for the best interest and assist in the care of such Participant or Beneficiary, and provided further, that no prior claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such Participant or Beneficiary.

Any payment made in accordance with the foregoing provisions of this section shall constitute a complete discharge of any liability or obligation of the Principal Sponsor therefor.

SECTION 7

FUNDING OF PLAN

7.1. UNFUNDED AGREEMENT. The obligation of the Employer to make payments under this Plan constitutes only the unsecured (but legally enforceable) promise of the Employer to make such payments. The Participant shall have no lien, prior claim or other security interest in any property of the Employer. The Employer is not required to establish or maintain any fund, trust or account (other than a bookkeeping account or reserve) for the purpose of funding or paying the benefits promised under this Plan. If such a fund is established, the property therein shall remain the sole and exclusive property of the Employer. The Employer will pay the cost of this Plan out of its general assets. All references to accounts, accruals, gains, losses, income, expenses, payments, custodial funds and the like are included merely for the purpose of measuring the Employer's obligation to Participants in this Plan and shall not be construed to impose on the Employer the obligation to create any separate fund for purposes of this Plan.

If the Employer elects to finance all or a portion of its costs in connection with this Plan through the purchase of life insurance or other similar investments, the Participant agrees, as a condition of participation in this Plan, to cooperate with the Employer in the purchase of such investment to any extent reasonably required by the Employer and relinquishes any claim he or she may have either for himself or herself or any beneficiary to the proceeds of any such investment or any other rights or interests in such investment. If a Participant fails or refuses to cooperate, then notwithstanding any other provision of this Plan Statement (including, without

limiting the generality of the foregoing, Section 4) the Employer shall distribute the individual's Account immediately and the Participant shall not be eligible to enroll in the Plan again.

7.2. SPENDTHRIFT PROVISION. No Participant or Beneficiary shall have any interest in any Account which can be transferred nor shall any Participant or Beneficiary have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of the Employer, nor shall the Employer recognize any assignment thereof, either in whole or in part, nor shall any Account be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of the Employer.

The power to designate Beneficiaries to receive the Account of a Participant in the event of such Participant's death shall not permit or be construed to permit such power or right to be exercised by the Participant so as thereby to anticipate, pledge, mortgage or encumber such Participant's Account or any part thereof, and any attempt of a Participant so to exercise said power in violation of this provision shall be of no force and effect and shall be disregarded by the Employer.

This section shall not prevent the Employer from exercising, in its discretion, any of the applicable powers and options granted to it upon the occurrence of an Event of Maturity, as such powers may be conferred upon it by any applicable provision hereof.

SECTION 8

AMENDMENT AND TERMINATION

The Principal Sponsor reserves the power to amend the Plan Statement or terminate the Plan prior to a Full Change in Control. No such amendment of the Plan Statement or termination of the Plan, however, shall reduce a Participant's Account earned as of the date of such amendment unless the Participant so affected consents in writing to the amendment. After a Full Change in Control, the Plan cannot be amended or terminated (as applied to Participants who are Participants on the date of the Full Change in Control) unless:

- (a) all Accounts of all Participants as of the date of the Full Change in Control have been paid, or
- (b) eighty percent (80%) of all the Participants as of the date of the Full Change in Control give written consent to such amendment or termination.

SECTION 9

DETERMINATIONS -- RULES AND REGULATIONS

9.1. DETERMINATIONS. The Principal Sponsor shall make such determinations as may be required from time to time in the administration of the Plan. The Principal Sponsor shall have the discretionary authority and responsibility to interpret and construe the Plan Statement and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Participants and Beneficiaries, and the amounts of their respective interests. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

9.2. RULES AND REGULATIONS. Any rule not in conflict or at variance with the provisions hereof may be adopted by the Principal Sponsor.

9.3. METHOD OF EXECUTING INSTRUMENTS. Information to be supplied or written notices to be made or consents to be given by the Principal Sponsor pursuant to any provision of this Plan Statement may be signed in the name of the Principal Sponsor by any officer who has been authorized to make such certification or to give such notices or consents.

9.4. CLAIMS PROCEDURE. The claims procedure set forth in this Section 9.4 shall be the exclusive procedure for the disposition of claims for benefits arising under the Plan until such time as a Full Change in Control occurs.

9.4.1. ORIGINAL CLAIM. Any employee, former employee or beneficiary of such employee or former employee may, if he or she so desires, file with the Principal Sponsor a written claim for benefits under the Plan. Within ninety (90) days after the filing of such a claim, the Principal Sponsor shall notify the claimant in writing whether the claim is upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred eighty days from the date the claim was filed) to reach a decision on the claim. If the claim is denied in whole or in part, the Principal Sponsor shall state in writing:

- (a) the specific reasons for the denial;
- (b) the specific references to the pertinent provisions of this Plan Statement on which the denial is based;

- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the claims review procedure set forth in this section.

9.4.2. CLAIMS REVIEW PROCEDURE. Within sixty (60) days after receipt of notice that the claim has been denied in whole or in part, the claimant may file with the Principal Sponsor a written request for a review and may, in conjunction therewith, submit written issues and comments. Within sixty (60) days after the filing of such a request for review, the Principal Sponsor shall notify the claimant in writing whether, upon review, the claim was upheld or denied in whole or in part or shall furnish the claimant a written notice describing specific special circumstances requiring a specified amount of additional time (but not more than one hundred twenty days from the date the request for review was filed) to reach a decision on the request for review.

9.4.3. GENERAL RULES.

- (a) No inquiry or question shall be deemed to be a claim or a request for a review of a denied claim unless made in accordance with the claims procedure. The Principal Sponsor may require that any claim for benefits and any request for a review of a denied claim be filed on forms to be furnished by the Principal Sponsor upon request.
- (b) All decisions on claims and on requests for a review of denied claims shall be made by the Principal Sponsor.
- (c) the Principal Sponsor may, in its discretion, hold one or more hearings on a claim or a request for a review of a denied claim.
- (d) A claimant may be represented by a lawyer or other representative (at the claimant's own expense), but the Principal Sponsor reserves the right to require the claimant to furnish written authorization. A claimant's representative shall be entitled to copies of all notices given to the claimant.
- (e) The decision of the Principal Sponsor on a claim and on a request for a review of a denied claim shall be served on the claimant in writing. If a decision or notice is not received by a claimant within the time specified, the claim or request for a review of a denied claim shall be deemed to have been denied.

- (f) Prior to filing a claim or a request for a review of a denied claim, the claimant or his or her representative shall have a reasonable opportunity to review a copy of this Plan Statement and all other pertinent documents in the possession of the Principal Sponsor.

9.5. INFORMATION FURNISHED BY PARTICIPANTS. The Principal Sponsor shall not be liable or responsible for any error in the computation of the Account of a Participant resulting from any misstatement of fact made by the Participant, directly or indirectly, to the Principal Sponsor, and used by it in determining the Participant's Account. The Principal Sponsor shall not be obligated or required to increase the Account of such Participant which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Participant. However, the Account of any Participant which are overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of the truth.

SECTION 10

PLAN ADMINISTRATION

10.1. EMPLOYER.

10.1.1. OFFICERS. Except as hereinafter provided, functions generally assigned to the Principal Sponsor shall be discharged by its officers or delegated and allocated as provided herein.

10.1.2. CHIEF EXECUTIVE OFFICER. Except as hereinafter provided, the Chief Executive Officer of the Principal Sponsor may delegate or redelegate and allocate and reallocate to one or more persons or to a committee of persons jointly or severally, and whether or not such persons are directors, officers or employees, such functions assigned to the Employer generally hereunder as the Chief Executive Officer may from time to time deem advisable.

10.1.3. BOARD OF DIRECTORS. Notwithstanding the foregoing, the Compensation and Human Resources Committee of the Board of Directors of the Principal Sponsor shall have the exclusive authority, which may not be delegated, to act for the Principal Sponsor to amend this Plan Statement, to terminate this Plan, and to determine eligibility to participate in the Plan under Section 2.

10.2. CONFLICT OF INTEREST. If any officer or employee of the Employer, or any member of the Compensation and Human Resources Committee of the Board of Directors of the Employer to whom authority has been delegated or redelegated

hereunder shall also be a Participant in the Plan, such Participant shall have no authority as such officer, employee or member with respect to any matter specially affecting such Participant's individual interest hereunder or the interest of a person superior to him or her in the organization (as distinguished from the interests of all Participants and Beneficiaries or a broad class of Participants and Beneficiaries), all such authority being reserved exclusively to the other officers, employees or members as the case may be, to the exclusion of such Participant, and such Participant shall act only in such Participant's individual capacity in connection with any such matter.

10.3. ADMINISTRATOR. U.S. BANCORP shall be the administrator for purposes of section 3(16)(A) of the Employee Retirement Income Security Act of 1974.

10.4. SERVICE OF PROCESS. In the absence of any designation to the contrary by the Employer, the Secretary of U.S. BANCORP is designated as the appropriate and exclusive agent for the receipt of service of process directed to the Plan in any legal proceeding, including arbitration, involving the Plan.

SECTION 11

DISCLAIMERS

11.1. TERM OF EMPLOYMENT. Neither the terms of this Plan Statement nor the benefits hereunder nor the continuance thereof shall be a term of the employment of any employee. The Employer shall not be obliged to continue the Plan. The terms of this Plan Statement shall not give any employee the right to be retained in the employment of the Employer.

11.2. SOURCE OF PAYMENT. Neither the Employer nor any of its officers nor any member of the Compensation and Human Resources Committee of the Board of Directors in any way secure or guarantee the payment of any benefit or amount which may become due and payable hereunder to any Participant or to any Beneficiary or to any creditor of a Participant or a Beneficiary. Each Participant, Beneficiary or other person entitled at any time to payments hereunder shall look solely to the assets of the Employer for such payments or to the Accounts distributed to any Participant or Beneficiary, as the case may be, for such payments. In each case where Accounts shall have been distributed to a former Participant or a Beneficiary or to the person or any one of a group of persons entitled jointly to the receipt thereof and which purports to cover in full the benefit hereunder, such former Participant or Beneficiary, or such person or persons, as the case may be, shall have no further right or interest in the other assets of the Employer. Neither the Employer nor any of its officers nor any member of its Board of Directors shall be

under any liability or responsibility for failure to effect any of the objectives or purposes of the Plan by reason of the insolvency of the Employer.

11.3. DELEGATION. The Employer and its officers and the members of its Board of Directors shall not be liable for an act or omission of another person with regard to a responsibility that has been allocated to or delegated to such other person pursuant to the terms of this Plan Statement or pursuant to procedures set forth in this Plan Statement.

_____, 1997

U.S. BANCORP

By

Its

APPENDIX A

CHANGE IN CONTROL DEFINITIONS

SECTION 1

1.1. ACQUIRING PERSON -- any Person who or which, together with all Affiliates (CIC) and Associates of such person, is the Beneficial Owner, directly or indirectly, of securities of USB representing 20% or more of the combined voting power of USB's then outstanding securities, but shall not include any Company Entity.

1.2. AFFILIATE (CIC) -- shall have the meaning ascribed to the term "Affiliate" in Rule 12b-2 promulgated under the Exchange Act.

1.3. ASSOCIATE -- shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

1.4. BENEFICIAL OWNER -- shall have the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

1.5. BOARD OF DIRECTORS -- the board of directors of USB.

1.6. CHANGE IN CONTROL -- a Full Change in Control or a Partial Change in Control.

1.7. COMPANY ENTITY -- USB, any subsidiary of USB or any employee benefit plan of USB or of any subsidiary of USB or any entity holding shares of the voting capital stock of USB organized, appointed or established for, or pursuant to the terms of, any such plan.

1.8. CONTINUING DIRECTOR -- any person who is a member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Acquiring Person or an Affiliate (CIC) or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate (CIC) or Associate, and who (x) was a member of the Board of Directors as of February 18, 1998 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 has been approved in advance by the Continuing Directors; provided that any director designated by or on behalf of a Person who has entered into an agreement with USB (or who is contemplating entering into such an agreement) to effect a consolidation or merger of USB or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, and any director that serves in

connection with the act of the Board of Directors of increasing the number of directors and filling vacancies in connection with, or in contemplation of, any such transaction, shall not be deemed to have received such advance approval for initial nomination or election, and any such director shall not be deemed to be a Continuing Director, in each case solely for the purpose of determining whether the addition of members of the Board of Directors in connection with, or in contemplation of, such transaction results in a Full Change in Control under clause (b) of the definition of Full Change in Control.

1.9. EXCHANGE ACT -- the Securities Exchange Act of 1934, as amended.

1.10. FULL CHANGE IN CONTROL -- shall mean:

- (a) 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 USB or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of USB (x) representing 20% or more, but not more than 50%, of the combined voting power of USB's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors or (y) representing more than 50% of the combined voting power of USB's then outstanding securities (regardless of any approval by the Continuing Directors); or
- (b) the Continuing Directors cease to constitute a majority of the Board of Directors of USB or the Resulting Corporation, except in accordance with the terms of a Permitted Transaction and except as a result of the death, retirement or disability of one or more Continuing Directors; or
- (c) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the consolidated assets of USB and its subsidiaries or the adoption of any plan of liquidation or dissolution of USB.

1.11. PARTIAL CHANGE IN CONTROL -- shall mean:

- (a) a consolidation or merger of USB or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, as a result of which less than 60% of the outstanding voting securities of the Resulting Corporation are, or are to be, owned by former shareholders of USB as

determined immediately prior to consummation of such transaction (excluding voting securities of the Resulting Corporation owned, or to be owned, by such shareholders by reason of their ownership prior to such transaction of securities of any entity other than USB) and as a result of which the Continuing Directors constitute (i) more than 50% of the Board of Directors of the Resulting Corporation or (ii) exactly 50% of the Board of Directors of the Resulting Corporation if the transaction resulting in such event is a Permitted Transaction; 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 USB or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of USB representing 20% or more, but not more than 50%, of the combined voting power of USB's then outstanding securities if the transaction resulting in such ownership has been approved in advance by the Continuing Directors.

1.12. PERMITTED DIRECTOR -- a director who was a Continuing Director immediately prior to consummation of a Permitted Transaction and any director who fills a vacancy created by the termination of service as a director or expiration of the term as a director of any Permitted Director if such person was selected solely by the then current Permitted Directors.

1.13. PERMITTED TRANSACTION -- a transaction in which, pursuant to a written agreement between USB and all Persons who have entered into an agreement with USB to effect a transaction described in paragraph (a) of the definition of Partial Change in Control, it is agreed that (w) the Chief Executive Officer of USB immediately prior to the consummation of such transaction shall be the Chief Executive Officer of the Resulting Corporation for not less than three years following consummation of such transaction, (x) upon termination of service of any Permitted Director for any reason, including upon death, disability or retirement, prior to the expiration of such director's term during such three-year period, the vacancy thereby created shall be filled by a nominee selected solely by the Permitted Directors, (y) upon expiration of the term of any Permitted Director during such three-year period, the nominee to succeed such director shall be selected solely by the Permitted Directors and (z) the parties will take other appropriate steps to ensure that the Board of Directors of the Resulting Corporation will be evenly divided between Permitted Directors and all directors designated by other parties to the transaction during such three-year period. Notwithstanding the foregoing, such agreement may provide that directors added to the Board of Directors (x) pursuant to an expansion of the number of members of the Board of Directors approved by 75%

of the then current members of the Board of Directors or (y) pursuant to the terms of any subsequent agreement relating to an acquisition by or of USB, shall not be subject to the foregoing limitations. The determination of whether a transaction constitutes a Permitted Transaction shall be made at the time of consummation of such transaction, and no subsequent events shall cause such transaction to no longer constitute a Permitted Transaction.

1.14. PERSON -- shall have the meaning ascribed to such term as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

1.15. QUALIFYING TERMINATION -- a termination of employment of a Participant prior to a Full Change in Control or prior to or following a Partial Change in Control that results in such Participant becoming entitled to receive change in control related severance payments pursuant to the terms of the change in control provisions of an employment contract, an individual change in control severance agreement, the U.S. Bancorp Senior Management Change in Control Severance Pay Plan (including any successor plan thereto), the U.S. Bancorp Middle Management Change in Control Severance Pay Program (including any successor program thereto) or the U.S. Bancorp Broad-Based Change in Control Severance Pay Program (including any successor program thereto).

1.16. RESULTING CORPORATION -- the surviving corporation in any consolidation, merger or other reorganization to which USB is a party; provided, however, that if the surviving corporation in any such transaction is a subsidiary of another corporation, then the Resulting Corporation is the ultimate parent corporation of such surviving corporation; and provided, further, that in the event of a consolidation, merger or other reorganization to which a Company Entity (other than USB) is a party, then USB shall be deemed the Resulting Corporation.

COMPOSITE COPY

FIRST BANK SYSTEM, INC.
INDEPENDENT DIRECTOR
RETIREMENT AND DEATH BENEFIT PLAN
(1991 RESTATEMENT)

First Effective January 1, 1987
As Amended and Restated Effective May 15, 1991

AND

As Amended By

The FIRST AMENDMENT Adopted February 15, 1995
But Effective January 1, 1995

The SECOND AMENDMENT Adopted July 17, 1996
But Effective January 1, 1996

The THIRD AMENDMENT Adopted July 17, 1996
But Effective July 17, 1996

The FOURTH AMENDMENT Adopted February 18, 1998
And Effective February 18, 1998

FIRST BANK SYSTEM, INC.
INDEPENDENT DIRECTOR
RETIREMENT AND DEATH BENEFIT PLAN
(1991 RESTATEMENT)

TABLE OF CONTENTS

| | PAGE |
|---|------|
| SECTION 1. INTRODUCTION | 1 |
| 1.1. Restatement of Plan | |
| 1.2. Definitions | |
| 1.2.1. Accrued Benefit | |
| 1.2.2. Beneficiary | |
| 1.2.3. Change in Control Definitions | |
| (a) Acquiring Person | |
| (b) Affiliate | |
| (c) Associate | |
| (d) Beneficial Owner | |
| (e) Board of Directors | |
| (f) Change in Control | |
| (g) Company Entity | |
| (h) Continuing Director | |
| (i) Exchange Act | |
| (j) Full Change In Control | |
| (k) Partial Change in Control | |
| (l) Permitted Director | |
| (m) Permitted Transaction | |
| (n) Person | |
| (o) Resulting Corporation | |
| 1.2.4. Director | |
| 1.2.5. Director Service | |
| 1.2.6. FBS | |
| 1.2.7. Plan | |
| 1.2.8. Plan Statement | |
| 1.2.9. Present Value | |
| 1.2.10. Prior Plan Statement | |
| 1.2.11. Supplemental Retirement Pension | |
| 1.2.12. Termination of Service | |
| 1.3. Rules of Interpretation | |

| | | |
|------------|---|----|
| SECTION 2. | ELIGIBILITY | 8 |
| SECTION 3. | SUPPLEMENTAL RETIREMENT BENEFITS | 8 |
| | 3.1. Supplemental Retirement Pension | |
| | 3.1.1. When Available | |
| | 3.1.2. Amount | |
| | 3.1.3. Form of Pension | |
| | 3.2. Change in Control | |
| | 3.3. Facility of Payment | |
| SECTION 4. | DEATH BENEFITS | 10 |
| | 4.1. Death Before Benefit Commencement | |
| | 4.1.1. When Available | |
| | 4.1.2. Amount | |
| | 4.1.3. Form of Benefit | |
| | 4.2. Death After Benefit Commencement | |
| | 4.3. Designation of Beneficiaries | |
| | 4.3.1. Right To Designate | |
| | 4.3.2. Failure of Designation | |
| | 4.3.3. Disclaimers by Beneficiaries | |
| | 4.3.4. Definitions | |
| | 4.3.5. Special Rules | |
| | 4.3.6. No Spousal Rights | |
| SECTION 5. | FUNDING OF PLAN | 13 |
| | 5.1. Unfunded Agreement | |
| | 5.2. Spendthrift Provision | |
| SECTION 6. | AMENDMENT AND TERMINATION | 14 |
| SECTION 7. | DETERMINATIONS -- RULES AND REGULATIONS | 14 |
| | 7.1. Determinations | |
| | 7.2. Rules and Regulations | |
| | 7.3. Method of Executing Instruments | |
| | 7.4. Information Furnished by Directors | |
| SECTION 8. | PLAN ADMINISTRATION | 15 |
| | 8.1. FBS | |

FIRST BANK SYSTEM, INC.
INDEPENDENT DIRECTOR
RETIREMENT AND DEATH BENEFIT PLAN
(1991 RESTATEMENT)

SECTION 1

INTRODUCTION

1.1. RESTATEMENT OF PLAN. Effective February 18, 1987, FIRST BANK SYSTEM, INC., a Delaware corporation (hereinafter sometimes referred to as "FBS"), adopted the "First Bank System, Inc. Independent Director retirement and Death Benefit Plan" for the purpose of establishing a supplemental retirement and death benefit plan for the benefit of certain eligible members of its Board of Directors (hereinafter referred to as the "Plan"). FBS reserved the right to amend and terminate that Prior Plan Statement from time to time. FBS now desires to exercise that reserved power of amendment by the adoption of this Plan Statement effective as of May 15, 1991.

1.2. DEFINITIONS. When used herein with initial capital letters, the following words have the following meanings:

1.2.1. ACCRUED BENEFIT -- the aggregate amount determined for the Director as of a specified date equal to:

- (a) the annualized amount of the base director retainer (exclusive of committee attendance and similar extra fees) in effect on the date on which occurs the earlier of: (i) the Director's Termination of Service, or (ii) the Director's death; multiplied by
- (b) the number of full years, and fractions of years, of the Director's Director Service (not to exceed ten years).

For this purpose, fractions of years shall be recorded in twelfths (1/12) and one-twelfth of a year of Director Service shall be credited only for each full calendar month of Director Service.

1.2.2. BENEFICIARY -- a person designated by a Director (or automatically by operation of this Plan Statement) to receive all or a part of the Director's benefit in the event of the Director's death prior to full distribution thereof. A person so designated shall not be considered a Beneficiary until the death of the Director.

1.2.3. CHANGE IN CONTROL DEFINITIONS. When used herein with initial capital letters, the following words relating to the "Change in Control" definition have the following meanings:

- (a) ACQUIRING PERSON -- shall mean any Person who or which, together with all Affiliates and Associates of such person, is the Beneficial Owner, directly or indirectly, of securities of FBS representing 20% or more of the combined voting power of FBS's then outstanding securities, but shall not include any Company Entity.
- (b) AFFILIATE -- shall have the meaning ascribed to the term "Affiliate" in Rule 12b-2 promulgated under the Exchange Act.
- (c) ASSOCIATE -- shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.
- (d) BENEFICIAL OWNER -- shall have the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.
- (e) BOARD OF DIRECTORS -- shall mean the board of directors of FBS.
- (f) CHANGE IN CONTROL -- shall mean a Full Change in Control or a Partial Change in Control.
- (g) COMPANY ENTITY -- shall mean FBS, any subsidiary of FBS or any employee benefit plan of FBS or of any subsidiary of FBS or any entity holding shares of the voting capital stock of FBS organized, appointed or established for, or pursuant to the terms of, any such plan.
- (h) CONTINUING DIRECTOR -- shall mean any person who is a member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Acquiring Person or an Affiliate or Associate 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 as of February 18, 1998 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 has been approved in advance by the Continuing Directors; provided that any director designated by or on behalf of a Person who has entered into an agreement with FBS (or who is contemplating entering into such an agreement) to effect a consolidation or merger of FBS or a Company Entity, or other reorganization, with or into one or

more entities which are not Company Entities, and any director that serves in connection with the act of the Board of Directors of increasing the number of directors and filling vacancies in connection with, or in contemplation of, any such transaction, shall not be deemed to have received such advance approval for initial nomination or election, and any such director shall not be deemed to be a Continuing Director, in each case solely for the purpose of determining whether the addition of members of the Board of Directors in connection with, or in contemplation of, such transaction results in a Full Change in Control under clause (ii) of the definition of Full Change in Control.

- (i) EXCHANGE ACT -- shall mean the Securities Exchange Act of 1934, as amended.
- (j) FULL CHANGE IN CONTROL -- shall mean:
 - (i) 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 FBS or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of FBS (x) representing 20% or more, but not more than 50%, of the combined voting power of FBS's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors or (y) representing more than 50% of the combined voting power of FBS's then outstanding securities (regardless of any approval by the Continuing Directors); or
 - (ii) the Continuing Directors cease to constitute a majority of the Board of Directors of FBS or the Resulting Corporation, except in accordance with the terms of a Permitted Transaction and except as a result of the death, retirement or disability of one or more Continuing Directors; or
 - (iii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the consolidated assets of FBS and its subsidiaries or the adoption of any plan of liquidation or dissolution of FBS.

(k) PARTIAL CHANGE IN CONTROL -- shall mean:

- (i) a consolidation or merger of FBS or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, as a result of which less than 60% of the outstanding voting securities of the Resulting Corporation are, or are to be, owned by former shareholders of FBS as determined immediately prior to consummation of such transaction (excluding voting securities of the Resulting Corporation owned, or to be owned, by such shareholders by reason of their ownership prior to such transaction of securities of any entity other than FBS) and as a result of which the Continuing Directors constitute (i) more than 50% of the Board of Directors of the Resulting Corporation or (ii) exactly 50% of the Board of Directors of the Resulting Corporation if the transaction resulting in such event is a Permitted Transaction; or
- (ii) 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 FBS or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of FBS representing 20% or more, but not more than 50%, of the combined voting power of FBS's then outstanding securities if the transaction resulting in such ownership has been approved in advance by the Continuing Directors.

(l) PERMITTED DIRECTOR -- shall mean a director who was a Continuing Director immediately prior to consummation of a Permitted Transaction and any director who fills a vacancy created by the termination of service as a director or expiration of the term as a director of any Permitted Director if such person was selected solely by the then current Permitted Directors.

(m) PERMITTED TRANSACTION -- shall mean a transaction in which, pursuant to a written agreement between FBS and all Persons who have entered into an agreement with FBS to effect a transaction described in paragraph (i) of the definition of Partial Change in Control, it is agreed that (w) the Chief Executive Officer of FBS immediately prior to the consummation of such transaction shall be the Chief Executive Officer of the Resulting

Corporation for not less than three years following consummation of such transaction, (x) upon termination of service of any Permitted Director for any reason, including upon death, disability or retirement, prior to the expiration of such director's term during such three-year period, the vacancy thereby created shall be filled by a nominee selected solely by the Permitted Directors, (y) upon expiration of the term of any Permitted Director during such three-year period, the nominee to succeed such director shall be selected solely by the Permitted Directors and (z) the parties will take other appropriate steps to ensure that the Board of Directors of the Resulting Corporation will be evenly divided between Permitted Directors and all directors designated by other parties to the transaction during such three-year period. Notwithstanding the foregoing, such agreement may provide that directors added to the Board of Directors (x) pursuant to an expansion of the number of members of the Board of Directors approved by 75% of the then current members of the Board of Directors or (y) pursuant to the terms of any subsequent agreement relating to an acquisition by or of FBS, shall not be subject to the foregoing limitations. The determination of whether a transaction constitutes a Permitted Transaction shall be made at the time of consummation of such transaction, and no subsequent events shall cause such transaction to no longer constitute a Permitted Transaction.

- (n) PERSON -- shall have the meaning ascribed to such term as such term is used in Sections 13(d) and 14(d) of the Exchange Act.
- (o) RESULTING CORPORATION -- shall mean the surviving corporation in any consolidation, merger or other reorganization to which FBS is a party; provided, however, that if the surviving corporation in any such transaction is a subsidiary of another corporation, then the Resulting Corporation is the ultimate parent corporation of such surviving corporation; and provided, further, that in the event of a consolidation, merger or other reorganization to which a Company Entity (other than FBS) is a party, then FBS shall be deemed the Resulting Corporation.

1.2.4. DIRECTOR -- an individual serving on the Board of

Directors of FBS who is not at the same time a common law employee of FBS or any of its subsidiary corporations.

1.2.5. DIRECTOR SERVICE -- a measure of a Director's service as a

Director (stated as a number of months) which is equal to the total completed months of the

individual's service as a Director (irrespective of any Termination of Service and subsequent reentry into service as a Director); subject, however, to the following:

- (a) PRE-EFFECTIVE SERVICE. Director Service shall be credited for any period of service completed before January 1, 1991, as if this Plan Statement were then in effect.
- (b) SUBSIDIARY SERVICE. In the case of a Director who has performed at least one (1) month of actual Director Service, Director Service shall be credited for services performed as a member of the board of directors of any corporation which is an eighty percent (80%) or greater subsidiary of FBS (while such corporation was at least an eighty percent subsidiary of FBS) as if such service were performed as a Director for FBS.
- (c) ACQUIRED ENTITIES SERVICE. In the case of a Director who has performed at least one (1) month of actual Director Service, Director Service shall be credited for pre-acquisition services performed as a member of the board of directors of any corporation if not less than ninety-five percent (95%) of its capital stock of that corporation is directly or indirectly acquired by FBS as if such pre-acquisition services were performed as a Director for FBS; provided, however, that such service shall be credited only if the Director agrees to have offset from benefits due under this Plan the value of benefits attributable such service in a fair and equitable manner as determined by the Organization Committee of the Board of Directors.
- (d) ADVISORY BOARDS SERVICE. In the case of a Director who has performed at least one (1) month of actual Director Service, Director Service shall be credited for services performed as a member of an advisory board of any subsidiary described in (b) above or any acquired entity described in (c) above as if such service were performed as a Director for FBS; provided, however, that such service shall be credited only if the Director agrees to have offset from benefits due under this Plan the value of benefits attributable such service in a fair and equitable manner as determined by the Organization Committee of the Board of Directors.
- (e) EXCLUDED SERVICE. Director Service shall not be credited for any period of service during which the Director is a common law employee of FBS or any of its subsidiary corporations or acquired entities.

1.2.6. FBS -- FIRST BANK SYSTEM, INC., a Delaware corporation, or any successor thereto.

1.2.7. PLAN -- the supplemental retirement and death benefit program maintained by FBS for the Board of Directors eligible to participate therein, as first set forth in the Prior Plan Statement effective February 18, 1987, and as amended and restated in the Plan Statement. (As used herein, "Plan" does not refer to the documents pursuant to which the Plan is maintained. Those documents are referred to herein as the "Prior Plan Statement" and the "Plan Statement.") The Plan shall be referred to as the "FIRST BANK SYSTEM, INC. INDEPENDENT DIRECTOR RETIREMENT AND DEATH BENEFIT PLAN."

1.2.8. PLAN STATEMENT -- this document entitled "FIRST BANK SYSTEM, INC. INDEPENDENT DIRECTOR RETIREMENT AND DEATH BENEFIT PLAN (1991 Restatement)," as adopted by FBS effective as of May 15, 1991 as the same may be amended from time to time thereafter.

1.2.9. PRESENT VALUE -- the actuarially equivalent single sum value of the unpaid installments of the Supplemental Retirement Pension determined as of a specified date assuming:

- (a) that the installments would have commenced on the earliest date when the installments benefit could have commenced; and
- (b) the interest rate used by the Pension Benefit Guaranty Corporation to value annuities (for participants who are the same age) in the event of plan terminations occurring on the first day of the calendar year in which occurs the date as of which the actuarially equivalent single sum is being determined.

The number of unpaid installments of the Supplemental Retirement Pension shall never be greater than ten (10) minus the number of annual installments already paid and shall never be less than zero (0).

1.2.10. PRIOR PLAN STATEMENT -- the series of documents pursuant to which this Plan was established as of January 1, 1987, and operated thereafter until May 15, 1991.

1.2.11. SUPPLEMENTAL RETIREMENT PENSION -- the pension benefit described in Section 3.1.

1.2.12. TERMINATION OF SERVICE -- the termination of the Director's service as a Director for any of the following reasons:

- (a) The Director retires as required under the terms of the FBS Directors' Retirement Policy then in effect.
- (b) The Director resigns voluntarily.
- (c) The Director is not reelected to a succeeding term as a member of the Board of Directors when his or her term expires.
- (d) The Director terminates after he or she is determined by FBS to be disabled and is, therefore, unable to fulfill the duties of a member of the Board of Directors because of that disability, however caused.

When necessary, FBS shall determine the date of the Termination of Service. The death of the Director is not a Termination of Service.

1.3. RULES OF INTERPRETATION. An individual shall be considered to have attained a given age on his birthday for that age (and not on the day before). The birthday of any individual born on a February 29 shall be deemed to be February 28 in any year that is not a leap year. Notwithstanding any other provision of this Plan Statement or any election or designation made under the Plan, any individual who feloniously and intentionally kills a Director or Beneficiary shall be deemed for all purposes of this Plan and all elections and designations made under this Plan to have died before such Director or Beneficiary. A final judgment of conviction of felonious and intentional killing is conclusive for the purposes of this section. In the absence of a conviction of felonious and intentional killing, FBS shall determine whether the killing was felonious and intentional for the purposes of this section. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to this entire Plan Statement and not to any particular paragraph or section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This document has been executed and delivered in the State of Minnesota and has been drawn in conformity to the laws of that State and shall be construed and enforced in accordance with the laws of the State of Minnesota.

SECTION 2

ELIGIBILITY

Each Director shall be a participant in the Plan as of the first day the Director first becomes a Director. A Director shall not be required to enroll as a condition of participation in this Plan.

SECTION 3

SUPPLEMENTAL RETIREMENT BENEFITS

3.1. SUPPLEMENTAL RETIREMENT PENSION.

3.1.1. WHEN AVAILABLE. Upon the later of:

- (i) the Director's Termination of Service, or
- (ii) the Director's attainment of age sixty-five (65) years,

the Director who has completed at least sixty (60) months of Director Service shall receive a Supplemental Retirement Pension. (No benefits shall be payable under this Plan to, or with respect to, any Director who dies or has a Termination of Service before completing sixty months of Director Service.)

3.1.2. AMOUNT. The annual amount of the Director's Supplemental Retirement Pension shall be the amount of the Director's Accrued Benefit determined as of the date of the Director's Termination of Service divided by ten (10).

3.1.3. FORM OF PENSION. The form of the Supplemental Retirement Pension is an annuity payable annually on or about each May 1.

- (a) If, at the Director's Termination of Service, the Director was at least age sixty-seven (67) years or had completed one hundred forty-four (144) months of Director Service (i.e., the Director is entitled to a lifetime annuity),
 - (i) the first payment shall be due on the May 1 coincident with or next following the later of the Director's Termination of Service, or the Director's attainment of age sixty-seven (67) years, and

- (ii) the last payment to the Director shall be due on the May 1 immediately preceding the date on which the Director dies.
- (b) In all other cases,
 - (i) the first payment shall be due on the May 1 coincident with or next following the later of the Director's Termination of Service or the Director's attainment of age sixty-five (65) years, and
 - (ii) the last payment to the Director shall be due on the date on which the tenth annual payment is made or, if earlier, on the May 1 immediately preceding the date on which the Director dies.

Provided, however, if the payment of the Supplemental Retirement Pension is on account of the disability of the Director, the first payment shall be due on the May 1 coincident with or next following the Director's Termination of Service.

3.2. CHANGE IN CONTROL. For the purpose of this Section 3, all Directors shall be deemed to have had a Termination of Service on the date of a Full Change in Control if they have not previously had a Termination of Service. Notwithstanding anything to the contrary in this Plan Statement, in the event of a Full Change in Control, the remaining benefits payable hereunder (whether payable to Directors who are deemed to have had a Termination of Service, payable to Directors who have previously had a Termination of Service, without regard to whether payment of their benefits has begun, or payable with respect to Directors who have previously died) shall be commuted to their Present Value as of the date of such Full Change in Control. The commuted benefits shall be paid in a single lump sum payment within thirty (30) days following the date of such Full Change in Control.

3.3. FACILITY OF PAYMENT. In case of the legal disability of a Director entitled to receive any distribution under the Plan, payment shall be made, if the Board of Directors shall be advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such Director, or
- (b) to a person or institution entrusted with the care or maintenance of the incompetent or disabled Director, provided such person or institution has satisfied the Board of Directors that the payment will be used for the best interest and assist in the care of such Director, and provided further, that no prior

claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such Director.

Any payment made in accordance with the foregoing provisions of this section shall constitute a complete discharge of any liability or obligation of FBS and the Board of Directors.

SECTION 4

DEATH BENEFITS

4.1. DEATH BEFORE BENEFIT COMMENCEMENT.

4.1.1. WHEN AVAILABLE. If, upon the death of a Director who:

- (a) has not begun to receive any payment of any supplemental retirement benefits under this Plan;
- (b) has completed sixty (60) months of Director Service;

a death benefit shall be payable to the Director's Beneficiary. (If any benefit is payable under this Section 4.1, no benefit shall be payable under Section 4.2.)

4.1.2. AMOUNT. The amount of the death benefit payment shall be the Present Value of an annuity of ten (10) annual payments each payment of which is equal to one-tenth (1/10) of the Director's Accrued Benefit. The Accrued Benefit and the Present Value shall be determined as of the date of the Director's death. The annuity will be deemed to commence on the May 1 coincident with or next following the Director's death.

4.1.3. FORM OF BENEFIT. The death benefit payable hereunder shall be paid in a single lump sum payment as soon as administratively practicable following the Director's death.

4.2. DEATH AFTER BENEFIT COMMENCEMENT. The only death benefits which shall be payable under the Plan upon the death of a Director after payment of the Supplemental Retirement Pension has commenced to the Director shall be:

- (a) the payment of any unpaid installments of the Supplemental Retirement Pension to the Director's Beneficiary at the same times and in the same amount as would have been paid if the Director had not died; or

- (b) if the Director has so elected in writing prior to the date of his or her Termination of Service, the payment to the Beneficiary in a single lump sum of the Present Value of any unpaid installments of the Supplemental Retirement Pension to the Director's Beneficiary as soon as administratively practicable after the Director's death.

For this purpose, the number of any unpaid installments of the Supplemental Retirement Pension and the Present Value of such unpaid installments shall be determined as of the date of the Director's death. The number of unpaid installments of the Supplemental Retirement Pension shall never be greater than ten (10) minus the number of annual installments paid before the Director's death and shall never be less than zero (0).

4.3. DESIGNATION OF BENEFICIARIES.

4.3.1. RIGHT TO DESIGNATE. Each Director may designate, upon forms to be furnished by and filed with FBS, one or more primary Beneficiaries or alternative Beneficiaries to receive all or a specified part of such Director's benefit in the event of such Director's death. The Director may change or revoke any such designation from time to time without notice to or consent from any Beneficiary. No such designation, change or revocation shall be effective unless executed by the Director and received by FBS during the Director's lifetime.

4.3.2. FAILURE OF DESIGNATION. If a Director:

- (a) fails to designate a Beneficiary,
- (b) designates a Beneficiary and thereafter revokes such designation without naming another Beneficiary, or
- (c) designates one or more Beneficiaries and all such Beneficiaries so designated fail to survive the Director,

such Director's benefit, or the part thereof as to which such Director's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Beneficiaries with a member surviving the Director and (except in the case of surviving issue) in equal shares if there is more than one member in such class surviving the Director:

- Director's surviving spouse
- Director's surviving issue per stirpes and not per capita
- Director's surviving parents
- Director's surviving brothers and sisters

Representative of Director's estate.

4.3.3. DISCLAIMERS BY BENEFICIARIES. A Beneficiary entitled to a distribution of all or a portion of a deceased Director's benefit may disclaim an interest therein subject to the following requirements. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of all or any portion of the benefit at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the Director's death. Any disclaimer must be in writing and must be executed personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed benefit is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to FBS after the date of the Director's death but not later than one hundred eighty (180) days after the date of the Director's death. A disclaimer shall be irrevocable when delivered to FBS. A disclaimer shall be considered to be delivered to FBS only when actually received by FBS. FBS shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Director as to the interest disclaimed. A disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 5. No other form of attempted disclaimer shall be recognized by FBS.

4.3.4. DEFINITIONS. When used herein and, unless the Director has otherwise specified in the Director's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Director.

4.3.5. SPECIAL RULES. Unless the Director has otherwise specified in the Director's Beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Director, it shall be deemed that the Beneficiary was not living at the time of the death of the Director.
- (b) The automatic Beneficiaries specified in Section 4.3.2 and the Beneficiaries designated by the Director shall become fixed at the

time of the Director's death so that, if a Beneficiary survives the Director but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.

- (c) If the Director designates as a Beneficiary the person who is the Director's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other legal termination of the marriage between the Director and such person shall automatically revoke such designation. (The foregoing shall not prevent the Director from designating a former spouse as a Beneficiary on a form executed by the Director and received by FBS after the date of the legal termination of the marriage between the Director and such former spouse, and during the Director's lifetime.)
- (d) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Director shall be given effect without regard to whether the relationship to the Director exists either then or at the Director's death.
- (e) Any designation of a Beneficiary only by statement of relationship to the Director shall be effective only to designate the person or persons standing in such relationship to the Director at the Director's death.

FBS shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

4.3.6. NO SPOUSAL RIGHTS. No spouse or surviving spouse of a Director and no person designated to be a Beneficiary shall have any rights or interest in the benefits accumulated under this Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the designation of Beneficiaries (or the changing of designated Beneficiaries) by the Director.

SECTION 5

FUNDING OF PLAN

5.1. UNFUNDED AGREEMENT. The obligation of FBS to make payments under this Plan constitutes only the unsecured (but legally enforceable) promise of FBS to make such payments. The Director shall have no lien, prior claim or other security

interest in any property of FBS. FBS is not required to establish or maintain any fund, trust or account for the purpose of funding or paying the benefits promised under this Plan. If such a fund is established, the property therein shall remain the sole and exclusive property of FBS. FBS will pay the cost of this Plan out of its general assets.

5.2. SPENDTHRIFT PROVISION. No Director or Beneficiary shall have any transmissible interest in any benefit under this Plan nor shall any Director or Beneficiary have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of FBS, nor shall FBS recognize any assignment thereof, either in whole or in part, nor shall any benefit be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of FBS.

The power to designate Beneficiaries to receive the benefit of a Director in the event of such Director's death shall not permit or be construed to permit such power or right to be exercised by the Director so as thereby to anticipate, pledge, mortgage or encumber such Director's benefit or any part thereof, and any attempt of a Director so to exercise said power in violation of this provision shall be of no force and effect and shall be disregarded by FBS.

SECTION 6

AMENDMENT AND TERMINATION

FBS reserves the power to amend or terminate the Plan prior to a Full Change in Control. No amendment of the Plan, however, shall reduce a Director's benefits earned as of the date of such amendment unless the Director so affected consents in writing to the amendment. Benefits earned as of the date of an amendment shall be determined as if the Director had a Termination of Service on that date. After a Full Change in Control, the Plan cannot be amended or terminated (as applied to Directors who are Directors on the date of the Full Change in Control) unless:

- (a) all benefits earned by all Directors as of the date of the Full Change in Control have been paid, or
- (b) a majority of the Continuing Directors (as defined in Section 1.2.3) as of the date of the Full Change in Control give written consent to such amendment or termination.

The foregoing restrictions and limitations on the ability to amend and terminate the Plan shall not be effective, however, if, within ten (10) business days following the

date of the Full Change in Control, a majority of the members of the Organization Committee of the Board of Directors determines in its sole discretion that such restrictions and limitations shall not apply with respect to such Full Change in Control.

SECTION 7

DETERMINATIONS -- RULES AND REGULATIONS

7.1. DETERMINATIONS. FBS shall make such determinations as may be required from time to time in the administration of the Plan. FBS shall have the authority and responsibility to interpret and construe the Plan Statement and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Directors and Beneficiaries, and the amounts of their respective interests. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

7.2. RULES AND REGULATIONS. Any rule not in conflict or at variance with the provisions hereof may be adopted by FBS.

7.3. METHOD OF EXECUTING INSTRUMENTS. Information to be supplied or written notices to be made or consents to be given by FBS pursuant to any provision of this Plan Statement may be signed in the name of FBS by any officer or director thereof who has been authorized to make such certification or to give such notices or consents.

7.4. INFORMATION FURNISHED BY DIRECTORS. FBS shall not be liable or responsible for any error in the computation of the benefit of a Director resulting from any misstatement of fact made by the Director, directly or indirectly, to FBS, and used by it in determining the Director's benefit. FBS shall not be obligated or required to increase the benefit of such Director which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Director. However, the benefit of any Director which are overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of the truth.

SECTION 8

PLAN ADMINISTRATION

8.1. FBS. Except as hereinafter provided, functions generally assigned to FBS shall be discharged by the Organization Committee of the Board of Directors or delegated and allocated as provided herein.

8.2. CONFLICT OF INTEREST. If any member of the Board of Directors of FBS to whom authority has been delegated or redelegated hereunder shall have an benefit in the Plan, such Director shall have no authority as such Director with respect to any matter specially affecting such Director's individual interest hereunder (as distinguished from the interests of all Directors and Beneficiaries or a broad class of Directors and Beneficiaries), all such authority being reserved exclusively to the other Directors, to the exclusion of such Director, and such Director shall act only in such Director's individual capacity in connection with any such matter.

SECTION 9

DISCLAIMERS

Neither FBS nor any of its officers nor any member of its Board of Directors in any way secure or guarantee the payment of any benefit or amount which may become due and payable hereunder to any Director or to any Beneficiary or to any creditor of a Director or a Beneficiary. Each Director, Beneficiary or other person entitled at any time to payments hereunder shall look solely to the assets of FBS for such payments or to the benefit distributed to any Director or Beneficiary, as the case may be, for such payments. In each case where benefit shall have been distributed to a former Director or a Beneficiary or to the person or any one of a group of persons entitled jointly to the receipt thereof and which purports to cover in full the benefit hereunder, such former Director or Beneficiary, or such person or persons, as the case may be, shall have no further right or interest in the other assets of FBS. Neither FBS nor any of its officers nor any member of its Board of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Plan by reason of the insolvency of FBS. FBS and its officers and the members of its Board of Directors shall not be liable for an act or omission of another person with regard to a responsibility that has been allocated to or delegated to such other person pursuant to the terms of this Plan Statement or pursuant to procedures set forth in this Plan Statement.

COMPOSITE COPY

U.S. BANCORP
DEFERRED COMPENSATION PLAN FOR DIRECTORS
(1998 RESTATEMENT)

First Effective January 1, 1988
As Amended and Restated Effective January 1, 1998

AND

As Amended By

The FIRST AMENDMENT Adopted February 18, 1998
And Effective February 18, 1998

U.S. BANCORP
DEFERRED COMPENSATION PLAN FOR DIRECTORS
(1998 RESTATEMENT)

TABLE OF CONTENTS

| | PAGE |
|-----------------------------------|------|
| SECTION 1. INTRODUCTION | 1 |
| 1.1. Restatement of Plan | |
| 1.2. Definitions | |
| 1.2.1. Account | |
| 1.2.2. Annual Valuation Date | |
| 1.2.3. Beneficiary | |
| 1.2.4. Director | |
| 1.2.5. Event of Maturity | |
| 1.2.6. Plan | |
| 1.2.7. Plan Statement | |
| 1.2.8. Plan Year | |
| 1.2.9. Prior Plan Statement | |
| 1.2.10. USB | |
| 1.2.11. Valuation Date | |
| 1.3. Rules of Interpretation | |
| 1.4. Additional Definitions | |
| 1.4.1. Acquiring Person | |
| 1.4.2. Affiliate | |
| 1.4.3. Associate | |
| 1.4.4. Beneficial Owner | |
| 1.4.5. Board of Directors | |
| 1.4.6. Company Entity | |
| 1.4.7. Continuing Director | |
| 1.4.8. Exchange Act | |
| 1.4.9. Full Change In Control | |
| 1.4.10. Partial Change in Control | |
| 1.4.11. Permitted Director | |
| 1.4.12. Permitted Transaction | |
| 1.4.13. Person | |
| 1.4.14. Resulting Corporation | |

| | | |
|------------|--|---|
| SECTION 2. | PARTICIPATION | 5 |
| | 2.1. Participation | |
| | 2.2. Enrollment | |
| | 2.3. Revocation | |
| | 2.4. Prior Years' Enrollments | |
| SECTION 3. | ADDITIONS TO ACCOUNTS | 6 |
| SECTION 4. | ESTABLISHMENT AND ADJUSTMENT OF ACCOUNTS | 6 |
| | 4.1. Establishment of Accounts | |
| | 4.2. Adjustment of Accounts | |
| | 4.2.1. Intermediate Distributions Adjustment | |
| | 4.2.2. Investment Adjustment for Account | |
| | 4.2.3. Contribution Adjustment | |
| | 4.2.4. Final Distributions Adjustment | |
| SECTION 5. | VESTING OF ACCOUNT | 7 |
| SECTION 6. | MATURITY | 8 |
| | 6.1. Events of Maturity | |
| | 6.2. Determination of Account | |
| | 6.3. Effect of Maturity upon Further Participation in Plan | |
| SECTION 7. | DISTRIBUTION | 8 |
| | 7.1. Time of Distribution | |
| | 7.1.1. Form of Distribution | |
| | 7.1.2. Time of Distribution | |
| | 7.1.3. Substantially Equal | |
| | 7.1.4. Default | |
| | 7.1.5. Change In Control | |
| | 7.2. Designation of Beneficiaries | |
| | 7.2.1. Right To Designate | |
| | 7.2.2. Failure of Designation | |
| | 7.2.3. Disclaimers by Beneficiaries | |
| | 7.2.4. Definitions | |
| | 7.2.5. Special Rules | |
| | 7.2.6. No Spousal Rights | |
| | 7.3. Death Prior to Full Distribution | |
| | 7.4. Facility of Payment | |

| | | |
|-------------|--|----|
| SECTION 8. | FUNDING OF PLAN | 12 |
| | 8.1. Unfunded Agreement | |
| | 8.2. Spendthrift Provision | |
| SECTION 9. | AMENDMENT AND TERMINATION | 13 |
| SECTION 10. | DETERMINATIONS -- RULES AND REGULATIONS | 13 |
| | 10.1. Determinations | |
| | 10.2. Rules and Regulations | |
| | 10.3. Method of Executing Instruments | |
| | 10.4. Information Furnished by Directors | |
| SECTION 11. | PLAN ADMINISTRATION | 14 |
| | 11.1. USB | |
| | 11.2. Conflict of Interest | |
| SECTION 12. | DISCLAIMERS | 14 |

U.S. BANCORP
DEFERRED COMPENSATION PLAN FOR DIRECTORS
(1998 RESTATEMENT)

SECTION 1

INTRODUCTION

1.1. RESTATEMENT OF PLAN. Effective January 1, 1988, FIRST BANK SYSTEM, INC., a Delaware corporation (hereinafter sometimes referred to as "FBS") authorized the creation of a nonqualified, unfunded, directors' deferral plan for the purpose of allowing Directors who are not full-time salaried employees of FBS to defer the receipt of directors' fees which would otherwise be paid to the Director. FBS created and established a series of substantially identical annual directors' deferral plans, effective as of January 1, 1988. They were set forth in documents referred to collectively as the "Prior Plan Statement." On August 1, 1997, following its merger with U.S. Bancorp, an Oregon corporation, FBS changed its name to U.S. BANCORP ("USB"). USB has reserved the power to amend and terminate the Prior Plan Statement from time to time. USB now desires to exercise that reserved power of amendment by the adoption of this Plan Statement effective as of January 1, 1998.

1.2. DEFINITIONS. When the following terms are used herein with initial capital letters, they shall have the following meanings:

1.2.1. ACCOUNT -- the separate bookkeeping account representing the unfunded and unsecured general obligation of USB established with respect to each Director to which is credited the dollar amounts specified in Section 3 and Section 4 and from which are subtracted payments made pursuant to Section 5 and Section 7. To the extent necessary to accommodate different distribution elections made pursuant to Section 2, the Account shall be maintained as separate sub-accounts in sufficient number to accommodate each such distribution election.

1.2.2. ANNUAL VALUATION DATE -- each December 31.

1.2.3. BENEFICIARY -- a person designated by a Director (or automatically by operation of this Plan Statement) to receive all or a part of the Director's Account in the event of the Director's death prior to full distribution thereof. A person so designated shall not be considered a Beneficiary until the death of the Director.

1.2.4. DIRECTOR -- an individual serving on the Board of Directors of USB who is not at the same time a common law employee of USB or any of its subsidiary corporations.

1.2.5. EVENT OF MATURITY -- any of the occurrences described in Section 6 by reason of which a Director or Beneficiary may become entitled to a distribution from the Plan.

1.2.6. PLAN -- the income deferral program maintained by USB established for the benefit of Directors eligible to participate therein, as first set forth in the Prior Plan Statement and as amended and restated in this Plan Statement. (As used herein, "Plan" does not refer to the documents pursuant to which the Plan is maintained. Those documents are referred to herein as the "Prior Plan Statement" and the "Plan Statement"). The Plan shall be referred to as the "U.S. BANCORP DEFERRED COMPENSATION PLAN FOR DIRECTORS."

1.2.7. PLAN STATEMENT -- this document entitled "U.S. BANCORP DEFERRED COMPENSATION PLAN FOR DIRECTORS (1998 Restatement)" as adopted by the Board of Directors of U.S. BANCORP effective as of January 1, 1998, as the same may be amended from time to time thereafter.

1.2.8. PLAN YEAR -- the twelve (12) consecutive month period ending on any Annual Valuation Date.

1.2.9. PRIOR PLAN STATEMENT -- the series of documents pursuant to which the Plan was established effective as of January 1, 1988, and operated thereafter until January 1, 1998.

1.2.10. USB -- U.S. BANCORP (formerly known as FIRST BANK SYSTEM, INC.), a Delaware corporation, or any successor thereto.

1.2.11. VALUATION DATE -- the last day of each calendar month of the Plan Year.

1.3. RULES OF INTERPRETATION. Whenever appropriate, words used herein in the singular may be read in the plural, or words used herein in the plural may be read in the singular; the masculine may include the feminine; and the words "hereof," "herein" or "hereunder" or other similar compounds of the word "here" shall mean and refer to this entire Plan Statement and not to any particular paragraph or section of this Plan Statement unless the context clearly indicates to the contrary. The titles given to the various sections of this Plan Statement are inserted for convenience of reference only and are not part of this Plan Statement, and they shall not be considered in determining the purpose, meaning or intent of any provision hereof. Any reference in this Plan Statement to a statute or regulation shall be considered also to mean and refer to any subsequent amendment or replacement of that statute or regulation. This document has been executed and delivered in the State of MINNESOTA and has been drawn in conformity to the laws of that State

and shall be construed and enforced in accordance with the laws of the State of MINNESOTA.

1.4. ADDITIONAL DEFINITIONS. When the following terms are used herein with initial capital letters, they shall have the following meanings:

1.4.1. ACQUIRING PERSON -- any Person who or which, together with all Affiliates and Associates of such person, is the Beneficial Owner, directly or indirectly, of securities of USB representing 20% or more of the combined voting power of USB's then outstanding securities, but shall not include any Company Entity.

1.4.2. AFFILIATE -- shall have the meaning ascribed to the term "Affiliate" in Rule 12b-2 promulgated under the Exchange Act.

1.4.3. ASSOCIATE -- shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

1.4.4. BENEFICIAL OWNER -- shall have the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

1.4.5. BOARD OF DIRECTORS -- the board of directors of USB.

1.4.6. COMPANY ENTITY -- USB, any subsidiary of USB or any employee benefit plan of USB or of any subsidiary of USB or any entity holding shares of the voting capital stock of USB organized, appointed or established for, or pursuant to the terms of, any such plan.

1.4.7. CONTINUING DIRECTOR -- any person who is a member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Acquiring Person or an Affiliate or Associate 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 as of February 18, 1998 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 has been approved in advance by the Continuing Directors; provided that any director designated by or on behalf of a Person who has entered into an agreement with USB (or who is contemplating entering into such an agreement) to effect a consolidation or merger of USB or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, and any director that serves in connection with the act of the Board of Directors of increasing the number of directors and filling vacancies in connection with, or in contemplation of, any such transaction, shall not be deemed to have received such advance approval for initial nomination or election, and any such director shall not be deemed to be a Continuing Director, in each case solely for

the purpose of determining whether the addition of members of the Board of Directors in connection with, or in contemplation of, such transaction results in a Full Change in Control under clause (b) of the definition of Full Change in Control.

1.4.8. EXCHANGE ACT -- the Securities Exchange Act of 1934, as amended.

1.4.9. FULL CHANGE IN CONTROL -- shall mean:

- (a) 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 USB or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of USB (x) representing 20% or more, but not more than 50%, of the combined voting power of USB's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors or (y) representing more than 50% of the combined voting power of USB's then outstanding securities (regardless of any approval by the Continuing Directors); or
- (b) the Continuing Directors cease to constitute a majority of the Board of Directors of USB or the Resulting Corporation, except in accordance with the terms of a Permitted Transaction and except as a result of the death, retirement or disability of one or more Continuing Directors; or
- (c) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the consolidated assets of USB and its subsidiaries or the adoption of any plan of liquidation or dissolution of USB.

1.4.10. PARTIAL CHANGE IN CONTROL -- shall mean:

- (a) a consolidation or merger of USB or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, as a result of which less than 60% of the outstanding voting securities of the Resulting Corporation are, or are to be, owned by former shareholders of USB as determined immediately prior to consummation of such transaction (excluding voting securities of the Resulting Corporation owned, or to be owned, by such shareholders by reason of their ownership prior to such transaction of securities

of any entity other than USB) and as a result of which the Continuing Directors constitute (i) more than 50% of the Board of Directors of the Resulting Corporation or (ii) exactly 50% of the Board of Directors of the Resulting Corporation if the transaction resulting in such event is a Permitted Transaction; 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 USB or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of USB representing 20% or more, but not more than 50%, of the combined voting power of USB's then outstanding securities if the transaction resulting in such ownership has been approved in advance by the Continuing Directors.

1.4.11. PERMITTED DIRECTOR -- a director who was a Continuing Director immediately prior to consummation of a Permitted Transaction and any director who fills a vacancy created by the termination of service as a director or expiration of the term as a director of any Permitted Director if such person was selected solely by the then current Permitted Directors.

1.4.12. PERMITTED TRANSACTION -- a transaction in which, pursuant to a written agreement between USB and all Persons who have entered into an agreement with USB to effect a transaction described in paragraph (a) of the definition of Partial Change in Control, it is agreed that (w) the Chief Executive Officer of USB immediately prior to the consummation of such transaction shall be the Chief Executive Officer of the Resulting Corporation for not less than three years following consummation of such transaction, (x) upon termination of service of any Permitted Director for any reason, including upon death, disability or retirement, prior to the expiration of such director's term during such three-year period, the vacancy thereby created shall be filled by a nominee selected solely by the Permitted Directors, (y) upon expiration of the term of any Permitted Director during such three-year period, the nominee to succeed such director shall be selected solely by the Permitted Directors and (z) the parties will take other appropriate steps to ensure that the Board of Directors of the Resulting Corporation will be evenly divided between Permitted Directors and all directors designated by other parties to the transaction during such three-year period. Notwithstanding the foregoing, such agreement may provide that directors added to the Board of Directors (x) pursuant to an expansion of the number of members of the Board of Directors approved by 75% of the then current members of the Board of Directors or (y) pursuant to the terms of any subsequent agreement relating to an acquisition by or of USB, shall not be subject to the foregoing limitations. The determination of whether a transaction constitutes a Permitted Transaction shall be made at the time of consummation of

such transaction, and no subsequent events shall cause such transaction to no longer constitute a Permitted Transaction.

1.4.13. PERSON -- shall have the meaning ascribed to such term as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

1.4.14. RESULTING CORPORATION -- the surviving corporation in any consolidation, merger or other reorganization to which USB is a party; provided, however, that if the surviving corporation in any such transaction is a subsidiary of another corporation, then the Resulting Corporation is the ultimate parent corporation of such surviving corporation; and provided, further, that in the event of a consolidation, merger or other reorganization to which a Company Entity (other than USB) is a party, then USB shall be deemed the Resulting Corporation.

SECTION 2

PARTICIPATION

2.1. PARTICIPATION. Each Director of USB shall be a participant in the Plan as of the first day the Director first becomes a Director.

2.2. ENROLLMENT. Prior to the first day of participation, the Director may enroll in the Plan for the remainder of that Plan Year. Prior to the first day of any subsequent Plan Year, a Director may make a new enrollment for that Plan Year. Once made, the enrollment shall be irrevocable for the remainder of the Plan Year with respect to which it is made. Each such enrollment, whether for the initial Plan Year or for a subsequent Plan Year, shall designate in writing:

- (a) the amount or portion of the Director's annual retainer and meeting fees which shall not be paid to the Director but instead shall be accumulated in this Plan under Section 3 and Section 4 and distributed from this Plan under Section 6 and Section 7; and
- (b) the time and form in which the Account or portion of Account attributable to such Plan Year's accumulation shall be paid to the Director in accordance with Section 7.

2.3. REVOCATION. A Director's written enrollment for the 1998 Plan Year or any later Plan Year shall continue in effect after the Plan Year with respect to which it is made until an Event of Maturity occurs as to the Director or until the last day of the

Plan Year in which the Director files a written revocation of the Director's enrollment, whichever occurs first.

2.4. PRIOR YEARS' ENROLLMENTS. Notwithstanding the forgoing, elections made by Directors about the payment of benefits under the Prior Plan Statement attributable to accumulations for Plan Years ending before January 1, 1998, shall not be modified by the adoption of this Plan Statement.

SECTION 3

ADDITIONS TO ACCOUNTS

USB shall credit monthly to the Account of each Director such amount as the Director in his or her sole discretion shall have determined in accordance with Section 2.2. The amount shall be separately determined by each Director and need not be equal or bear a uniform relationship to the deferrals of other Directors. The amount so allocated to a Director shall be credited to such Director's Account as of the Valuation Date in the month for which it is made.

SECTION 4

ESTABLISHMENT AND ADJUSTMENT OF ACCOUNTS

4.1. ESTABLISHMENT OF ACCOUNTS. There shall be established for each Director an unfunded bookkeeping Account which shall be adjusted each Valuation Date

4.2. ADJUSTMENT OF ACCOUNTS. As of each Valuation Date (the "current Valuation Date"), the value of each Account determined as of the immediately preceding Valuation Date (the "initial Account value") shall be increased (or decreased) by the following adjustments made in the following sequence:

4.2.1. INTERMEDIATE DISTRIBUTIONS ADJUSTMENT. The initial Account value shall be reduced by the total amount distributed in fact to (or with respect to) the Director from such Account as of a date subsequent to the immediately preceding Valuation Date but prior to the current Valuation Date.

4.2.2. INVESTMENT ADJUSTMENT FOR ACCOUNT. The initial Account value of each Director's Account (as adjusted above) shall be increased by interest. The rate shall be determined from time to time by USB. The rate may be changed by USB without amendment of the Plan Statement and without notice to or the consent of any Director, former Director or any Beneficiary. Beginning January 1, 1998, the rate for each month in a Plan Year shall be equal to the monthly equivalent of one

hundred percent (100%) of the 120 month rolling average of the 10-year Treasury Note, determined as of September 30 of the immediately preceding Plan Year. This percentage shall be uniform for all Directors for the same Valuation Date but may change from Valuation Date to Valuation Date.

4.2.3. CONTRIBUTION ADJUSTMENT. The initial Account value (as adjusted above) shall be increased by the total amount, if any, credited to such Account under Section 3 as of the current Valuation Date.

4.2.4. FINAL DISTRIBUTIONS ADJUSTMENT. The initial Account value (as adjusted above) shall be reduced by the total amount distributed in fact to (or with respect to) the Director from such Account as of the current Valuation Date.

SECTION 5

VESTING OF ACCOUNT

The Account of each Director shall be fully (100%) vested at all times.

SECTION 6

MATURITY

6.1. EVENTS OF MATURITY. A Director's Account shall mature and shall become distributable in accordance with Section 7 upon the earliest occurrence of any of the following events while in the employment of USB or an Affiliate:

- (a) his or her death, or
- (b) his or her removal or resignation from the Board of Directors of USB, whether voluntary or involuntary, or
- (c) his or her Disability, or
- (d) termination of the Plan.

6.2. DETERMINATION OF ACCOUNT. Upon the occurrence of an Event of Maturity effective as to a Director, the value of such Director's Account as of the Valuation Date coincident with or next following the Event of Maturity shall be determined.

6.3. EFFECT OF MATURITY UPON FURTHER PARTICIPATION IN PLAN. On the occurrence of an Event of Maturity, a Director shall cease to have any interest in the Plan other than the right to receive payment of his or her Account as provided in Section 7 hereof, adjusted from time to time as provided in Section 4.

SECTION 7

DISTRIBUTION

7.1. TIME OF DISTRIBUTION. Upon the occurrence of an Event of Maturity effective as to a Director, USB shall commence payment of such Director's Account in the manner designated by the Director in his or her enrollment.

7.1.1. FORM OF DISTRIBUTION. Distribution shall be made in whichever of the following forms as the Director shall have designated in writing:

- (a) In a series of substantially equal annual installments payable over ten (10) years.
- (b) In a single, lump sum payment.

7.1.2. TIME OF DISTRIBUTION. Distribution shall be made (in the case of a single lump sum) or commenced (in the case of installments) as of the first business day of January after the Director's Event of Maturity.

7.1.3. SUBSTANTIALLY EQUAL. Distributions shall be considered to be substantially equal if the amount of the distribution required to be made for each calendar year (the "distribution year") is determined by dividing the amount of the Account as of the last Valuation Date in the calendar year immediately preceding the distribution year (such preceding calendar year being the "valuation year") by the number of remaining installment payments to be made (including the distribution being determined). The amount of the Account as of such Valuation Date shall be decreased by the amount of any distributions made in the valuation year and after such Valuation Date.

7.1.4. DEFAULT. If for any reason a Director shall have failed to make a written designation of form and time for distribution (including reasons entirely beyond the control of the Director), the distribution shall be made in a single lump sum during the January following the date the Director shall have had an Event of Maturity. No spouse, former spouse, Beneficiary or other person shall have any right to participate in the Director's selection of a form of benefit.

7.1.5. CHANGE IN CONTROL. Notwithstanding the foregoing provisions of this Section or any designation made by a Director, in the event of a Full Change in Control the Plan shall be automatically terminated and every Account shall be paid in a single lump sum distribution within thirty (30) days after the Full Change in Control.

7.2. DESIGNATION OF BENEFICIARIES.

7.2.1. RIGHT TO DESIGNATE. Each Director may designate, upon forms to be furnished by and filed with USB, one or more primary Beneficiaries or alternative Beneficiaries to receive all or a specified part of such Director's Account in the event of such Director's death. The Director may change or revoke any such designation from time to time without notice to or consent from any Beneficiary. No such designation, change or revocation shall be effective unless executed by the Director and received by USB during the Director's lifetime.

7.2.2. FAILURE OF DESIGNATION. If a Director:

- (a) fails to designate a Beneficiary,
- (b) designates a Beneficiary and thereafter revokes such designation without naming another Beneficiary, or
- (c) designates one or more Beneficiaries and all such Beneficiaries so designated fail to survive the Director,

such Director's Account, or the part thereof as to which such Director's designation fails, as the case may be, shall be payable to the first class of the following classes of automatic Beneficiaries with a member surviving the Director and (except in the case of surviving issue) in equal shares if there is more than one member in such class surviving the Director:

Director's surviving spouse
Director's surviving issue per stirpes and not per capita
Director's surviving parents
Director's surviving brothers and sisters
Representative of Director's estate.

7.2.3. DISCLAIMERS BY BENEFICIARIES. A Beneficiary entitled to a distribution of all or a portion of a deceased Director's Account may disclaim an interest therein subject to the following requirements. To be eligible to disclaim, a Beneficiary must be a natural person, must not have received a distribution of all or any portion of the Account at the time such disclaimer is executed and delivered, and must have attained at least age twenty-one (21) years as of the date of the

Director's death. Any disclaimer must be in writing and must be executed personally by the Beneficiary before a notary public. A disclaimer shall state that the Beneficiary's entire interest in the undistributed Account is disclaimed or shall specify what portion thereof is disclaimed. To be effective, duplicate original executed copies of the disclaimer must be both executed and actually delivered to USB after the date of the Director's death but not later than one hundred eighty (180) days after the date of the Director's death. A disclaimer shall be irrevocable when delivered to USB. A disclaimer shall be considered to be delivered to USB only when actually received by USB. USB shall be the sole judge of the content, interpretation and validity of a purported disclaimer. Upon the filing of a valid disclaimer, the Beneficiary shall be considered not to have survived the Director as to the interest disclaimed. A disclaimer by a Beneficiary shall not be considered to be a transfer of an interest in violation of the provisions of Section 8. No other form of attempted disclaimer shall be recognized by USB.

7.2.4. DEFINITIONS. When used herein and, unless the Director has otherwise specified in the Director's Beneficiary designation, when used in a Beneficiary designation, "issue" means all persons who are lineal descendants of the person whose issue are referred to, including legally adopted descendants and their descendants but not including illegitimate descendants and their descendants; "child" means an issue of the first generation; "per stirpes" means in equal shares among living children of the person whose issue are referred to and the issue (taken collectively) of each deceased child of such person, with such issue taking by right of representation of such deceased child; and "survive" and "surviving" mean living after the death of the Director.

7.2.5. SPECIAL RULES. Unless the Director has otherwise specified in the Director's Beneficiary designation, the following rules shall apply:

- (a) If there is not sufficient evidence that a Beneficiary was living at the time of the death of the Director, it shall be deemed that the Beneficiary was not living at the time of the death of the Director.
- (b) The automatic Beneficiaries specified in Section 7.2.2 and the Beneficiaries designated by the Director shall become fixed at the time of the Director's death so that, if a Beneficiary survives the Director but dies before the receipt of all payments due such Beneficiary hereunder, such remaining payments shall be payable to the representative of such Beneficiary's estate.
- (c) If the Director designates as a Beneficiary the person who is the Director's spouse on the date of the designation, either by name or by relationship, or both, the dissolution, annulment or other

legal termination of the marriage between the Director and such person shall automatically revoke such designation. (The foregoing shall not prevent the Director from designating a former spouse as a Beneficiary on a form executed by the Director and received by USB after the date of the legal termination of the marriage between the Director and such former spouse, and during the Director's lifetime.)

- (d) Any designation of a nonspouse Beneficiary by name that is accompanied by a description of relationship to the Director shall be given effect without regard to whether the relationship to the Director exists either then or at the Director's death.
- (e) Any designation of a Beneficiary only by statement of relationship to the Director shall be effective only to designate the person or persons standing in such relationship to the Director at the Director's death.

USB shall be the sole judge of the content, interpretation and validity of a purported Beneficiary designation.

7.2.6. NO SPOUSAL RIGHTS. No spouse or surviving spouse of a Director and no person designated to be a Beneficiary shall have any rights or interest in the benefits accumulated under this Plan including, but not limited to, the right to be the sole Beneficiary or to consent to the designation of Beneficiaries (or the changing of designated Beneficiaries) by the Director.

7.3. DEATH PRIOR TO FULL DISTRIBUTION. If a Director dies after an Event of Maturity but before distribution of such Director's Account has been completed, the remaining undistributed Account shall be distributed in the same manner as hereinbefore provided in Section 7.1. If, at the death of the Director, any payment to the Director was due or otherwise pending but not actually paid, the amount of such payment shall be included in the Account which are payable to the Beneficiary (and shall not be paid to the Director's estate).

7.4. FACILITY OF PAYMENT. In case of the legal disability of a Director or Beneficiary entitled to receive any distribution under the Plan, payment shall be made, if USB shall be advised of the existence of such condition:

- (a) to the duly appointed guardian, conservator or other legal representative of such Director or Beneficiary, or
- (b) to a person or institution entrusted with the care or maintenance of the incompetent or disabled Director or Beneficiary, provided such person or institution has satisfied

USB that the payment will be used for the best interest and assist in the care of such Director or Beneficiary, and provided further, that no prior claim for said payment has been made by a duly appointed guardian, conservator or other legal representative of such Director or Beneficiary.

Any payment made in accordance with the foregoing provisions of this section shall constitute a complete discharge of any liability or obligation of USB therefor.

SECTION 8

FUNDING OF PLAN

8.1. UNFUNDED AGREEMENT. The obligations of USB to make payments under this Plan constitute only the unsecured (but legally enforceable) promise of USB to make such payments. The Director shall have no lien, prior claim or other security interest in any property of USB. USB is not required to establish or maintain any fund, trust or account (other than a bookkeeping account or reserve) for the purpose of funding or paying the benefits promised under this Plan. If such a fund is established, the property therein shall remain the sole and exclusive property of USB. USB will pay the cost of this Plan out of its general assets. All references to accounts, accruals, gains, losses, income, expenses, payments, custodial funds and the like are included merely for the purpose of measuring USB's obligation to Directors in this Plan and shall not be construed to impose on USB the obligation to create any separate fund for purposes of this Plan.

8.2. SPENDTHRIFT PROVISION. No Director or Beneficiary shall have any transmissible interest in any Account nor shall any Director or Beneficiary have any power to anticipate, alienate, dispose of, pledge or encumber the same while in the possession or control of USB, nor shall USB recognize any assignment thereof, either in whole or in part, nor shall any Account be subject to attachment, garnishment, execution following judgment or other legal process while in the possession or control of USB.

The power to designate Beneficiaries to receive the Account of a Director in the event of such Director's death shall not permit or be construed to permit such power or right to be exercised by the Director so as thereby to anticipate, pledge, mortgage or encumber such Director's Account or any part thereof, and any attempt of a Director so to exercise said power in violation of this provision shall be of no force and effect and shall be disregarded by USB.

This section shall not prevent USB from exercising, in its discretion, any of the applicable powers and options granted to it upon the occurrence of an Event of Maturity, as such powers may be conferred upon it by any applicable provision hereof.

SECTION 9

AMENDMENT AND TERMINATION

USB reserves the power to amend or terminate the Plan prior to a Full Change in Control. No amendment or termination of the Plan, however, shall reduce a Director's Account earned as of the date of such amendment unless the Director so affected consents thereto in writing. A Director's Account earned as of the date of an amendment or termination shall be determined as if the Director had an Event of Maturity on that date. After a Full Change in Control, the Plan cannot be amended or terminated (as applied to Directors who are Directors on the date of the Full Change in Control) unless:

- (a) all Accounts of all Directors as of the date of the Full Change in Control have been paid, or
- (b) eighty percent (80%) of all the Directors as of the date of the Full Change in Control give written consent to such amendment or termination.

SECTION 10

DETERMINATIONS -- RULES AND REGULATIONS

10.1. DETERMINATIONS. USB shall make such determinations as may be required from time to time in the administration of the Plan. USB, in its sole discretion, shall have the authority and responsibility to interpret and construe the Plan Statement and to determine all factual and legal questions under the Plan, including but not limited to the entitlement of Directors and Beneficiaries, and the amounts of their respective interests. Each interested party may act and rely upon all information reported to them hereunder and need not inquire into the accuracy thereof, nor be charged with any notice to the contrary.

10.2. RULES AND REGULATIONS. Any rule not in conflict or at variance with the provisions hereof may be adopted by USB.

10.3. METHOD OF EXECUTING INSTRUMENTS. Information to be supplied or written notices to be made or consents to be given by USB pursuant to any provision of this Plan Statement may be signed in the name of USB by any officer or director thereof who has been authorized to make such certification or to give such notices or consents.

10.4. INFORMATION FURNISHED BY DIRECTORS. USB shall not be liable or responsible for any error in the computation of the Account of a Director resulting from any misstatement of fact made by the Director, directly or indirectly, to USB, and used by it in determining the Director's Account. USB shall not be obligated or required to increase the Account of such Director which, on discovery of the misstatement, is found to be understated as a result of such misstatement of the Director. However, the Account of any Director which are overstated by reason of any such misstatement shall be reduced to the amount appropriate in view of the truth.

SECTION 11

PLAN ADMINISTRATION

11.1. USB. Except as hereinafter provided, functions generally assigned to USB shall be discharged by the Compensation and Human Resources Committee of the Board of Directors or delegated and allocated as provided herein.

11.2. CONFLICT OF INTEREST. If any member of the Board of Directors of USB to whom authority has been delegated or redelegated hereunder shall have an Account in the Plan, such Director shall have no authority as such Director with respect to any matter specially affecting such Director's individual interest hereunder (as distinguished from the interests of all Directors and Beneficiaries or a broad class of Directors and Beneficiaries), all such authority being reserved exclusively to the other Directors, to the exclusion of such Director, and such Director shall act only in such Director's individual capacity in connection with any such matter.

SECTION 12

DISCLAIMERS

Neither the terms of this Plan Statement nor the benefits hereunder nor the continuance thereof shall be an obligation of any Director. USB shall not be obliged to continue the Plan. The terms of this Plan Statement shall not give any Director the right to be retained on the Board of Directors of USB. Neither USB nor any of its

officers nor any member of its Board of Directors in any way secure or guarantee the payment of any benefit or amount which may become due and payable hereunder to any Director or to any Beneficiary or to any creditor of a Director or a Beneficiary. Each Director, Beneficiary or other person entitled at any time to payments hereunder shall look solely to the assets of USB for such payments or to the Account distributed to any Director or Beneficiary, as the case may be, for such payments. In each case where an Account shall have been distributed to a former Director or a Beneficiary or to the person or any one of a group of persons entitled jointly to the receipt thereof and which purports to cover in full the benefit hereunder, such former Director or Beneficiary, or such person or persons, as the case may be, shall have no further right or interest in the other assets of USB. Neither USB nor any of its officers nor any member of its Board of Directors shall be under any liability or responsibility for failure to effect any of the objectives or purposes of the Plan by reason of the insolvency of USB. USB and its officers and the members of its Board of Directors shall not be liable for an act or omission of another person with regard to a responsibility that has been allocated to or delegated to such other person pursuant to the terms of this Plan Statement or pursuant to procedures set forth in this Plan Statement.

[DATE]

[NAME]
[ADDRESS]

Dear [NAME]:

U.S. Bancorp recognizes that your contribution to the growth and success of the Company (as defined herein) has been substantial and desires to assure the Company of your continued employment. In this connection, the Board of Directors (as defined herein) recognizes that, as is the case with many publicly held companies, the possibility of a change in control may exist and that such possibility, and the uncertainty and questions which it may raise among management, may result in the departure or distraction of management personnel to the detriment of the Company and its shareholders.

The Board of Directors has determined that appropriate steps should be taken to reinforce and encourage the continued attention and dedication of members of the Company's management, including yourself, to their assigned duties without distraction in the face of potentially disturbing circumstances arising from the possibility of a change in control of the Company.

In order to induce you to remain in the employ of the Company, the Company previously entered into a letter agreement with you dated [DATE] (the "Prior Agreement") providing for certain severance benefits in the event your employment with the Company is terminated subsequent to a "Change in Control" (as defined in the Prior Agreement; "Change in Control" as used elsewhere in this Agreement shall have the meaning set forth in this Agreement). Subject to your agreement to the terms of this letter agreement (this "Agreement") as evidenced by

your signature in the space provided below, you and the Company agree that the Prior Agreement is hereby terminated and of no further force and effect (except to the extent that the Prior Agreement was effective prior to August 1, 1997, in which case it shall remain effective only with respect to terminations occurring within 24 months following the Partial Change in Control that occurred on August 1, 1997), and the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated under the circumstances described below:

1. Term of Agreement. This Agreement will commence on the date hereof and shall continue in effect until the third anniversary of the date hereof; and, commencing on the first anniversary of the date hereof and on each anniversary thereafter, the term of this Agreement shall automatically be extended for one additional year unless, not later than 90 days prior to any such date of automatic extension of this Agreement, the Company shall have given notice that the Agreement will not be so extended; provided, however, if a Change in Control shall have occurred during the original or any extended term of this Agreement, this Agreement shall in all events continue in effect for a period of at least 24 months following a Change in Control; provided, further, that if you become entitled to payments in accordance with Sections 4 and 5 of this Agreement (or assert a claim for such payments) during the term of this Agreement as heretofore described, this Agreement will thereafter survive indefinitely to ensure that you receive all payments and benefits to which you are entitled pursuant to the terms hereof.
2. Definitions. When the following terms are used in this Agreement with initial capital letters, they shall have the following meanings.

2.1. "Acquiring Person" shall mean any Person 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 the Company representing 20% or more of the combined voting power of the Company's then outstanding securities, but shall not include any Company Entity.

2.2. "Affiliate" shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

2.3. "Announcement Date" shall mean the date of the public announcement of the transaction, event or course of action that results in a Change in Control.

2.4. "Anticipatory Termination" shall mean a Termination of Employment as a result of an act or event that occurs prior to a Change in Control and after the Announcement Date and either (i) at the request of any other party to a transaction, or any Person associated with the event or course of events (other than the Company or a Company Entity), that results in a Change in Control, or (ii) otherwise in contemplation of a Change in Control.

2.5. "Associate" shall have the meaning ascribed to such term in Rule 12b-2 promulgated under the Exchange Act.

2.6. "Beneficial Owner" shall have the meaning ascribed to such term in Rule 13d-3 promulgated under the Exchange Act.

2.7. "Board of Directors" shall mean the board of directors of the Company.

2.8. "Cause" shall mean (i) the continued (and in the case of a Full Change in Control, willful) failure by you to substantially perform your duties with the Company (other than any such failure resulting from your disability or from termination by you for Good Reason), after a written demand for substantial performance is delivered to you that specifically identifies the manner in which the Company believes that you have not substantially performed your duties, and you have failed to resume substantial performance of your duties on a continuous basis, (ii) in the case of a Full Change in Control, the willful engaging by you in conduct which is demonstrably and materially injurious to the Company, monetarily or otherwise; and in the case of a Partial Change in Control, gross and willful misconduct during the course of employment (regardless of whether the misconduct occurs on the Company's premises), including, but not limited to, theft, assault, battery, malicious destruction of property, arson, sabotage, embezzlement, harassment, acts or omissions which violate the Company's rules or policies (such as breaches of confidentiality), or other conduct which demonstrates a willful or reckless disregard of the interests of the Company or its Affiliates, or (iii) your conviction of a felony which impairs your ability substantially to perform your duties with the Company.

2.9. "Change in Control" shall mean a Full Change in Control or a Partial Change in Control.

2.10. "Code" shall mean the Internal Revenue Code of 1986, as amended.

2.11. "Company" shall mean U.S. Bancorp, a Delaware corporation, or any successor thereto pursuant to Section 8 hereof (including a Resulting Corporation) or by operation of law.

2.12. "Company Entity" shall mean the Company, any subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company or any entity holding shares of the voting capital stock of the Company organized, appointed or established for, or pursuant to the terms of, any such plan.

2.13. "Continuing Director" shall mean any person who is a member of the Board of Directors, while such person is a member of the Board of Directors, who is not an Acquiring Person or an Affiliate or Associate 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 as of the date of this Agreement 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 has been approved in advance by the Continuing Directors; provided that any director designated by or on behalf of a Person who has entered into an agreement with the Company (or who is contemplating entering into such an agreement) to effect a consolidation or merger of the Company or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, and any director that serves in connection with the act of the Board of Directors of increasing the number of directors and filling vacancies in connection with, or in contemplation of, any such transaction, shall not be deemed to have received such advance approval for initial nomination or election, and any such director shall not be deemed to be a Continuing Director, in each case solely for the purpose of determining whether the addition of members of the Board of Directors in connection with, or in contemplation of, such transaction results in a Full Change in Control under clause (B) of Section 2.16 of this Agreement.

2.14. "Date of Termination" shall mean the date specified in the Notice of Termination (except in the case of your death, in which case Date of Termination shall be the date of death); provided, however, that if your employment is terminated by the Company, in the case of a Full Change in Control the date specified in the Notice of Termination shall be at least 30 days from the date the Notice of Termination is given to you, except in the case of termination for Cause which may be a shorter period, and if your employment is terminated by you for Good Reason, the date specified in the Notice of Termination shall not be more than 30 days from the date the Notice of Termination is given to the Company. Notwithstanding the foregoing, in the event of an Anticipatory Termination, the Date of Termination shall be deemed to be the date of the Change in Control. If Notice of Termination is given by you for Good Reason (Partial), and prior to the Date of Termination the Company terminates your employment for Cause, the Date of Termination shall be the date specified in the Notice of Termination provided by the Company in connection with the termination for Cause. If Notice of Termination is given by you for Good Reason (Full), the Company shall not be entitled to terminate your employment for Cause following such Notice of Termination.

2.15. "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

2.16. "Full Change In Control" shall mean any of the following occurring after the date of this Agreement:

(A) 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 the Company or any Person that a

Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of the Company (x) representing 20% or more, but not more than 50%, of the combined voting power of the Company's then outstanding securities unless the transaction resulting in such ownership has been approved in advance by the Continuing Directors or (y) representing more than 50% of the combined voting power of the Company's then outstanding securities (regardless of any approval by the Continuing Directors); or

(B) the Continuing Directors cease to constitute a majority of the Board of Directors of the Company or the Resulting Corporation, except in accordance with the terms of a Permitted Transaction and except as a result of the death, retirement or disability of one or more Continuing Directors; or

(C) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the consolidated assets of the Company and its subsidiaries or the adoption of any plan of liquidation or dissolution of the Company.

2.17. "Good Reason" shall mean either Good Reason (Full) or Good Reason (Partial).

2.18. "Good Reason (Full)" shall mean the occurrence of any one or more of the following events, without your express written consent, within 24 months following a Full Change in Control (or prior to a Full Change in Control in the event of an Anticipatory Termination):

(A) the assignment to you of any duties inconsistent in any respect with your position (including status, offices, titles, and reporting

requirements), authorities, duties, or other responsibilities as in effect immediately prior to the Announcement Date or any other action of the Company which results in a diminishment in such position, authority, duties, or responsibilities, other than an insubstantial and inadvertent action which is remedied by the Company promptly after receipt of notice thereof given by you;

(B) a reduction by the Company in your base salary as in effect immediately prior to the Announcement Date (or as in effect following the Announcement Date, if greater);

(C) the failure by the Company to provide you total cash compensation (consisting of base salary plus cash bonus) with respect to any fiscal year or portion thereof at least equal to the greatest of (i) actual total cash compensation paid to you with respect to the prior fiscal year, (ii) the average annual total cash compensation paid to you with respect to the prior two fiscal years or (iii) if you were not an employee for the entire prior fiscal year, your base salary plus target bonus as in effect immediately prior to the Announcement Date (or as in effect following the Announcement Date, if greater); (total cash compensation "with respect to any fiscal year or portion thereof" shall be determined at the time the bonus with respect to such fiscal year or portion thereof is determined, even if such bonus is determined after the 24-month period following a Full Change in Control, and the bonus portion of cash compensation for services rendered in any portion of a fiscal year within 24 months following a Full Change in Control shall be determined by reference to the pro-rata portion of any annual bonus for such fiscal year);

(D) the Company's requiring you to be based at a location that is both outside the same metropolitan area of, and in excess of 30 miles from, the location of your principal office immediately prior to the Announcement Date;

(E) the failure by the Company to provide employee benefit plans, programs, policies and practices (including, without limitation, retirement plans and medical, dental, life and disability insurance coverage) to you and your family and dependents (if applicable) that provide substantially similar benefits, in terms of aggregate monetary value, to you and your family and dependents (if applicable) at substantially similar costs to you as the benefits provided by those plans, programs, policies and practices in effect immediately prior to the Announcement Date (or as in effect following the Announcement Date, if greater);

(F) the failure of the Company to obtain a satisfactory agreement from the Resulting Corporation or any other successor to the Company to assume and agree to perform this Agreement, as contemplated in Section 8 hereof; and

(G) any purported termination by the Company of your employment that is not effected pursuant to a Notice of Termination.

2.19. "Good Reason (Partial)" shall mean the occurrence of any one or more of the following events, without your express written consent, within 24 months following a Partial Change in Control (or prior to a Partial Change in Control in the event of an Anticipatory Termination):

(A) a reduction by the Company in your base salary as in effect immediately prior to the Announcement Date;

(B) a reduction by the Company in your annual target bonus or maximum bonus award opportunities as in effect immediately prior to the Announcement Date;

(C) the Company's requiring you to be based at a location that is both outside the same metropolitan area of, and in excess of 30 miles from, the location of your principal office immediately prior to the Announcement Date; and

(D) any purported termination by the Company of your employment that is not effected pursuant to a Notice of Termination.

Any event which may otherwise constitute Good Reason (Partial) shall cease to constitute Good Reason (Partial) if you do not have a Termination of Employment within 90 days following such event.

2.20. "Notice of Termination" shall mean a written notice which sets forth the Date of Termination and, in reasonable detail, the facts and circumstances claimed to provide a basis, if any, for termination of your employment.

2.21. "Partial Change in Control" shall mean any of the following occurring after the date of this Agreement:

(A) a consolidation or merger of the Company or a Company Entity, or other reorganization, with or into one or more entities which are not Company Entities, as a result of which less than 60% of the outstanding

voting securities of the Resulting Corporation are, or are to be, owned by former shareholders of the Company as determined immediately prior to consummation of such transaction (excluding voting securities of the Resulting Corporation owned, or to be owned, by such shareholders by reason of their ownership prior to such transaction of securities of any entity other than the Company) and as a result of which the Continuing Directors constitute (i) more than 50% of the Board of Directors of the Resulting Corporation or (ii) exactly 50% of the Board of Directors of the Resulting Corporation if the transaction resulting in such event is a Permitted Transaction; 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 the Company or any Person that a Person (other than a Company Entity) has become the Beneficial Owner, directly or indirectly, of securities of the Company representing 20% or more, but not more than 50%, of the combined voting power of the Company's then outstanding securities if the transaction resulting in such ownership has been approved in advance by the Continuing Directors.

2.22 "Permitted Director" shall mean a director who was a Continuing Director immediately prior to consummation of a Permitted Transaction and any director who fills a vacancy created by the termination of service as a director or expiration of the term as a director of any Permitted Director if such person was selected solely by the then current Permitted Directors.

2.23. "Permitted Transaction" shall mean a transaction in which, pursuant to a written agreement between the Company and all Persons who have entered into an agreement with the Company to effect a transaction described

in paragraph (A) of the definition of Partial Change in Control, it is agreed that (w) the Chief Executive Officer of the Company immediately prior to the consummation of such transaction shall be the Chief Executive Officer of the Resulting Corporation for not less than three years following consummation of such transaction, (x) upon termination of service of any Permitted Director for any reason, including upon death, disability or retirement, prior to the expiration of such director's term during such three-year period, the vacancy thereby created shall be filled by a nominee selected solely by the Permitted Directors, (y) upon expiration of the term of any Permitted Director during such three-year period, the nominee to succeed such director shall be selected solely by the Permitted Directors and (z) the parties will take other appropriate steps to ensure that the Board of Directors of the Resulting Corporation will be evenly divided between Permitted Directors and all directors designated by other parties to the transaction during such three-year period. Notwithstanding the foregoing, such agreement may provide that directors added to the Board of Director (x) pursuant to an expansion of the number of members of the Board of Directors approved by 75% of the then current members of the Board of Directors or (y) pursuant to the terms of any subsequent agreement relating to an acquisition by or of the Company, shall not be subject to the foregoing limitations. The determination of whether a transaction constitutes a Permitted Transaction shall be made at the time of consummation of such transaction, and no subsequent events shall cause such transaction to no longer constitute a Permitted Transaction.

2.24. "Person" shall have the meaning ascribed to such term as such term is used in Sections 13(d) and 14(d) of the Exchange Act.

2.25. "Resulting Corporation" shall mean the surviving corporation in any consolidation, merger or other reorganization to which the Company is a

party; provided, however, that if the surviving corporation in any such transaction is a subsidiary of another corporation, then the Resulting Corporation is the ultimate parent corporation of such surviving corporation; and provided, further, that in the event of a consolidation, merger or other reorganization to which a Company Entity (other than the Company) is a party, then the Company shall be deemed the Resulting Corporation.

2.26. "Termination of Employment" shall mean termination of your employment (a) by the Company for any reason other than Cause or (b) by you for Good Reason; but shall not include termination by reason of your death. If Notice of Termination is given by you for Good Reason (Partial), and prior to the Date of Termination the Company terminates your employment for Cause, the termination shall be considered a termination by the Company for Cause and shall not be considered a Termination of Employment.

3. Termination Procedures.

3.1. Notice of Termination. Any purported termination of your employment by the Company or you (including a Termination of Employment) (other than by reason of your death) within 24 months following a Change in Control, and any Anticipatory Termination by the Company or you, shall be communicated by a Notice of Termination in accordance with Section 9 hereof. No purported termination by the Company of your employment in such 24-month period (or prior thereto in the event of an Anticipatory Termination) shall be effective if it is not pursuant to a Notice of Termination. Failure by you to provide Notice of Termination shall not limit any of your rights under this Agreement except to the extent

the Company can demonstrate that it suffered actual damages by reason of such failure.

3.2. Participant's Termination Rights. Your right to terminate your employment pursuant to the terms of this Agreement shall not be affected by your incapacity due to physical or mental illness. Your continued employment shall not constitute consent to, or a waiver of rights with respect to, any circumstance constituting Good Reason (Full) pursuant to the terms of this Agreement. Termination of your employment for Good Reason shall constitute termination for Good Reason for all purposes of this Agreement, notwithstanding that you may also thereby be deemed to have "retired" under any applicable retirement programs of the Company.

4. Qualification for Severance Benefits. Except as otherwise provided in this Section 4, to qualify for a severance payment from the Company or the Resulting Corporation under this Agreement, a Change in Control must occur and you must (a) be an employee of the Company or its Affiliates immediately prior to the time of such Change in Control (or, in the case of an Anticipatory Termination, immediately prior to the Announcement Date), (b) have a Termination of Employment that occurs within 24 months following such Change in Control or have an Anticipatory Termination, and (c) execute an effective general release of all claims against the Company and its Affiliates in the form and manner prescribed by the Company on or before the 60th day following the Date of Termination. Failure to execute the release referenced in the preceding clause (c) in a timely manner will result in a loss of qualification to receive any payments or benefits under this Agreement. Notwithstanding the foregoing, you shall be deemed to have a Termination of Employment within 24 months following a Full Change in Control if the basis for Termination of Employment is Good Reason (Full) and if the reason

that the Termination of Employment did not occur within such 24-month period is that cash compensation for services rendered in any portion of a fiscal year within 24 months following a Full Change in Control shall have been determined more than 24 months following a Full Change in Control; provided, that the Termination of Employment occurs within 10 days following determination of cash compensation for such fiscal year or portion thereof. In the event that a Partial Change in Control is followed by a Full Change in Control, commencing on the date of the Full Change in Control, provisions in this Agreement relating to a Full Change in Control shall supersede provisions relating to a Partial Change in Control if you are employed by the Company or its Affiliates on the date of the Full Change in Control. You shall not qualify for a severance payment from the Company or the Resulting Corporation under this Agreement if you have announced in writing, prior to the date the Company provides Notice of Termination to you, the intention to terminate employment or retire (other than pursuant to a Termination of Employment), provided, in the case of retirement, that any earlier termination by the Company or the Resulting Corporation does not result in the diminution of retirement benefits that you would have received if such retirement had occurred on your intended retirement date. Further, you shall not qualify for a severance payment from the Company or the Resulting Corporation under this Agreement if at least 30 days prior to the Announcement Date the Company has announced that the business, line of business, unit, staff group or other identifiable business group, whether or not a legal entity, or operations in any designated geographical area, for which you are at such time employed will be divested, sold, downsized or restructured by the Company and you are informed in writing, prior to the occurrence of the Change in Control, that your employment will terminate as a result of such divestiture, sale, downsizing or restructuring; provided, that

determinations and interpretations with respect to this provision shall be in the sole discretion of the Company.

5. Compensation Upon Termination.

5.1. Amounts. Upon qualification for severance benefits pursuant to this Agreement, you shall be entitled to the benefits, to be funded from the general assets of the Company, provided below:

(A) your full base salary through the Date of Termination at the rate in effect at the time Notice of Termination is given;

(B) an amount equal to three times the sum of (i) your annual base salary in effect at the time Notice of Termination is given or immediately prior to the date of the Change in Control, whichever is greater, plus (ii) the average actual incentive pay for the three fiscal years preceding the year in which the Announcement Date occurs, or, if you were not an employee of the Company for such three-year period, the average actual incentive pay for any prior full fiscal years, or, if you were not an employee of the Company for any such full fiscal year, your annual target bonus potential available at the time Notice of Termination is given or immediately prior to the date of the Change in Control, whichever is greater;

(C) for a 36-month period after the Date of Termination, the Company will arrange to provide you and your dependents (if applicable) with welfare benefits (including, without limitation, medical, dental, life, and individual disability insurance coverage), perquisites and other employee benefits that provide substantially similar benefits, in terms of aggregate monetary value, to you and your dependents (if applicable) at substantially

similar costs to you as the welfare benefits, perquisites and other employee benefits (i) in effect immediately prior to the Change in Control (or as in effect following the Change in Control, if greater), in the case of a Full Change in Control, or (ii) that would have been provided to you from time to time if you had not had a Termination of Employment, in the case of a Partial Change in Control; but benefits otherwise receivable by you pursuant to this clause (C) shall be discontinued if you obtain full-time employment providing comparable welfare benefits during the 36-month period following such termination;

(D) the full amount of any long-term cash incentive award for any plan periods then in progress to the extent not provided for in such plan or plans;

(E) the year-to-date pro-rata amount of any annual cash incentive award for any plan as in effect immediately prior to the Change in Control to the extent not provided for in such plan or plans and the amount of any annual cash incentive award for any plan as in effect for the immediately prior year if you would have received such an award if there had not been a Termination of Employment in the then current year;

(F) credit for five (5) additional years of service under section 1.2.2(c)(iii) of the U.S. Bancorp Nonqualified Supplemental Executive Retirement Plan (or any appropriate successor to such section and/or plan) for purposes of determining the additional years of service with which you will be credited in the formulation of your Accrued SERP benefit in that plan;

(G) to the extent not otherwise provided in the Company's qualified or non-qualified retirement plans, three (3) additional years of accruals

premised on the assumption that you had continued in service with the Company and had received remuneration in the amount determined in accordance with Section 5.1(B) above; and

(H) individual outplacement counseling services.

5.2. Group Disability. The Company shall not be required to continue to provide group disability benefits following your Date of Termination other than with respect to benefits to which you became entitled prior to the Date of Termination and which are required to be paid following such Date of Termination in accordance with the terms of applicable disability plans or policies in effect prior to such Date of Termination.

5.3. Time and Form of Cash Payments. The cash payments provided for in Sections 5.1(A), (B), (D) and (E) above shall be made not later than 20 days following the date on which all of the qualification requirements set forth in Section 4 are met; provided, however, that if the amounts of such payments cannot be finally determined on or before such day, the Company shall pay to you on such day an estimate as determined in good faith by the Company of the minimum amount of such payments and shall pay the remainder of such payments (together with interest from the date of such estimated payment at the rate provided in Section 1274(b)(2)(B) of the Code) as soon as the amount thereof can be determined but in no event later than 45 days after the Date of Termination. In the event that the amount of the estimated payment exceeds the amount subsequently determined to have been due, such excess shall constitute a loan by the Company to you payable no later than 30 days after demand by the Company (together with interest from the date of such estimated payment at the rate provided in Section 1274(b)(2)(B) of the Code).

5.4. Legal Fees and Expenses. The Company shall also pay to you any legal fees and expenses incurred by you (i) as a result of successful litigation against the Company 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 you utilize arbitration to resolve any such dispute, the Company will pay any legal fees and expenses incurred by you in connection therewith.

5.5. No Mitigation. You shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of any payment provided for in this Section 5 be reduced by any compensation earned by you as the result of employment by another employer after the Date of Termination, or otherwise, except as set forth in Section 5.1(C) hereof.

6. Additional Payments. In the event you become entitled to payments under Section 5 of this Agreement, the Company shall cause its independent auditors promptly to review, at the Company'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 the Company to you or for your 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 you 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 you of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax,

imposed upon the Gross-Up Payment, you 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, your tax rate shall be deemed to be the highest statutory marginal state and Federal tax rate (on a combined basis) (including your share of F.I.C.A. and Medicare taxes) then in effect. If no determination by the Company's auditors is made prior to the time a tax return reflecting the Total Payments is required to be filed by you, you will be entitled to receive a Gross-Up Payment calculated on the basis of the Total Payments reported by you 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 your tax return pursuant to this Section 6, you 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 the Company within 30 days of such determination.

7. Nonexclusivity of Rights. Nothing in this Agreement shall prevent or limit your continuing or future participation in any benefit, bonus, incentive, retirement or other plan or program provided by the Company and for which you may qualify, nor shall anything herein limit or reduce such rights as you may have under any other agreement with, or plan, program, policy or practice of, the Company. Amounts which are vested benefits or which you are otherwise entitled to receive under any agreement with, or plan, program, policy or practice of, the Company (including, without limitation, the cash-out 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 you become entitled to benefits under this Agreement, you shall

not be entitled to receive payments under any other severance pay plan or program sponsored or maintained by the Company or any of its Affiliates.

8. Successors.

(A) The Company will require the Resulting Corporation or any other successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business and/or consolidated assets of the Company and its subsidiaries to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you to compensation from the Company in the same amount and on the same terms as you would be entitled under this Agreement if you met the qualification requirements set forth in Section 4, 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.

(B) This Agreement shall inure to the benefit of and be enforceable by your personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If you should die while any amount would still be payable to you hereunder if you had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement, to your devisee, legatee or other designee or, if there is no such designee, to your estate or, if no estate, in accordance with applicable law.

9. Notice. For the purpose of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, postage prepaid, addressed to the other party as follows:

If to the Company, to:
U.S. Bancorp
Attention: Corporate Secretary
601 Second Avenue South
Minneapolis, Minnesota 55402

If to you, to:

[NAME]
[ADDRESS]

Either party to this Agreement may change its address for purposes of this Section 8 by giving 15 days' prior notice to the other party hereto.

10. Miscellaneous. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board. The validity, interpretation, construction, and performance of this Agreement shall be governed by the laws of the State of Minnesota.
11. Validity. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

12. Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument.
13. Arbitration. If you so elect, 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; provided, however, that you shall be entitled to seek specific performance of your right to be paid until the Date of Termination during the pendency of any dispute or controversy arising under or in connection with this Agreement. If you do not elect arbitration, you may pursue any and all legal remedies available to you.
14. Effective Date. This Agreement shall become effective as of the date set forth above.
15. Employment. This Agreement does not constitute a contract of employment or impose on the Company any obligation to retain you as an employee, to continue your current employment status or to change any employment policies of the Company.

If this letter sets forth our agreement on the subject matter hereof, kindly sign and return to the Company the enclosed copy of this letter which will then constitute our agreement on this subject.

Sincerely,

U.S. BANCORP

By _____
Name:
Title:

Agreed to and Accepted:

By _____
Name:

EXHIBIT 12

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

| | Three Months Ended March 31 ----- |
|---|---|
| (Dollars in Millions) | 1998 |
| ===== | ===== |
| EARNINGS | |
| 1. Net income | \$ 328.5 |
| 2. Applicable income taxes | 189.3 |
| | ----- |
| 3. Net income before taxes (1 + 2) | \$ 517.8 |
| | ===== |
| 4. Fixed charges: | |
| a. Interest expense excluding interest on deposits | \$ 215.1 |
| b. Portion of rents representative of interest and amortization of debt expense | 10.8 |
| | ----- |
| c. Fixed charges excluding interest on deposits (4a + 4b) | 225.9 |
| d. Interest on deposits | 355.1 |
| | ----- |
| e. Fixed charges including interest on deposits (4c + 4d) | \$ 581.0 |
| | ===== |
| 5. Amortization of interest capitalized | \$ -- |
| 6. Earnings excluding interest on deposits (3 + 4c + 5) | 743.7 |
| 7. Earnings including interest on deposits (3 + 4e + 5) | 1,098.8 |
| 8. Fixed charges excluding interest on deposits (4c) | 225.9 |
| 9. Fixed charges including interest on deposits (4e) | 581.0 |
| | ===== |
| RATIO OF EARNINGS TO FIXED CHARGES | |
| 10. Excluding interest on deposits (line 6/line 8) | 3.29 |
| 11. Including interest on deposits (line 7/line 9) | 1.89 |
| ===== | ===== |

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE U.S. BANCORP MARCH 31, 1998, 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

| | |
|------------|-------------|
| 3-MOS | |
| | DEC-31-1998 |
| | JAN-01-1998 |
| | MAR-31-1998 |
| | 4,616,000 |
| | 0 |
| | 715,000 |
| | 186,000 |
| 6,351,000 | 0 |
| | 0 |
| | 54,969,000 |
| | 995,500 |
| | 70,949,000 |
| | 48,558,000 |
| | 3,003,000 |
| | 1,938,000 |
| | 10,412,000 |
| | 0 |
| | 0 |
| | 928,000 |
| | 5,195,000 |
| 70,949,000 | 1,204,200 |
| | 101,900 |
| | 19,000 |
| | 1,325,100 |
| | 355,100 |
| | 570,200 |
| | 754,900 |
| | 90,000 |
| | 12,600 |
| | 605,600 |
| | 517,800 |
| 328,500 | 0 |
| | 0 |
| | 328,500 |
| | 0.44 |
| | 0.44 |
| | 4.98 |
| | 292,600 |
| | 91,700 |
| | 300 |
| | 0 |
| | 1,008,700 |
| | 141,200 |
| | 38,000 |
| | 995,500 |
| | 0 |
| | 0 |
| | 0 |

A THREE-FOR-ONE STOCK SPLIT HAS BEEN APPROVED TO BE EFFECTIVE MAY 18, 1998. PRIOR PERIOD FINANCIAL DATA SCHEDULES HAVE NOT BEEN RESTATED FOR THIS RECAPITALIZATION.