

USBANK  
SERVICE GUARANTEED [GRAPHIC]

This changes banking forever.  
2001 ANNUAL REPORT AND FORM 10-K

usbancorp(R)  
Five Star Service Guaranteed [GRAPHIC]

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## DELIVERING

### Five Star Service Guaranteed

This changes banking forever. Guaranteed customer service by every business line and every employee for every transaction, every day. Our exclusive Five Star Service Guarantee puts customer needs first and foremost.

Outstanding customer service is so fundamental to the way we do business that our employees wear lapel pins with the inscription "Service Guaranteed" as a visible symbol of our commitment to customers. A replica of that pin is on the cover of this report, signifying its importance to U.S. Bank(R).

In 1996, we created the original Five Star Service Guarantee for all of our customers who bank in a branch office. Our goal: to bring customers the highest level of service they have ever experienced from a financial institution. Since then, our pursuit of excellence has expanded to every line of business and department at U.S. Bank. Each one has its own set of Five Star Service Guarantees -- more than 80 guarantees in all, delivered by all business lines throughout our organization.

This means that every employee is working every day not just to meet customer needs, but to exceed them. And, if anyone at U.S. Bank fails to keep any of our guarantees, we pay the customer for the inconvenience.

We recognize that our service is what differentiates U.S. Bank from our competition. Product features and rates may be similar among banks, but guaranteed, outstanding service makes U.S. Bank unique. We say that some banks talk about great service, but only U.S. Bank guarantees it.

### Circle of Service Excellence

Our Five Star Service Guarantee is built on the outstanding efforts of our employees and their commitment and contribution to delivering the highest level of quality service for our customers.

Each quarter we choose a select few employees who exemplify outstanding service for induction into the Circle of Service Excellence. We honor them at a luncheon hosted by U.S. Bancorp executives and at a Board of Directors meeting. We prominently display their portraits at our Five Star Halls of Fame, located in seven major markets. Stock options and local recognition are among the other ways we reward these top performers. We invite you to nominate an outstanding employee for our Circle of Service Excellence using the attached self-addressed, postage-paid nomination form.

NET INCOME  
(In millions of dollars)

	Operating Earnings(a)	Net Income
97	2,123.9	1,599.3
98	2,519.3	2,123.9
99	2,799.0	2,381.8
00	3,106.9	2,875.6
01	2,550.8	1,706.5

DILUTED EARNINGS PER COMMON SHARE  
(In dollars)

	Diluted Earnings Per Common Share (Operating Basis)(a)	Diluted Earnings Per Common Share
97	1.13	.85
98	1.30	1.10
99	1.45	1.23
00	1.62	1.50
01	1.32	.88

DIVIDENDS DECLARED PER COMMON SHARE (b)  
(In dollars)

97	.27
98	.33
99	.46
00	.65
01	.75

RETURN ON AVERAGE ASSETS  
(In percents)

	Return on Average Assets (Operating Basis)(a)	Return on Average Assets
97	1.64	1.24
98	1.76	1.49
99	1.86	1.59
00	1.96	1.81
01	1.54	1.03

RETURN ON AVERAGE COMMON EQUITY  
(In percents)

	Return on Average Common Equity (Operating Basis)(a)	Return on Average Common Equity
97	19.5	14.7
98	20.3	17.2
99	21.2	18.0
00	21.6	20.0
01	15.7	10.5

DIVIDEND PAYOUT RATIO  
(In percents)

	Dividend Payout Ratio (Operating Basis)(a)	Dividend Payout Ratio
97	23.8	31.6
98	25.3	29.9
99	31.7	37.3
00	40.1	43.4
01	57.0	85.2

NET INTEREST MARGIN  
(In percents)

97	4.72
98	4.44

99	4.44
00	4.36
01	4.45

EFFICIENCY RATIO  
(In percents)

	Efficiency Ratio (Operating Basis)(a)	Efficiency Ratio
97	52.2	59.9
98	52.2	58.3
99	50.5	55.7
00	48.8	51.9
01	49.5	57.5

BANKING EFFICIENCY RATIO (c)  
(In percents)

	Banking Efficiency Ratio (Operating Basis)(a)	Banking Efficiency Ratio
97	51.7	59.5
98	49.7	56.1
99	46.3	52.1
00	43.5	46.8
01	45.2	52.5

AVERAGE ASSETS  
(In millions of dollars)

97	129,493
98	142,887
99	150,167
00	158,481
01	165,944

AVERAGE SHAREHOLDERS' EQUITY  
(In millions of dollars)

97	10,882
98	12,383
99	13,221
00	14,365
01	16,201

AVERAGE EQUITY TO AVERAGE ASSETS  
(In percents)

97	8.40
98	8.67
99	8.80
00	9.06
01	9.76

FINANCIAL SUMMARY

(Dollars in Millions, Except Per Share Data)	2001	2000	1999	Percent Change 2001	Percent Change 2000
Operating earnings (a).....	\$ 2,550.8	\$ 3,106.9	\$ 2,799.0	(17.9)%	11.0%
Merger and restructuring-related items (after-tax).....	(844.3)	(231.3)	(417.2)		
Net income.....	\$ 1,706.5	\$ 2,875.6	\$ 2,381.8	(40.7)	20.7
<b>PER COMMON SHARE</b>					
Earnings per share.....	\$ .89	\$ 1.51	\$ 1.25	(41.1)%	20.8%
Diluted earnings per share.....	.88	1.50	1.23	(41.3)	22.0
Dividends declared per share (b).....	.75	.65	.46	15.4	41.3
Book value per share.....	8.43	7.97	7.23	5.8	10.2
Market value per share.....	20.93	23.25	21.13	(10.0)	10.0
<b>FINANCIAL RATIOS</b>					
Return on average assets.....	1.03%	1.81%	1.59%		
Return on average equity.....	10.5	20.0	18.0		
Net interest margin (taxable-equivalent basis).....	4.45	4.36	4.44		
Efficiency ratio.....	57.5	51.9	55.7		
<b>FINANCIAL RATIOS EXCLUDING MERGER AND RESTRUCTURING-RELATED ITEMS (A)</b>					
Return on average assets.....	1.54%	1.96%	1.86%		
Return on average equity.....	15.7	21.6	21.2		
Efficiency ratio.....	49.5	48.8	50.5		
Banking efficiency ratio (c).....	45.2	43.5	46.3		
<b>AVERAGE BALANCES</b>					
Loans.....	\$ 118,177	\$ 118,317	\$ 109,638	(.1)%	7.9%
Earning assets.....	145,165	140,606	133,757	3.2	5.1
Assets.....	165,944	158,481	150,167	4.7	5.5
Deposits.....	104,956	103,426	99,920	1.5	3.5
Total shareholders' equity.....	16,201	14,365	13,221	12.8	8.7
<b>PERIOD END BALANCES</b>					
Loans.....	\$ 114,405	\$ 122,365	\$113,229	(6.5)%	8.1%
Allowance for credit losses.....	2,457	1,787	1,710	37.5	4.5
Assets.....	171,390	164,921	154,318	3.9	6.9
Deposits.....	105,219	109,535	103,417	(3.9)	5.9
Total shareholders' equity.....	16,461	15,168	13,947	8.5	8.8
<b>Regulatory capital ratios</b>					
Tangible common equity.....	5.7%	6.3%	6.7%		
Tier 1 capital.....	7.7	7.2	7.4		
Total risk-based capital.....	11.7	10.6	11.0		
Leverage.....	7.7	7.4	7.5		

(a) The Company analyzes its performance on a net income basis in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger and restructuring-related items referred to as "operating earnings." Operating earnings are presented as supplemental information to enhance the reader's understanding of, and highlight trends in, the Company's financial results excluding the impact of merger and restructuring-related items of specific business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earnings per share as determined in accordance with accounting principles generally accepted in the United States. Merger and restructuring-related items excluded from net income to derive operating earnings may be significant and may not be comparable to other companies.

(b) Dividends per share have not been restated for the 2001 merger of Firststar and the former U.S. Bancorp ("USBM").

(c) Without investment banking and brokerage activity.

FORWARD-LOOKING STATEMENTS

This Annual Report and Form 10-K contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties, and important factors could cause actual results to differ materially from those anticipated, including the following, in addition to those contained in the Company's reports on file with the SEC: (i) general economic or industry conditions could be less favorable than expected, resulting in a deterioration in credit quality, a change in the allowance for credit losses, or a reduced demand for credit or fee-based products and services; (ii) the Company could encounter unforeseen complications in connection with the ongoing integration of the products, operations and information systems of Firststar with USBM that could adversely affect the Company's operations or customer relationships; (iii) changes in the domestic interest rate environment could reduce net interest income and could increase credit losses; (iv) the conditions of the securities markets could change, adversely affecting revenues from capital markets businesses, the value or credit quality of the Company's assets, or the availability and terms of funding necessary to meet the Company's liquidity needs; (v) changes in the extensive laws, regulations and policies governing financial services companies could alter the Company's business environment or affect operations; (vi) the potential need to adapt to industry changes in information technology systems,

on which the Company is highly dependent, could present operational issues or require significant capital spending; (vii) competitive pressures could intensify and affect the Company's profitability, including as a result of continued industry consolidation, the increased availability of financial services from non-banks, technological developments, or bank regulatory reform; (viii) acquisitions may not produce revenue enhancements or cost savings at levels or within time frames originally anticipated, or may result in unforeseen integration difficulties; and (ix) capital investments in the Company's businesses may not produce expected growth in earnings anticipated at the time of the expenditure. Forward-looking statements speak only as of the date they are made, and the Company undertakes no obligation to update them in light of new information or future events.

[U.S. BANCORP PICTURE]

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DEAR FELLOW SHAREHOLDERS:

We are pleased to tell you that the seamless integration of Firststar and U.S. Bancorp proceeds on schedule to be completed by the end of the third quarter of 2002. We continue to successfully convert major systems and products to single operating platforms with virtually no customer disruption. The integration process has been thoughtful and intentional. We have worked very diligently to blend the best practices, people and products of both organizations.

Your corporation ended 2001 with strong fourth quarter performance, highlighted by revenue momentum, margin improvement and a companywide focus on customer service quality. We are committed to seeing these trends continue through 2002.

The year 2001 brought unprecedented challenges for our country and our company. During the third quarter, we took action to increase our reserves for potential loan losses and to strengthen our balance sheet. While we were disappointed in the resulting adverse effect on earnings, U.S. Bancorp now ranks among the top of our peer group in the strength of our credit reserves. We prudently recognized the economic slowdown and our inability to predict its length or the timing of a genuine recovery.

For a company that prides itself on consistent earnings, our third quarter action was not an easy step to take. However, it helped us accomplish one of our primary objectives: having a balance sheet and a risk profile among the strongest in the industry. We have positioned ourselves to manage through the current economic cycle. Our credit quality remained stable in the fourth quarter, but we are prepared for the likelihood that nonperforming loans and charge-offs will increase throughout 2002.

Providing outstanding service to all customers, backed by our exclusive Five Star Service Guarantee, is an ongoing priority at U.S. Bancorp, as is selling more of our products and services. You can read more about our Five Star Service Guarantee at the front of this report. Our operating revenue growth in the fourth quarter is a sure sign that our sales and service culture is taking effect.

Although our combined franchise has yet to fulfill all of its potential, we are off to a strong start on a solid foundation. The success of our integration to date and the benefits of the merger became evident in our year-end results. We operate in stable, moderately growing and fast-growing markets, and we have a multi-tiered and comprehensive distribution system throughout those markets. Our scope and scale make us a low-cost provider with significant competitive advantages. We have a proven track record and skilled professionals who are the best in the industry running our businesses.

We assure you that, as always, our highest priority is to increase the value of your investment in U.S. Bancorp. It is the reason we come to work each day.

Sincerely,

/s/ Jerry A. Grundhofer  
Jerry A. Grundhofer  
President and Chief Executive Officer

/s/ John F. Grundhofer  
John F. Grundhofer  
Chairman

February 22, 2002

U.S. Bancorp is well positioned to capitalize on growth opportunities.

U.S. Bancorp 5

## GROWING DIVERSIFIED BUSINESSES

Each U. S. Bancorp business line focuses on unique customer segments, enabling us to best meet the needs of our broad customer base.

\* Treasury and Corporate Support contributed (1.0)% of 2001 operating income. Operating income represents pretax earnings before the provision for credit losses and merger and restructuring-related items.

\*\* Assets are as of December 31, 2001 and reflect U.S. Bancorp Asset Management, Inc. and its affiliated private asset management group within U.S. Bank National Association. Investment products, including shares of mutual funds, are not obligations of, or guaranteed by, any bank, including U.S. Bank or any U.S. Bancorp affiliate, nor are they insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board or any other agency. An investment in such products involves investment risk, including possible loss of principal.

[PICTURE]

### Consumer Banking

Delivers comprehensive financial products and services to the broad consumer and small business markets through 2,147 banking offices, telesales and telephone customer service, online banking, direct mail and 4,904 automated teller machines (ATMs)

[PICTURE]

### Wholesale Banking

Offers relationship-based lending, depository, treasury management, foreign exchange, international banking, leasing and other financial services primarily to middle market, large corporate, financial institution and public sector clients

[PICTURE]

### Payment Services

Includes consumer and business credit and debit cards, corporate and purchasing card services, consumer lines of credit, ATM processing and merchant processing

[PICTURE]

### Private Client, Trust and Asset Management

Provides a comprehensive array of private banking, personal, corporate and institutional trust, investment management, financial advisory, mutual fund and asset management services to affluent individuals, businesses, institutions and mutual funds

[PICTURE]

### Capital Markets

Under the U.S. Bancorp Piper Jaffray(R) brand, provides financial advisory and securities brokerage services, mutual funds, annuities and insurance products to individuals and businesses; for corporate and public sector clients, engages in equity and fixed income trading activities and investment banking and underwriting services

#### KEY BUSINESS UNITS [Consumer Banking]

- - Community Banking serves smaller and non-urban markets
- - Metropolitan Banking serves larger urban and high-growth markets
- - In-Store Banking complements traditional branches with accessible facilities in supermarkets, convenience stores and other locations
- - Small Business Banking provides comprehensive financial solutions to businesses with annual revenue up to \$5 million
- - Consumer Lending provides student loans and serves consumers purchasing or leasing vehicles or marine equipment through franchised dealers
- - Consumer Finance serves customers outside the traditional bank credit profile
- - Home Mortgage Lending originates, purchases, sells and services residential mortgage loans
- - Retail Brokerage and Insurance provides mutual funds, variable and fixed annuities, general securities and discount brokerage

#### STRENGTHS AND SUCCESSES

- - Segmented business model
- - Strong sales culture
- - Top 3 small business lender
- - Top 3 Small Business Administration bank lender
- - Top 4 bank branch network
- - Top 7 home equity lender
- - Top 8 consumer lender

#### CONTRIBUTION TO 2001 U.S. BANCORP OPERATING INCOME\*

37.5%  
[GRAPH]

#### KEY BUSINESS UNITS [Wholesale Banking]

- - Commercial Banking serves middle market clients with annual sales between \$5 million and \$250 million, and clients in the commercial real estate, commercial vehicle dealership and energy industries
- - Corporate Banking serves clients with annual sales greater than \$250 million, those with specialized lending, equipment finance and leasing needs, companies in diverse specialty industries (such as agribusiness, health care, mortgage banking and media/communications), correspondent banks, government entities, and all wholesale clients in our headquarters market
- - Treasury Management provides comprehensive cash management solutions to business clients, facilitating their deposits and the collection of funds, payments, and information to assist in the management and optimization of their cash position

#### STRENGTHS AND SUCCESSES

- - Strong distribution system
- - Comprehensive product set
- - Relationship manager tenure and expertise
- - Leading depository bank for federal, state and municipal governments
- - Top 5 bank-owned leasing company
- - Top 7 treasury management provider

#### CONTRIBUTION TO 2001 U.S. BANCORP OPERATING INCOME\*

32.1%  
[GRAPH]

#### KEY BUSINESS UNITS [Payment Services]

- - Corporate Payment Systems provides Visa(R) corporate and purchasing cards and other payment solutions to companies with annual sales greater than \$50 million, as well as federal, state and local governments
- - Card Services provides credit and debit card products to consumer and small business customers of U.S. Bancorp, correspondent financial institutions and co-brand partners
- - NOVA Information Systems, Inc. specializes in integrated credit and debit card payment processing services, related software application products and value-added services for more than 650,000 U.S. merchant locations

- Transaction Services specializes in ATM processing, supporting U.S. Bank ATMs and facilitating electronic transactions for other financial institutions and corporations through ATMs, debit cards, two proprietary regional networks and a network gateway

#### STRENGTHS AND SUCCESSES

- Industry-leading products
- Proprietary technology
- Operational economies of scale
- No. 1 Visa commercial card issuer
- Top 2 universal fleet card provider
- Top 3 bank-owned ATM network
- Top 3 merchant processor
- Top 6 Visa and MasterCard(R) issuer

#### CONTRIBUTION TO 2001 U.S. BANCORP OPERATING INCOME\*

18.9%  
[GRAPH]

#### KEY BUSINESS UNITS [Private Client, Trust and Asset Management]

- Private Client Group fulfills private banking, personal trust and investment management needs for affluent clients and has \$79 billion in assets under administration
- Corporate Trust Services provides trustee services for more than \$650 billion in municipal, corporate, asset-backed and international bonds
- Institutional Trust and Custody provides retirement, investment and custodian services to institutional clients
- Fund Services provides transfer agent, fund accounting, fund administration/compliance and distribution to mutual fund complexes
- U.S. Bancorp Asset Management, Inc., with more than \$121 billion\*\* in assets under management, advises the \$54 billion\*\* First American(R) family of mutual funds and provides customized portfolio management for individuals, corporations, endowments, foundations, pension funds, public entities and labor unions

#### STRENGTHS AND SUCCESSES

- Creative, needs-based solutions
- Leading technology and operational economies of scale
- Breadth of asset management products
- Top 2 municipal trustee
- Top 3 transfer agent
- Top 5 bank-affiliated U.S. mutual fund family
- Top 6 among banks in record keeping assets

#### CONTRIBUTION TO 2001 U.S. BANCORP OPERATING INCOME\*

10.7%  
[GRAPH]

#### KEY BUSINESS UNITS {Capital Markets}

- Private Advisory Services helps affluent clients meet their financial goals through a network of 123 brokerage offices
- Equity Capital Markets provides research, trading, sales and equity investment banking activities, including public offerings and advisory services for mergers and acquisitions, with niches in communications, consumer, health care, financial institutions, industrial growth and technology
- Fixed Income Capital Markets provides financing and investment expertise to public finance issuers, corporate debt issuers and institutional investors

#### STRENGTHS AND SUCCESSES

- Strong retail distribution network
- "Middle Market Mergers & Acquisitions Bank of the Year," Mergers & Acquisitions magazine, February 2001
- Top-performing equity bookrunner for lead-managed IPOs and follow-on offerings
- Record year for Fixed Income Capital Markets
- Leading manager of fixed income new issuance, underwriting \$11.5 billion in

agency securities and \$6.3 billion in municipal bonds

CONTRIBUTION TO  
2001 U.S. BANCORP  
OPERATING INCOME\*

1.8%  
[GRAPH]

U.S. Bancorp 7

PROVIDING  
CONVENIENT ACCESS

[PICTURE]

Our customers can choose the easiest way to bank, whether in person, by telephone, via ATM or online.

CUTTING-EDGE  
DELIVERY TECHNOLOGIES

24-Hour Banking: Our Consumer Banking customer service call centers handled 126,207,713 inbound inquiries in 2001, including 99,783,801 served by our interactive voice response system.

ATM Banking: 4,904 leading-edge terminals are available around the clock throughout our 24-state banking region.

Internet Banking: 1,155,733 consumer and small business customers are registered to conduct most transactions and inquiries at the click of a mouse.

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Consumer and business customers alike increasingly use technology to access their accounts with us. They also frequent our extensive network of bank branches and specialized offices, which remain the foundation of our commanding presence in many of the highest growth, most diversified markets in the United States. Wherever customers interact with us, they can count on consistent, leading-edge service.

#### BRANCH BANKING

Our Community and Metropolitan Banking branches deliver all the products and services U.S. Bank has to offer. In our larger markets, branch staff act as concierges, connecting customers with experts across the company for specialized services. Nontraditional branch locations bring banking directly to where our customers live, work, study and shop inside retirement centers, workplaces and corporate sites, colleges and universities, and grocery and convenience stores. These dynamic locations feature special products, services and hours geared to the unique needs of local customers. Additionally, many specialized offices within and beyond our 24-state region serve unique customer segments such as brokerage, home mortgage and trust.

#### TELEPHONE BANKING

Using 24-Hour Banking, consumers have anytime, anywhere access to their accounts by telephone, including Spanish language options. Dedicated call centers provide expertise to various business customer segments and others with specialized needs. Our telesales efforts offer customers new products and services to meet more of their financial needs while generating revenue growth for the company. Consumer Banking alone handled 1,402,849 inbound and outbound telesales calls in 2001.

#### ATM BANKING

Our ATM network is great in number as well as functionality. We are upgrading approximately 1,500 branch terminals to Super ATMs, bringing the total number of Super ATMs to 3,444. These state-of-the-art ATMs enable customers not only to access funds, check balances and make deposits, but also to obtain statements, order checks, request check copies, purchase stamps and phone minutes... and more. Updated ATMs feature the new bright and colorful U.S. Bank look--signaling the best ATM service available.

#### INTERNET BANKING

We offer comprehensive, fast, secure online service on all accounts across all business lines. Consumers enjoy the latest Internet banking capabilities available on [www.usbank.com](http://www.usbank.com) or [www.firststar.com](http://www.firststar.com), where they can learn about products, open deposit accounts in real time, apply for loans and lines of credit, access account information, pay bills and more.

Businesses and investors also benefit from increasingly sophisticated, specialized online tools. For example, we offer advanced capabilities to deliver check images to commercial customers via the Internet. Our Customer Automation Reporting Environment (C.A.R.E.) provides Internet access for corporate and purchasing card customers, merchants and government clients, who can generate customized reports at any time. And we recently became the first institution to offer complete Web-based reporting and processing for money market instrument issuers. It's all part of "e-enabling" our customers and employees with the latest technology.

#### RELATIONSHIP BANKING

Relationships, complemented by comprehensive products and services, drive several of our key businesses, including Wholesale Banking, Private Client, Trust and Asset Management, and U.S. Bancorp Piper Jaffray. Clients of these businesses not only want quick, convenient access to conduct transactions, they also need expert advice and support. We offer both. Clients always have access to an experienced relationship manager--an ambassador who can help fulfill their day-to-day needs or direct them, as needed, to appropriate specialists across our organization in areas as diverse as asset management, investment banking and leasing.

#### BRANCH BANKING AND SPECIALIZED SERVICES/OFFICES

[MAP]

Branch Banking	Specialized Services/Offices
/ / 2,147 branch banking offices in 24 states	- Commercial Banking - Consumer Banking - Corporate Banking - Payment Services
All Firststar locations will operate as U.S. Bank by mid-2002	- Hong Kong - Canada - Buenos Aires - Cayman Islands - London - Tel Aviv - Private Client, Trust and Asset Management - Technology and Operations Services - U.S. Bancorp Piper Jaffray

BUILDING THE  
BEST BANK IN AMERICA

DISCIPLINED. DETAILED. DELIBERATE.

THE ONGOING INTEGRATION OF FIRSTAR AND U.S. BANK IS SEAMLESSLY CREATING ONE  
FINANCIAL POWERHOUSE, UNITED BY A SINGLE BRAND.

STRUCTURE AND PROCESS

Every week for more than a year, corporate and line-of-business leaders from across U.S. Bancorp have been gathering to execute our comprehensive plan to integrate Firststar and U.S. Bank. They are united by a common goal: to ensure a flawless, cost-effective integration for the benefit of customers, shareholders and employees. Their stellar track record--years of experience executing dozens of successful mergers--produces outstanding results.

The integration has been a textbook example of careful planning and smooth execution. Thorough preparation, employee training, systems testing and customer communication has ensured success. A series of systems conversions is bringing all our markets together on common operating and delivery platforms. Together we are equipped to handle increased capacity, enhanced functionality, and high-quality, consistent service wherever customers interact with us.

[PICTURE]

10 U.S. Bancorp



## QUALITY CONTROL AND MONITORING

Exact quality control and monitoring--before and after conversion events--ensure that our conversions proceed smoothly. Command centers track any issues so that customer service continues uninterrupted.

Branch employee "ambassadors" with expert knowledge of our combined products, systems and processes are on location at newly converted branches and other front-office operations after conversion. They provide ongoing training and support for employees and ensure that customers experience business as usual. "Mystery shoppers" measure service levels before and after conversion events.

## KEY ACCOMPLISHMENTS

During the past year, we have worked diligently to combine our two predecessor organizations into an even stronger company. Together, we have created a better way to do business.

We have established a new, efficient organizational structure. We have developed common employee benefits, programs and policies, including incentives that drive employees to generate revenue while fulfilling customers' needs. We have selected the best products and services from our combined resources-- or, through expanded capabilities, created new ones.

Along the way, we have invested in cutting-edge, fully automated infrastructure that lays a solid foundation for growth. In migrating to new, cost-effective network technology, we have established greater connectivity between our front and back offices. We have e-enabled employees and customers to access information and conduct transactions with unprecedented accuracy and efficiency. Gone are closed-end, self-contained processing systems. Evolving is a dedicated open Internet protocol network that supports more than 300 million transactions a month and is backed by the Five Star Service Guarantee--testament to our confidence in our systems and staff.

## COMPLETING THE INTEGRATION

Our entire organization has embraced our exclusive Five Star Service Guarantee. Soon we'll be completely united under one strong brand--the new U.S. Bank.

Starting in January and continuing through July 2002, the distinctive new red, white and blue U.S. Bank signs are rising market-by-market. All locations, including our ATM network, are in the process of displaying the updated identity, which promises "Five Star Service Guaranteed." In addition, all advertising and marketing materials, business supplies and customer documents reinforce our new brand.

After final systems conversions in the third quarter of 2002, all customers will have convenient access to our new, improved product and service offerings wherever we operate. They will be able to make deposits and conduct other transactions at any of our branches across 24 states.

Including our specialized businesses, the new U.S. Bank brand is recognizable from coast to coast. When customers see the U.S. Bank name, they can expect familiar faces, convenient access, top-quality solutions and unmatched service excellence--guaranteed!

## INTEGRATION HIGHLIGHTS

3Q01 o U.S.  
Bancorp  
closes  
acquisition  
of NOVA  
Corporation  
o U.S.  
Bancorp  
closes  
acquisition  
of 20  
Southern  
1Q02  
California  
branches  
from  
Pacific  
Century  
Bank o Name  
change  
begins in  
selected  
markets  
1Q01 o  
Commercial  
loan  
centers  
consolidate  
o  
Integration  
of major  
deposit-  
related  
systems o  
Firststar and  
o Firststar





CAPITALIZING  
ON GROWTH OPPORTUNITIES

The combination of Firststar and U.S. Bancorp has created a larger, stronger company with a solid foundation for growth. We will grow by using strategic cost advantage to gain market share, emphasizing customer service and investing in higher-growth businesses.

Our future begins with our basic banking operations. We already rank among the top three commercial banks in 50 metropolitan areas based on deposits. We are penetrating all our markets even further with our expanded, improved set of high-quality products--backed everywhere by our Five Star Service Guarantee.

Consumers enjoy expanded access through 2,147 branches and 4,904 ATMs in 24 states, plus state-of-the-art telephone and Internet banking channels. Businesses also benefit from our expanded geographic reach and technology investments.

[PICTURE]

Outstanding products. High-growth markets. Flourishing businesses. Convenient, efficient delivery. U.S. Bancorp is positioned to soar.

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National retailers, in particular, are benefiting from enhanced depository and treasury management products accessible through common accounts across the region, including the expansion of our cash vault capabilities to new markets. Trust customers benefit from our greater economies of scale and state-of-the-art products and systems.

We continually strive to serve customers across business lines, gaining more of their business. In 2001, for example, U.S. Bancorp Piper Jaffray Fixed Income Capital Markets had a record year in corporate debt issuance, managing 35 issues with a par amount of more than \$19 billion, including preferred stock and note issues for U.S. Bancorp. Meanwhile, customers deposited more than \$490 million into U.S. Bancorp Piper Jaffray Prime Accounts(SM) and other brokerage accounts through U.S. Bank branches and ATMs--up over 134 percent from a year earlier. When the integration is completed, investors will have access to their brokerage accounts at all of our bank branches.

Ultimately, our growth depends on our people. We have created a sales culture driven by customer needs and rewarded by incentives for outstanding, measurable performance. Every employee, from the front line to the back office, is eligible for incentives to strengthen existing customer relationships, build new ones, and provide outstanding guaranteed service to all customers, whether external or internal.

#### HISPANIC INITIATIVE TAPS SUCCESS

The U.S. Hispanic community numbers more than 35 million consumers with \$450 billion in spending and investment power. Approximately 1.2 million Hispanic businesses have \$200 billion in revenues. It's a remarkable success story--and opportunity.

Our Hispanic Initiative, launched in 2001, is our coordinated program to be an outstanding bank, responsive business partner and superior employer in key markets. It focuses on more than 300 branches serving communities with large Hispanic populations, both English- and Spanish-speaking. More than ever before, we are hiring additional Hispanic employees who reflect the diversity of their local communities and who communicate more effectively with customers. Our employees are visible community leaders who have strong relationships with Hispanic individuals, businesses and community organizations.

Our ATMs and 24-Hour Banking system feature expanded Spanish language options. Additionally, we have telephone customer service representatives who speak Spanish and other foreign languages. We also are displaying more signs and materials in Spanish.

We offer many programs that help meet the needs of various segments of Hispanic customers. To help first-time borrowers, we created the Credit Builder Secured Loan. We also accept identification issued by the Consulate of Mexico, issue the Visa(R) Payroll Card and offer a low-cost money transfer program.

Our Hispanic Initiative extends to partnerships with Hispanic Chambers of Commerce and other organizations, and to community service. Free seminars, for example, cover topics ranging from the basics of banking in the United States (especially geared to Spanish-speaking immigrants) to first-time home ownership. Hispanic customers know they can turn to U.S. Bank to turn their American Dream into reality.

#### PAYMENT SERVICES: GROWTH ENGINE

Payment Services represents one of our greatest growth opportunities. We continue to build our core commercial and consumer card businesses while investing in other industry-leading, payment-related businesses.

PowerTrack(R), our innovative online payment processing and transaction tracking system, has seemingly unlimited potential. First introduced to the freight industry, this single-source information center provides powerful control for the logistics process. On the Internet or via a private network, shipment information is stored as a single electronic document that is instantly available to both shipper and carrier. By eliminating manual reconciliation of invoices and freight bills, companies can save significantly on each transaction. With expansion into other industries, PowerTrack delivers the future--faster, more accurate payments and exceptional analytical reporting tools for better management decisions. The result is more efficiency and control for both buyer and seller.

In 2001 we closed on our purchase of NOVA Corporation, now known as NOVA Information Systems, Inc., a wholly owned subsidiary of U.S. Bancorp. This merchant payment processor ranks as the third-largest in the United States, serving 650,000 businesses of all sizes. Merchants benefit from our industry-leading product offerings, including electronic check processing, a variety of Web-enabled tools, and a full array of point-of-sale applications in addition to credit card and debit card processing.

Within our Transaction Services division, Elan Financial Services serves more than 3,000 financial institutions through a complete range of products and services including credit card issuing, and ATM, debit card and merchant processing. Elan also provides full-service support and management tools that are offered uniquely through a single source. The suite of products enables small- to mid-sized financial institution clients to compete effectively with larger institutions. Elan leverages these unique capabilities to also provide ATM driving and deployment, and debit gateway services to large corporate clients.

[PICTURE]

Providing Local Market Leadership and Community Support

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Local management. Local decisions. Local involvement. At U.S. Bancorp, we are deeply rooted in the communities we serve, and we recognize that the best solutions come most often from those who are closest to the market.

#### LOCAL MARKET LEADERSHIP

U.S. Bank markets are segmented into Metropolitan Banking in large urban areas and Community Banking in smaller urban and non-urban locales. U.S. Bank maximizes its ability to serve our Metropolitan Banking markets through the independent management of our major lines of business. In Community Banking markets, however, all lines of business are offered and marketed through branch offices. In every market, large or small, our local management teams make the decisions that most directly affect their customers. Local autonomy in resource allocation, community affairs, pricing and business development enhances local market control.

#### LOCAL BANK BOARDS

The best decisions and the best customer service come from knowing our markets and our customers. To enhance our own management's understanding of local economies, critical issues, business and public affairs, we have established local bank boards throughout our markets. The boards include local business and civic leaders in addition to U.S. Bank executives. The perspective of these board members is invaluable.

#### COMMUNITY INVOLVEMENT

At U.S. Bancorp, community is more than a location. Community is the corporate spirit of accepting the role as a facilitator for the people, businesses and nonprofit organizations in our markets to achieve their financial goals and enrich their lives.

To that end, we provide both corporate and local leadership on issues of community importance; we tailor our products and services to our communities' diverse needs; our local managers are visible and involved in community organizations and economic development efforts; and we encourage and support our employees' ongoing volunteer efforts. We believe that our success depends on the vitality of the communities we serve, and we bring together many resources to help make possible economic, educational and cultural development.

#### U.S. BANCORP FOUNDATION 2001 Charitable Contributions by Program Area

[GRAPH]

- - 32% United Way & Human Services
- - 28% Economic Opportunity
- - 18% Arts & Culture
- - 16% Education
- - 5% Employee Matching Gifts
- - 1% Miscellaneous

Through the U.S. Bancorp Foundation, we contribute millions of dollars back to the communities in which we do business through charitable grants to nonprofit organizations. We provide critical financing for revitalization efforts, job programs and affordable housing. We sponsor the United Way at generous levels to meet critical human service needs. We sponsor a wide variety of amateur and professional artistic groups; professional, college and high school sporting events and teams; and neighborhood and civic events. From the smallest towns to the largest cities, U.S. Bancorp is an integral part of the fabric of every hometown.

#### DEVELOPMENT NETWORK

The U.S. Bancorp Development Network comprises 35 geographically based employee chapters with a common mission--to promote the personal and professional development of our employees, to provide networking opportunities within our organization and to offer a framework for involvement in community service. Individual Development Network chapters recruit public school tutors and mentors from our employee base, raise funds for many charitable causes and community efforts, participate in various walkathons and races, assist elderly residents with simple home repairs and maintenance, build Habitat for Humanity homes, and become involved in other community services.

OVERVIEW

U.S. Bancorp and its subsidiaries ("the Company") compose the organization created by the acquisition by Firststar Corporation ("Firststar") of the former U.S. Bancorp of Minneapolis, Minnesota ("USBM"). The merger was completed on February 27, 2001, as a pooling-of-interests, and accordingly all financial information has been restated to include the historical information of both companies. Each share of Firststar stock was exchanged for one share of the Company's common stock while each share of USBM stock was exchanged for 1.265 shares of the Company's common stock. The new Company retained the U.S. Bancorp name.

**EARNINGS SUMMARY** The Company reported net income of \$1.7 billion in 2001, or \$.88 per diluted share, compared with \$2.9 billion, or \$1.50 per diluted share, in 2000. Return on average assets and return on average common equity were 1.03 percent and 10.5 percent in 2001, compared with returns of 1.81 percent and 20.0 percent in 2000. The year-over-year decline in earnings per diluted share and return on average assets was primarily due to a decline in capital markets activities, merger and restructuring-related items and a higher provision for credit losses which reflected deterioration in economic conditions and credit quality relative to a year ago. The reduction in the Company's return on average common equity also reflected the impact of recent acquisitions, which were accounted for using the purchase method. Net income included after-tax merger and restructuring-related items of \$844.3 million (\$1.3 billion on a pre-tax basis) in 2001 compared with \$231.3 million (\$348.7 million on a pre-tax basis) in 2000. Merger and restructuring-related items, on a pre-tax basis, included a \$62.2 million gain on the sale of branches, \$847.2 million of noninterest expenses and \$382.2 million of provision for credit losses associated with the merger of Firststar and USBM. Merger and restructuring-related items also included \$50.7 million of expense for restructuring operations of U.S. Bancorp Piper Jaffray, and \$48.5 million related to the acquisition of NOVA Corporation ("NOVA") and other recent acquisitions. The efficiency ratio (the ratio of expenses to revenues) increased to 57.5 percent in 2001 compared with 51.9 percent in 2000 primarily due to the impact of merger and restructuring-related items. Refer to page 22 for further discussion of merger and restructuring-related items.

The Company had operating earnings (net income excluding merger and restructuring-related items) of \$2.6 billion in 2001, or \$1.32 per diluted share, compared with \$3.1 billion, or \$1.62 per diluted share in 2000. Operating earnings on a "cash basis" (calculated by adding amortization of goodwill and other intangible assets to operating earnings) was \$1.59 per diluted share in 2001, compared with \$1.82 per diluted share in 2000. Return on average assets and return on average common equity, excluding merger-related items, were 1.54 percent and 15.7 percent in 2001, compared with returns of 1.96 percent and 21.6 percent in 2000. Operating earnings in 2001 reflected total net revenue growth on a taxable-equivalent basis, excluding merger-related gains, of 6.7 percent, offset by growth in noninterest expenses, excluding merger and restructuring-related charges, of 5.4 percent. On an operating basis, the efficiency ratio was 49.5 percent in 2001, compared with 48.8 percent in 2000. The banking efficiency ratio (the ratio of expenses to revenues without the impact of investment banking and brokerage activity) before merger and restructuring-related charges was 45.2 percent in 2001, compared with 43.5 percent in 2000. The increase in the banking efficiency ratio was primarily due to the impact of recent acquisitions including NOVA.

Net income and operating earnings for 2001 included a number of significant items. During 2001, the provision for credit losses was \$2.5 billion, an increase of \$1.7 billion from a year ago. The change was due to an increased level of nonperforming assets and charge-offs, deterioration in specific credit portfolios, merger-related portfolio restructurings and specific actions taken by management to accelerate the Company's workout strategy for nonperforming assets. Results for 2001 also reflect the impairment of retail leasing residuals due to sluggish pre-owned car markets, recognition of mortgage servicing rights ("MSR") impairment during the declining rate environment and asset write-downs of commercial leasing partnerships and repossessed tractor/trailer property. These asset impairments were partially offset by gains related to sales of buildings and investment securities.

The Company analyzes its performance on a net income basis determined in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger-related charges referred to in this analysis as "operating earnings". Operating earnings and related discussions are presented as supplementary information in this analysis to enhance the readers' understanding of, and highlight trends in, the Company's core financial results excluding the non-recurring



effects of discrete business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earnings per share as determined in accordance with accounting principles generally accepted in the United States. Merger and restructuring-related items excluded from net income to derive operating earnings may be significant and may not be comparable to other companies.

TABLE 1 Selected Financial Data

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data)	2001	2000	1999	1998	1997
<b>CONDENSED INCOME STATEMENT</b>					
Interest income (taxable-equivalent basis).....	\$11,139.5	\$12,157.9			
expense.....	\$10,723.0	\$10,535.9	\$ 9,921.8		
Net interest income.....	4,674.8				
Securities gains, net.....	6,135.0	5,932.7	5,676.2	5,532.0	329.1
Noninterest income(a).....	8.1	13.2			
Total net revenue.....	4,968.1				
Noninterest expense(a).....	4,875.1	4,231.7	3,572.8	2,711.3	
Provision for credit losses(a).....	11,761.9	11,018.2	10,177.6	9,278.1	8,250.6
Income before taxes and merger and restructuring-related items.....	5,658.8	5,368.3	5,128.5	4,829.6	4,306.7
Taxable-equivalent adjustment.....	2,146.6	828.0	638.5	453.4	619.6
Income taxes.....	3,956.5	4,821.9	4,410.6	3,995.1	3,324.3
Operating earnings(a).....	55.9	85.4	96.3	111.2	121.1
Merger and restructuring-related items (after-tax).....	1,349.8	1,629.6	1,515.3	1,364.6	1,079.3
Net income in accordance with GAAP.....	2,550.8	3,106.9	2,799.0	2,519.3	2,123.9
PER COMMON SHARE Earnings per share.....	2,132.9	\$ 1,599.3			
Diluted earnings per share.....	1.51	\$ 1.25	\$ 1.12	\$ .86	
Dividends declared per share(b).....	.88	1.50	1.23	1.10	.85
Average shares outstanding.....	1,927.9	1,906.0	1,907.8	1,898.8	1,841.0
Average diluted shares outstanding.....	1,939.5	1,930.0	1,930.5	1,872.2	1,841.0
FINANCIAL RATIOS Return on average assets.....	1.03%	1.81%			
Return on average equity.....	10.5	20.0	18.0	17.2	14.7
Net interest margin (taxable-equivalent basis).....	4.45	4.36	4.44	4.44	4.72
Efficiency ratio.....	57.5	51.9			
FINANCIAL RATIOS EXCLUDING MERGER AND RESTRUCTURING-RELATED ITEMS(A) Return on average assets.....	1.54%	1.96%			
Return on average equity.....	15.7	21.6	21.2	20.3	19.5
Efficiency ratio.....	49.5	48.8			
Banking efficiency ratio(c).....	45.2	43.5	46.3	49.7	51.7
<b>AVERAGE BALANCE SHEET</b>					
Loans.....	\$ 118,177	\$ 118,317	\$ 109,638	\$ 102,451	\$ 95,149
Loans held for sale.....	1,911	1,303	1,450	1,264	549
Investment securities.....	21,916	17,311	19,271	21,114	19,123
Earning assets.....	145,165	140,606	133,757	127,738	117,173
Assets.....	165,944	158,481	150,167	142,887	129,493
Noninterest-bearing deposits.....	25,109	23,820	23,556	23,011	20,984
Deposits.....	104,956	103,426	99,920	98,940	93,322
Short-term borrowings.....	12,980	12,586	11,707	11,102	11,791
Long-term debt.....	24,608	22,410	20,248	15,732	9,481
Total shareholders' equity.....	16,201	14,365	13,221	12,383	10,882
<b>YEAR-END BALANCE SHEET</b>					
Loans.....	\$ 114,405	\$ 122,365	\$ 113,229	\$ 106,958	\$ 99,029

Investment

securities.....					26,608
	17,642	17,449	20,965	20,442	
Assets.....					
	171,390	164,921	154,318	150,714	137,488
Deposits.....					
	105,219	109,535	103,417	104,346	98,323 Long-term
debt.....					25,716
	21,876	21,027	18,679	13,181	Total shareholders'
equity.....					16,461 15,168
	13,947	12,574	11,402	-	-----
	-----	-----	-----	-----	-----

- (a) The Company analyzes its performance on a net income basis in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger and restructuring-related items referred to as "operating earnings." Operating earnings are presented as supplemental information to enhance the readers' understanding of, and highlight trends in, the Company's financial results excluding the impact of merger and restructuring-related items of specific business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earnings per share as determined in accordance with accounting principles generally accepted in the United States. Merger and restructuring-related items excluded from net income to derive operating earnings may be significant and may not be comparable to other companies.
  
- (b) Dividends per share have not been restated for the 2001 merger of Firststar and USBM.
  
- (c) Without investment banking and brokerage activity.

ACQUISITION AND DIVESTITURE ACTIVITY In addition to restating all prior periods to reflect the merger of Firststar and USBM, operating results for 2001 reflect the following transactions accounted for as purchases from the date of completion. On July 24, 2001, the Company acquired NOVA, the nation's third largest merchant processing service provider, in a stock and cash transaction valued at approximately \$2.1 billion. On September 7, 2001, the Company acquired Pacific Century Bank in a cash transaction. The acquisition included 20 branches located in Southern California with approximately \$712 million in deposits and \$570 million in loans. On October 13, 2000, the Company acquired Scripps Financial Corporation of San Diego, which had 10 branches in San Diego County and total assets of \$650 million. On September 28, 2000, the Company acquired Lyon Financial Services, Inc., a wholly owned subsidiary of the privately held Schwan's Sales Enterprises Inc. in Marshall, Minnesota. Lyon Financial specializes in small-ticket lease transactions and had \$1.3 billion in assets. On April 7, 2000, the Company acquired Oliver-Allen Corporation, Inc., a privately held information technology equipment leasing company with total assets of \$280 million. On January 14, 2000, the Company acquired Peninsula Bank of San Diego, which had 11 branches in San Diego County and total assets of \$491 million. In addition to these business combinations, the Company purchased 41 branches in Tennessee from First Union National Bank on December 8, 2000, representing approximately \$450 million in assets and \$1.8 billion in deposits.

On September 20, 1999, Firststar and Mercantile Bancorporation, Inc. ("Mercantile") merged in a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies. Each share of Mercantile stock was exchanged for 2.091 shares of Firststar common stock. Refer to Note 3 and Note 4 of the Notes to Consolidated Financial Statements for additional information regarding business combinations.

On January 18, 2002, the Company announced a definitive agreement to acquire The Leader Mortgage Company, LLC ("Leader"), a wholly owned subsidiary of First Defiance Financial Corporation, in a cash transaction. Leader specializes in acquiring servicing of loans originated for state and local housing authorities. Leader had \$506 million in assets at December 31, 2001. In 2001, it had \$2.1 billion in mortgage production and an \$8.6 billion servicing portfolio at December 31, 2001. The transaction is expected to close in the second quarter of 2002.

#### STATEMENT OF INCOME ANALYSIS

NET INTEREST INCOME Net interest income on a taxable-equivalent basis was \$6.5 billion in 2001, compared with \$6.1 billion in 2000 and \$5.9 billion in 1999. The 5.4 percent increase in 2001 as compared with 2000 was due to improving net interest margin and growth in average earning assets. The net interest margin in 2001 was 4.45 percent, compared with 4.36 percent in 2000. The improvement in the net interest margin was due to the funding benefit of the declining rate environment and improved spreads due to product re-pricing dynamics and loan conduit activities. This was offset somewhat by the first quarter 2001 sales of the high loan-to-value ("LTV") home equity portfolios and lower yields on the investment portfolio. Average earning assets for 2001 increased \$4.6 billion (3.2 percent) over 2000. The increase was primarily driven by increases in the investment portfolio, core retail loan growth and the impact of acquisitions. This growth was partially offset by a \$2.7 billion decline in lower margin residential mortgages and a \$2.2 billion

TABLE 2 Reconciliation of Operating Earnings(a) to Net Income in Accordance with GAAP

Year Ended December 31 (Dollars in Millions)					
2001	2000	1999	1998	1997	
-----					
- Operating					
earnings.....					
\$ 2,550.8	\$3,106.9	\$2,799.0	\$2,519.3	\$2,123.9	
Merger and restructuring-related items Gains on the sale of branches.....	62.2	--	--	48.1	--
Integration, conversion and other charges.....	(355.1)	(593.8)	(633.0)	(946.4)	(348.7)
Securities losses to restructure portfolio.....	(177.7)	--	--	--	--
Provision for credit losses(b).....	(7.5)	(37.9)	(20.3)	(382.2)	--
----- Pretax					
impact.....	(1,266.4)	(348.7)	(540.3)	(583.6)	(653.3)
----- Applicable tax					
benefit.....	117.4	123.1	197.2	128.7	422.1
----- Net income in					
accordance with GAAP.....	\$ 1,706.5	\$2,875.6	\$2,381.8	\$2,132.9	\$1,599.3
-----					

(a) The Company analyzes its performance on a net income basis in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger and restructuring-related items referred to as "operating earnings." Operating earnings are presented as supplemental information to enhance the readers' understanding of, and highlight trends in, the Company's financial results excluding the impact of merger and restructuring-related items of specific business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earnings per share as determined in accordance

with accounting principles generally accepted in the United States. Merger and restructuring-related items excluded from net income to derive operating earnings may be significant and may not be comparable to other companies.

- (b) Provision for credit losses in 2001 includes losses of \$201.3 million on the disposition of an unsecured small business credit line portfolio, losses of \$76.6 million on the sales of high loan-to-value home equity and indirect automobile loan portfolios, \$90.0 million of charges to align credit policies and risk management practices, and \$14.3 million to restructure a co-branding credit card relationship.

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reduction related to transfers of short-term, high credit quality, low margin commercial loans to Stellar Funding Group, Inc. ("loan conduit").

Average investment securities were \$4.6 billion (26.6 percent) higher in 2001 compared with 2000, reflecting net purchases of securities.

Average interest-bearing deposits increased \$241 million (.3 percent) from 2000. Growth in average interest checking and money market deposits was more than offset by reductions in the average balances of higher cost time certificates of deposit less than \$100,000. The decline in time certificates of deposit less than \$100,000 reflects funding decisions toward more favorably priced wholesale funding sources given the interest rate environment during 2001.

Average net free funds increased \$1.2 billion from a year ago including an increase in noninterest-bearing deposits of \$1.3 billion (5.4 percent) compared with 2000.

Net interest income on a taxable-equivalent basis increased \$202.3 million (3.4 percent) in 2000 compared with 1999. The increase was primarily due to growth in earning assets offset somewhat by a declining net interest margin. Average earning assets increased \$6.8 billion (5.1 percent) in 2000, primarily due to strong core loan growth and acquisitions partially offset by reductions in residential mortgages and securities. Average loans for 2000 were up \$8.7 billion (7.9 percent) from 1999, reflecting growth in commercial loans, retail loans, and acquisitions, offset by reductions in residential mortgage loans. Average investment securities were \$2.0 billion (10.2 percent) lower in 2000 compared with 1999, reflecting both maturities and sales of securities. Average interest-bearing deposits increased \$3.2 billion (4.2 percent) from 1999. This increase in interest-bearing deposits was primarily due to a \$4.2 billion increase (48.8 percent) in time deposits greater than \$100,000 reflecting the rising interest rate environment during 2000. Average net free funds increased \$566 million in 2000 including an increase in noninterest-bearing deposits of \$264 million (1.1 percent) compared with 1999. The net interest margin declined from 4.44 percent in 1999 to 4.36 percent in 2000, as lagging deposit growth in 2000 relative to total earning assets increased the Company's incremental cost of funding. Refer to the Consolidated Daily Average Balance Sheet and Related Yields and Rates on pages 86 and 87 for further interest margin detail.

**PROVISION FOR CREDIT LOSSES** The provision for credit losses is recorded to bring the allowance for credit losses to a level deemed appropriate by management based on factors discussed in "Analysis and Determination of Allowance for Credit Losses" on pages 34 through 36. During 2001, the provision for credit losses was \$2,528.8 million, compared with \$828.0 million in 2000 and \$646.0 million in 1999.

Included in the provision for credit losses for 2001 was a merger and restructuring-related provision of \$382.2 million. The merger and restructuring-related provision consisted of: a \$201.3 million provision for losses related to the disposition of an unsecured small business product; a \$90.0 million charge to align risk management practices, align charge-off policies and expedite the transition out of a specific segment of the healthcare industry not meeting the risk appetite of the Company; a \$76.6 million provision for losses related to the sales of high LTV home equity loans and the indirect automobile loan portfolio of USBM; and a \$14.3 million charge related

TABLE 3 Analysis of Net Interest Income

2001	2000	(Dollars in Millions)	2001	2000	1999	v
2000	v 1999	-	-----	-----	-----	-----
-----						
Components of net interest income						
Income on earning assets.....						
\$11,139.5	\$ 12,157.9	\$ 10,723.0	\$ (1,018.4)			
\$1,434.9	Expenses on interest bearing liabilities.....	4,674.8	6,022.9	4,790.3		
(1,348.1)	1,232.6	-----	-----	-----	-----	-----
----- Net interest income (taxable-equivalent basis).....						
\$ 6,464.7	\$ 6,135.0	\$ 5,932.7	\$ 329.7	\$ 202.3	---	---
-----						
----- Net interest income, as reported.....						
\$ 5,836.4	\$ 359.2	\$ 213.2	-----	-----	-----	-----
-----						
Average yields and rates paid (taxable-equivalent basis)						
Earning assets						
yield.....		7.67%	8.65%			
8.02% (.98)%	.63%	Rate paid on interest-bearing liabilities.....	3.92	5.19	4.37	(1.27)
		.82	---	---	---	---
-----						
----- Gross interest margin.....						
3.46%	3.65%	.29%	(.19)%	-----	-----	-----
-----						
----- Net interest margin.....						
4.45%	4.36%	4.44%	.09%	(.08)%	-----	-----
-----						
- Average balances						
Investment securities.....						
\$ 17,311	\$ 19,271	\$ 4,605	\$ (1,960)			
Loans.....						
118,177	118,317	109,638	(140)	8,679	Earning assets.....	
145,165	140,606	133,757	4,559	6,849	Interest-bearing liabilities.....	119,390

	116,002	109,719	3,388	6,283	Net free
funds(a).....					25,775
24,604	24,038	1,171	566	-	-----
					-----
					-----
					-----

(a) Represents noninterest-bearing deposits, allowance for credit losses, non-earning assets, other liabilities and equity.

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to the restructuring of a co-branding credit card relationship. Refer to Note 4 of the Notes to Consolidated Financial Statements for further information on merger and restructuring-related items.

The provision for credit losses in 2001, excluding merger and restructuring-related items, was \$2,146.6 million, an increase of \$1,318.6 million over 2000. The increase was primarily due to a \$160.0 million charge during the first quarter of 2001 in connection with an accelerated loan workout strategy and a \$1,025.0 million incremental provision recognized in the third quarter of 2001. The third quarter incremental provision for credit losses was taken after extensive reviews of the Company's commercial portfolio in light of declining economic conditions and company-specific trends. This action recognized an increasing probability that the economic slowdown already occurring had accelerated and may be more prolonged than previously anticipated. Given the continuing economic stress in various industry sectors, increasing unemployment and trends in consumer delinquencies and charge-offs, the Company may experience higher levels of nonperforming loans and volatility in net charge-offs during the next several quarters.

Refer to "Corporate Risk Profile" on pages 29 through 36, for further information on the factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

NONINTEREST INCOME Noninterest income in 2001 was \$5.4 billion, compared with \$4.9 billion in 2000 and \$4.2 billion in 1999. The increase of \$476.2 million (9.8 percent) in 2001 compared with 2000 included \$62.2 million of merger and restructuring-related gains in connection with the required sale of 14 branches associated with the merger of Firststar and USBM. Refer to Note 4 of the Notes to Consolidated Financial Statements for further information on merger and restructuring-related items. Excluding merger and restructuring-related gains, noninterest income was \$5.3 billion in 2001, an increase of \$414.0 million (8.5 percent) from 2000. Credit card fee revenue increased \$12.5 million (1.6 percent) in 2001 compared to revenue growth of \$113.6 million

TABLE 4 Net Interest Income -- Changes Due to Rate and Volume

2001 v 2000	2000 v 1999	-----	
(Dollars in Millions) Volume			
Yield/Rate	Total	Volume	Yield/Rate
Total	-----		
-----			
- Increase (decrease) in Interest income Commercial			
loans.....	\$ .9	(\$ 615.6)	(\$ 614.7)
	\$ 968.9	\$ 511.1	\$ 457.8
estate.....	3.6	(297.9)	
	(294.3)	249.2	116.0
		365.2	
Residential			
mortgages.....	(204.6)		
	(5.1)	(209.7)	(233.3)
		3.0	(230.3)
Retail			
loans.....			
	254.4	(247.1)	7.3
		202.0	130.0
332.0	-----		
----- Total			
loans.....	54.3		
	(1,165.7)	(1,111.4)	729.0
		1,435.8	Loans held for
sale.....	47.7	(2.9)	
	44.8	(10.5)	8.7
		(1.8)	Investment
securities.....	314.1		
	(190.5)	123.6	(128.2)
		71.9	(56.3)
Money market			
investments.....	(12.7)		
	(14.6)	(27.3)	(6.3)
		15.3	9.0
Trading			
securities.....			
	(.6)	2.3	1.7
		11.3	(1.5)
		9.8	Other
earning assets.....			
	(22.1)	(27.7)	(49.8)
		18.7	19.7
38.4	-----		
-----			
Total.....	380.7	(1,399.1)	(1,018.4)
	820.9	1,434.9	Interest expense
			Interest
checking.....	19.2		
	(86.0)	(66.8)	2.5
		36.9	39.4
Money market accounts.....			
	94.7	(383.7)	(289.0)
		9.0	148.8
		157.8	Savings
accounts.....			
	(6.7)	(24.8)	(31.5)
		(17.5)	(20.4)
		(37.9)	Time certificates of
			deposit less than
\$100,000.....			
	(142.9)	(74.0)	(216.9)
		(21.9)	
	157.6	135.7	Time deposits greater
			than \$100,000... 9.2
			(195.7)
(186.5)	225.6	128.2	353.8





(17.5 percent) in 2000 reflecting slower growth in corporate, purchasing and retail card transaction volumes during the year. Corporate card transaction volumes declined somewhat in late 2001 principally due to slower economic conditions and declining business travel since the events of September 11, 2001. Merchant and ATM processing revenue increased \$198.5 million, or 86.2 percent, principally due to the NOVA acquisition. Deposit service charges, commercial product revenue, cash management fees, and mortgage banking revenue also improved in 2001 compared with 2000 by \$109.5 million (19.9 percent), \$81.5 million (26.8 percent), \$54.9 million (18.8 percent), and \$44.1 million (23.2 percent), respectively. The increase in deposit service charges was primarily due to the alignment and re-design of products and features following the merger of Firststar and USBM. The increase in commercial product revenue and cash management fees was primarily driven by the growth in core business, loan conduit activities and product enhancements. Mortgage banking revenue increased in 2001 compared with 2000 due to increased origination and sales fees and loan servicing revenue, partially offset by a decrease in gains on the sale of servicing rights. Trust and investment management fees declined \$31.8 million (3.4 percent) and capital markets-related revenue declined \$145.4 million (13.4 percent) reflecting softness in equity capital markets since late 2000. Included in noninterest income for 2001 was \$329.1 million of gains on the sale of investment securities and principal-only residuals compared with \$8.1 million of similar gains in 2000. Other income declined \$179.9 million from a year ago, primarily reflecting a \$125.0 million decline in the level of earnings from equity investments compared with 2000 and a \$40.0 million impairment of retail leasing residuals in 2001. The decline in other income for 2001 also reflected a decline in building-related gains of \$42.5 million from 2000.

Noninterest income in 2000 increased \$638.3 million (15.0 percent) compared with 1999. The increase was driven by a \$165.5 million (18.0 percent) increase in capital markets-related revenue, credit card fee revenue growth of \$113.6 million (17.5 percent), increased commercial product revenue of \$88.7 million (41.1 percent), increased service charges on deposit accounts of \$53.9 million (10.8 percent), gains of \$55.0 million on the disposal of the Company's ownership in office buildings in Portland, Boise and Minneapolis, merchant and ATM processing revenue growth of \$40.7 million (21.5 percent), due in part to the acquisition of the Mellon Network Services processing business, increased insurance product revenue of \$40.0 million (38.0 percent), growth in trust and investment management revenue of \$39.1 million (4.4 percent), and revenues associated with equity investments, partially offset by a \$20.0 million gain on the sale of branches in Kansas and Iowa completed in 1999.

NONINTEREST EXPENSE Noninterest expense in 2001 was \$6.6 billion compared with \$5.7 billion in both 2000 and 1999. Noninterest expense included merger and restructuring-related charges of \$946.4 million in 2001, compared with \$348.7 million in 2000 and \$532.8 million in 1999. Excluding merger and restructuring-related charges, noninterest expense on an operating basis was \$5.7 billion in 2001, compared with \$5.4 billion in 2000 and \$5.1 billion in 1999. The increase in 2001 noninterest expense, on an operating basis, of \$290.5 million (5.4 percent) was primarily the result of recent acquisitions, including NOVA, Scripps Financial Corporation, Pacific Century Bank, Lyon Financial Services, Inc. and 41 branches in Tennessee representing an aggregate increase of

TABLE 5 Noninterest Income

	2001	2000	1999
-----			
----- Credit card fee			
revenue.....	\$ 774.3	\$ 761.8	\$ 648.2
Merchant and ATM processing			
revenue.....	428.8	230.3	189.6
Trust and investment management fees.....			
charges.....	894.4	926.2	887.1
Deposit service			
fees.....	660.6	551.1	497.2
Cash management			
revenue.....	347.3	292.4	280.6
Mortgage banking			
revenue.....	234.0	189.9	190.4
Trading account profits and			
commissions.....	221.6	258.4	222.4
Investment products fees and			
commissions.....	460.1	466.6	450.8
Investment banking			
revenue.....	258.2	360.3	246.6
Insurance product			
revenue.....	145.4	145.3	105.3
Commercial product			
revenue.....	385.9	304.4	215.7
Retail product			
revenue.....	18.1	69.1	78.0
Securities gains,			
net.....	329.1	8.1	13.2
Other.....	139.4	319.3	219.8
----- Total			
operating noninterest income.....	5,297.2	4,883.2	4,244.9
Merger and restructuring-related			
gains.....	62.2		
----- Total noninterest			
income.....	\$ 5,359.4	\$ 4,883.2	\$ 4,244.9
-----			

approximately \$241.7 million. In addition to the impact of acquisitions, noninterest expense increased over 2000 due to recognition of mortgage servicing rights ("MSR") impairments of \$60.8 million related to increasing mortgage prepayments during the declining rate environment, and asset write-downs of \$52.6 million related to commercial leasing partnerships and repossessed tractor/trailer property. These increases were partially offset by a reduction in expenses related to capital markets activity of \$108.0 million and cost savings related to merger and restructuring-related activities.

The increase in 2000 noninterest expenses, on an operating basis, of \$239.8 million (4.7 percent) was primarily attributed to growth in expenses related to investment banking and brokerage activity of \$228.6 million, the impact of purchase acquisitions and divestitures of \$175.9 million and planned spending on service-quality technology and other customer service initiatives of USBM. These increases were somewhat offset by cost savings related to the integration of Mercantile.

The efficiency ratio before merger-related charges increased slightly to 49.5 percent in 2001 compared with 48.8 percent in 2000 and 50.5 percent in 1999. The banking efficiency ratio before merger-related charges was 45.2 percent for 2001, compared with 43.5 percent in 2000 and 46.3 percent in 1999. Both the efficiency ratio and the banking efficiency ratio increased in 2001 primarily due to the NOVA acquisition. The improved banking efficiency ratio in 2000 compared with 1999 reflects the results of integrating acquired banking businesses.

**MERGER AND RESTRUCTURING-RELATED ITEMS** The Company incurred merger and restructuring-related items in each of the last three years in conjunction with its acquisitions. In 2001, merger and restructuring-related items included in pretax earnings were \$1,266.4 million, including \$382.2 million in the provision for credit losses, a \$62.2 million gain on the required sale of branches and \$946.4 million of noninterest expense. The total merger and restructuring-related items consisted of \$1,167.2 million related to the Firststar and USBM merger, \$50.7 million of restructuring expenses for U.S. Bancorp Piper Jaffray and \$48.5 million related to NOVA and other acquisitions. With respect to the Firststar and USBM merger, the \$1,167.2 million of merger and restructuring-related items included \$268.2 million for severance and employee-related costs and \$477.6 million of charges to exit business lines and products, sell credit portfolios or otherwise realign business practices in the new Company. The Company also incurred \$208.1 million of systems conversion and business integration costs, \$48.7 million for lease cancellation and other building-related costs, \$226.8 million for transaction costs, funding a charitable foundation to reaffirm a commitment to its markets and other costs, and a \$62.2 million gain related to the required sale of branches. Total merger and restructuring-related items associated with the Firststar and USBM merger are expected to reach

TABLE 6 Noninterest Expense

(Dollars in Millions)	2001	2000	1999	
Salaries.....	\$2,347.1	\$2,427.1	\$2,355.3	Employee
benefits.....		399.8	410.1	Net
occupancy.....	417.9	396.9	371.8	Furniture and
equipment.....		307.9	305.5	Professional
services.....	95.7		123.8	Advertising and
marketing.....		124.1	121.6	Travel and
entertainment.....		107.0	90.6	
Software.....	136.1	111.9	72.2	Data
processing.....	80.0	149.7	133.7	
Communication.....	181.4	138.8	123.4	
Postage.....	179.8	174.5	170.7	
Printing.....	77.9	86.5	90.7	
Goodwill.....	251.1	235.0	175.8	Other intangible
assets.....			154.0	
Other.....	701.4	444.5	454.7	
operating noninterest expense.....	5,368.3	5,128.5	5,658.8	Total
charges.....		946.4	348.7	Merger and restructuring-related
expense.....			532.8	charges
ratio(a).....	51.9%	55.7%	57.5%	Efficiency
items.....	49.5	48.8	50.5	Banking efficiency ratio, before merger and
	45.2	43.5	46.3	restructuring-related items(b)

(a) Computed as noninterest expense divided by the sum of net interest income on a taxable-equivalent basis and noninterest income excluding securities gains (losses), net

(b) Without investment banking and brokerage activity.

\$1.4 billion with integration activities substantively being completed in the third quarter of 2002.

In response to significant changes in the securities markets during 2001, including increased volatility, changes in equity valuations and the increasingly competitive environment for the industry, U.S. Bancorp Piper Jaffray restructured its operations. The restructuring is expected to improve the operating efficiency of the business by removing excess capacity from its product distribution network and by implementing more effective business processes. These restructuring activities were completed in 2001.

In 2000, merger and restructuring-related items included noninterest expenses consisting of \$227.0 million related to the merger of Firststar and Mercantile, \$52.6 million related to the merger of Firststar and Star Banc and \$69.1 million primarily related to other acquisitions of USBM. Included in merger and restructuring-related items were \$59.4 for severance and employee-related costs, \$193.5 million for systems conversions, \$47.3 million for lease cancellations and other building-related costs and \$48.5 million of other business integration costs.

In 1999, merger and restructuring-related items included noninterest expenses consisting of \$417.0 million related to the merger of Firststar and Mercantile, \$95.9 million related to the merger of Firststar and Star Banc and \$27.4 million primarily related to other acquisitions by USBM. Included in merger and restructuring-related items were \$149.6 for severance and employee-related costs, \$132.5 million for systems conversions, \$177.7 million related to the restructuring of Mercantile's securities portfolio, \$6.2 million for lease cancellations and other building-related costs and \$66.8 million to fund charitable foundations and other business integration costs.

Refer to Note 3 and Note 4 of the Notes to Consolidated Financial Statements for further information on these acquired businesses and merger and restructuring-related items.

**INCOME TAX EXPENSE** The provision for income taxes was \$927.7 million in 2001, compared with \$1,512.2 million in 2000 and \$1,392.2 million in 1999. The Company's effective tax rate was 35.2 percent in 2001, compared with 34.5 percent in 2000 and 36.9 percent in 1999. The effective tax rate increased in 2001 compared with 2000 primarily due to a decline in tax-exempt interest related to sales of investment securities, the impact of unitary state tax apportionment factors on the Company, non-deductible merger-related costs and the acquisition of NOVA.

At December 31, 2001, the Company's net deferred tax liability was \$573.2 million, compared with \$512.8 million at December 31, 2000. For further information on income

TABLE 7 Loan Portfolio Distribution

2001	2000	1999	Percent	Percent	At December 31	Amount of
				(Dollars in Millions)		
Total	Total	Total	Total	Total	Total	Total
<b>COMMERCIAL</b>						
Commercial.....	\$ 40,472	35.4%	\$ 47,041	38.5%	\$	
Lease financing.....	42,021	37.1%				
5,858	5.1	5,776	4.7	3,835	3.4	---
<b>Total</b>						
commercial.....	46,330					
40.5	52,817	43.2	45,856	40.5		
<b>COMMERCIAL REAL ESTATE</b>						
Commercial mortgages.....	18,765					
16.4	19,466	15.9	18,636	16.5		
<b>Construction and development.....</b>						
6,608	5.8	6,977				
5.7	6,506	5.7				
<b>Total</b>						
commercial real estate.....	25,373					
22.2	26,443	21.6	25,142	22.2		
<b>RESIDENTIAL</b>						
MORTGAGES.....	5,746					
5.0	7,753	6.3	11,395	10.1		
<b>RETAIL</b>						
Credit card.....	5,889					
5.1	6,012	4.9	5,004	4.4		
<b>Retail leasing.....</b>						
4,906						
4.3	4,153	3.4	2,123	1.9		
<b>Other retail Home equity and second mortgage.....</b>						
14,318	12.5	13,600	11.1	* *		
<b>Revolving credit.....</b>						
2,673	2.3	2,750	2.2	* *		
<b>Installment.....</b>						
2,292	2.0	2,186	1.8	* *		
<b>Automobile.....</b>						
5,660	5.0	5,609	4.6	* *		
<b>Student.....</b>						

1,218 1.1 1,042 .9 \* \* -----  
-----  
Total other retail..... 26,161  
22.9 25,187 20.6 23,709 20.9 -----  
-----  
Total retail.....  
36,956 32.3 35,352 28.9 30,836  
27.2 -----  
-----  
----- Total  
loans..... \$114,405  
100.0% \$122,365 100.0% \$113,229  
100.0% - -----  
-----  
-----  
1998 1997 -----  
----- Percent  
Percent At December 31 (Dollars  
in Millions) Amount of Total  
Amount of Total -----  
-----  
-----  
-- COMMERCIAL  
Commercial.....  
\$ 37,777 35.3% \$33,662 34.0%  
Lease  
financing.....  
3,291 3.1 2,667 2.7 -----  
-----  
Total commercial.....  
41,068 38.4 36,329 36.7  
COMMERCIAL REAL ESTATE Commercial  
mortgages..... 16,602  
15.5 15,739 15.9 Construction and  
development..... 5,206 4.9 4,059  
4.1 -----  
----- Total commercial  
real estate.....  
21,808 20.4 19,798 20.0  
RESIDENTIAL  
MORTGAGES..... 13,980  
13.1 15,892 16.0 RETAIL Credit  
card..... 4,856  
4.5 4,993 5.1 Retail  
leasing..... 1,621  
1.5 1,087 1.1 Other retail Home  
equity and second  
mortgage..... \* \*  
\* \* Revolving  
credit..... \* \* \* \*  
Installment..... \*  
\* \* \*  
Automobile..... \*  
\* \* \*  
Student..... \*  
\* \* \* -----  
----- Total other  
retail..... 23,625 22.1 20,930  
21.1 -----  
----- Total  
retail..... 30,102  
28.1 27,010 27.3 -----  
-----  
Total loans.....  
\$106,958 100.0% \$99,029 100.0% -  
-----  
-----

\*Information not available

taxes, refer to Note 19 of the Notes to Consolidated Financial Statements.

BALANCE SHEET ANALYSIS

Average earning assets were \$145.2 billion in 2001 compared with \$140.6 billion in 2000. The increase of \$4.6 billion (3.2 percent) was primarily driven by increases in the investment portfolio, core retail loan growth, and the impact of acquisitions. This growth was partially offset by a \$2.7 billion decline in lower margin residential mortgages and a \$2.2 billion reduction related to transfers of short-term, high credit quality, low margin commercial loans to the loan conduit. The increase was funded with an increase in average interest-bearing liabilities of \$3.4 billion consisting principally of more favorably priced long-term wholesale funds and an increase in net free funds of \$1.2 billion including an increase in average noninterest-bearing deposits of \$1.3 billion.

For average balance information, refer to Consolidated Daily Average Balance Sheet and Related Yields and Rates on pages 86 and 87.

LOANS The Company's loan portfolio decreased \$8.0 billion to \$114.4 billion at December 31, 2001, from \$122.4 billion at December 31, 2000. The change in loans outstanding was impacted by several management actions, including the sale of high LTV home equity and indirect automobile portfolios, the transfer of a discontinued unsecured small business product to loans held for sale, branch divestitures required by the merger of Firststar and USBM, and transfers of short-term, high credit quality, low margin commercial loans to the loan conduit. In addition, the Company continued its business strategy to reduce the lower margin residential mortgage portfolio. Average total loans decreased less than one percent to \$118.2 billion in 2001 compared with \$118.3 billion in 2000. Excluding residential mortgages, average loans for 2001 were \$2.6 billion (2.4 percent) higher than 2000. Average loans on a core basis (excluding loan conduit activities, transfer of loans to held for sale and residential mortgages) increased by \$4.6 billion (4.3 percent) relative to the prior year.

The Company's loan portfolio inherently has credit risk, which may ultimately result in loan charge-offs. The Company manages this risk through stringent, centralized credit policies and review procedures, as well as diversification along geographic and customer lines. Refer to "Corporate Risk Profile" on pages 29 through 36, for a more detailed discussion of the management of credit risk including the allowance for credit losses.

COMMERCIAL Commercial loans, including lease financing, totaled \$46.3 billion at December 31, 2001, down \$6.5 billion (12.3 percent) from year-end 2000. The decline in commercial loans reflected tighter credit underwriting throughout 2001, slower economic growth, the Company's transfer of approximately \$3.7 billion of short-term, high credit quality, low margin commercial loans into the loan conduit and the transfer of \$680 million in unsecured small business product to loans held for sale. This was offset somewhat by core growth in equipment lease financing and bank acquisitions. Average commercial loans in 2001 were flat compared with 2000. On a core basis (without loan conduit activities and transfers to loans held for sale), average commercial loans increased by 2.1 percent from a year ago.

The Company offers a broad array of traditional commercial lending products and specialized products such as asset-based lending, lease financing, agricultural credit and correspondent banking. The Company monitors and manages the portfolio diversification by industry, customer and geography. The commercial portfolio reflects the Company's focus of serving small business customers, middle market and larger corporate businesses throughout its 24 state banking region and national customers within certain niche industry groups.

Table 9 provides a summary of the significant industry groups and geographic locations of commercial loans outstanding at December 31, 2001 and 2000. The commercial loan portfolio is diversified among various industries with somewhat higher concentrations in consumer products and services, capital goods (including manufacturing and commercial construction-related

TABLE 8 Selected Loan Maturity Distribution

	Over One Year	One Year Through	Over Five	At December 31, 2001
(Dollars in Millions) or Less	Five Years	Years	Years	Total
Commercial.....				
\$ 25,761 \$ 17,896 \$ 2,673 \$ 46,330				Commercial real
estate.....	7,256	12,238		
5,879 25,373	Residential			
mortgages.....	495	954		
4,297 5,746				
Retail.....				
13,452 13,417 10,087 36,956				
				Total
loans.....				\$ 46,964 \$
44,505 \$ 22,936 \$114,405	Total of loans due after one year			
	with Predetermined interest			
rates.....				\$ 37,420 Floating
interest rates.....				\$ 30,021

businesses), and consumer staples industries. Additionally, the commercial portfolio is diversified across the Company's geographical markets with 81.7 percent of total commercial loans within the 24 state banking region. Credit relationships outside of the Company's banking region are typically niche businesses including the mortgage banking and the leasing businesses. The mortgage banking sector represented approximately 3.0 percent of commercial loans at December 31, 2001, compared with 1.8 percent at December 31, 2000. Loans to mortgage banking customers are primarily warehouse lines which are collateralized with the underlying mortgages. The Company regularly monitors its mortgage collateral position to manage its risk exposure.

The Company provides financing to enable customers to grow their businesses through acquisitions of existing businesses, buyouts or other recapitalizations. Such leveraged financings approximated \$3.9 billion in loans outstanding at December 31, 2001, compared with approximately \$4.9 billion outstanding at December 31, 2000. The decline was primarily due to tighter credit underwriting, payoffs and the Company's aggressive workout strategies during 2001. During a business cycle with slower economic growth, businesses with leveraged capital structures may experience insufficient cash flows to service their debt. The Company manages its exposure to leveraged financings by maintaining strong underwriting standards, portfolio diversification and effectively managing the relationship with the customer either directly or through reputable financial intermediaries. At inception of the credit relationship, the Company's underwriting standards require the businesses to have acceptable capital levels and demonstrated sufficient cash flows to support debt service of the loans. The Company's portfolio of leveraged financings is included in Table 9 and is diversified among industry groups similar to the total commercial loan portfolio.

COMMERCIAL REAL ESTATE The Company's portfolio of commercial real estate mortgages and construction loans declined to \$25.4 billion at December 31, 2001, compared with \$26.4 billion at December 31, 2000. Commercial mortgages outstanding decreased to \$18.8 billion at

TABLE 9 Commercial Loan Exposure by Industry Group and Geography

December 31, 2001		December 31, 2000	
-----			
INDUSTRY GROUP(Dollars in Millions)			
Loans	Percent	Loans	Percent
-----			
----- Consumer products and			
services.....		\$ 8,591	18.5%
	9,791	18.4%	Capital
goods.....	6,270		
	13.5	6,984	13.2
staples.....	4,638		Consumer
	10.0	5,427	10.3
Financials.....			
	4,291	9.3	5,438
Agriculture.....			10.3
	3,340	7.2	4,177
Transportation.....			7.9
	2,544	5.5	2,775
Paper and forestry products, mining and			5.3
basic materials.....		1,931	4.2
Private			2,249
investors.....	1,803		4.3
	3.9	2,405	4.6
Healthcare.....			
	1,424	3.1	1,631
Mortgage			3.1
banking.....	1,400		
	3.0	961	1.8
Technology.....			
	1,094	2.4	1,223
2.3			
Energy.....			
	405	.9	742
1.4			
Other.....			
	8,599	18.5	9,014
17.1			
-----			
Total.....			
	\$46,330	100.0%	\$52,817
100.0%			
-----			
GEOGRAPHY			
-----			
California.....			
	\$ 3,969	8.6%	\$ 3,174
6.0%			
Colorado.....			
	2,008	4.3	2,661
5.0			
Illinois.....			
	2,339	5.0	3,336
6.3			
Minnesota.....			
	6,511	14.1	8,724
16.5			
Missouri.....			
	2,104	4.5	2,163
4.1			
Ohio.....			
	2,896	6.3	2,269
4.3			
Oregon.....			
	2,014	4.3	2,769
5.2			
Washington.....			
	3,882	8.4	4,860
9.2			
Wisconsin.....			
	3,115	6.7	3,153
6.0			
Iowa, Kansas, Nebraska, North Dakota,			
South Dakota.....	5,059	10.9	4,547
8.6			
Arkansas,			
Indiana, Kentucky, Tennessee.....	1,897		
	4.1	2,230	4.2
Idaho, Montana,			
Wyoming.....	1,014	2.2	
	1,316	2.5	Arizona, Nevada,
Utah.....	1,057	2.3	1,460

2.8	-----	Total			
banking region.....			37,865		
81.7 42,662 80.8		Outside the Company's banking			
region.....	8,465	18.3	10,155	19.2	-----
	-----				
Total.....					
\$46,330	100.0%	\$52,817	100.0%	-	-----
	-----				
	-----				

U.S. Bancorp  
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December 31, 2001, compared with \$19.5 billion at December 31, 2000. Real estate construction and development loans at December 31, 2001, totaled \$6.6 billion compared with \$7.0 billion at year-end 2000. Average commercial real estate loans were \$26.1 billion in 2001; essentially flat compared with a year ago.

Table 10 provides a summary of commercial real estate exposures by property type and geographic location. The Company maintains the real estate construction designation until the project is producing sufficient cash flow to service traditional mortgage financing, at which time, if retained, the loan is transferred to the commercial mortgage portfolio. Approximately \$601 million of construction loans were transferred to the commercial mortgage portfolio in 2001.

At year-end 2001, real estate secured \$207 million of tax-exempt industrial development loans. The Company's commercial real estate mortgages and construction loans had unfunded commitments of \$6.0 billion at December 31, 2001.

The Company also finances the operations of real estate developers and other entities with operations related to real estate. These loans are not secured directly by real estate and are subject to terms and conditions similar to commercial loans. These loans were included in the commercial loan category and totaled \$1.4 billion at December 31, 2001.

RESIDENTIAL MORTGAGES Residential mortgages, held in the loan portfolio, decreased to \$5.7 billion at December 31, 2001, from \$7.8 billion at December 31, 2000. The decline reflected management's decision to reduce these lower yielding loans and the related adverse prepayment risk by selling most single-family residential real estate loan originations into the secondary market.

RETAIL Total retail loans outstanding, which includes credit card, retail leasing, home equity, and other retail loans, increased \$1.6 billion (4.5 percent) to \$37.0 billion at December 31, 2001, from \$35.4 billion at December 31, 2000. This increase was primarily related to growth in retail leases of \$753 million, and home equity lines and loans of \$718 million. This growth was tempered somewhat by

TABLE 10 Commercial Real Estate Exposure by Property Type and Geography

December 31, 2001	December 31, 2000	PROPERTY TYPE (Dollars in Millions)	
Loans	Percent	Loans	Percent
-----			
----- Business owner -----			
occupied.....	\$ 5,159	20.3%	
family.....	\$ 6,245	23.6%	Multi-
Industrial.....	2,842	11.2	3,908 14.8 Commercial property
Office.....	1,995	7.9	1,923 7.3
Retail.....	2,948	11.6	2,761 10.4
Other.....	2,704	10.7	2,537 9.6
Homebuilders.....	1,949	7.7	2,755 10.4
Hotel/motel.....	1,417	5.6	1,521 5.8
facilities.....	1,985	7.8	1,916 7.2 Healthcare
Other.....	1,084	4.1	1,183 4.7
Total.....	3,191	12.5	1,793 6.8
-----			
----- GEOGRAPHY -----			
California.....	\$ 3,399	13.4%	\$ 3,255 12.3%
Colorado.....	840	3.3	855 3.2
Illinois.....	1,581	6.2	836 3.2
Minnesota.....	1,401	5.5	1,088 4.1
Missouri.....	2,439	9.6	2,842 10.7
Ohio.....	2,274	9.0	2,425 9.2
Oregon.....	1,427	5.6	1,638 6.2
Washington.....	2,671	10.5	2,937 11.1
Wisconsin.....	2,128	8.4	2,113 8.0 Iowa, Kansas, Nebraska, North Dakota,
South Dakota.....	2,016	8.0	2,982 11.3 Arkansas,
Indiana, Kentucky, Tennessee.....	2,055	8.1	1,798 6.8 Idaho, Montana,
Wyoming.....	690	2.7	573
Utah.....	2.2	Arizona, Nevada,	
Total.....	1,182	4.7	1,264
Total.....	4.8		

banking region.....	24,103			
95.0 24,606 93.1 Outside the Company's banking				
region.....	1,270	5.0	1,837	6.9 -----
-----				
Total.....				
\$25,373 100.0% \$26,443 100.0% -				-----
-----				

portfolio sales of \$1.3 billion related to the high LTV home equity portfolio and indirect automobile loans completed in the first quarter of 2001. Average retail loans increased \$2.5 billion (7.7 percent) to \$35.2 billion in 2001. On a core basis, average retail loans increased 12.2 percent from a year ago with growth in most retail loan categories. Of the total retail loans and residential mortgages outstanding, approximately 93 percent are to customers located in the Company's banking region.

**LOANS HELD FOR SALE** At December 31, 2001, loans held for sale ("LHFS"), which consisted primarily of residential mortgage loans to be sold in the secondary markets, were \$2.8 billion compared with \$764 million at December 31, 2000. The increase reflected the surge in residential mortgage production volume in 2001 due to declining interest rates. Residential mortgage production increased to \$15.6 billion in 2001 compared with \$6.7 billion in 2000.

**SECURITIES** The Company uses its investment securities portfolio for several purposes. It serves as a vehicle to manage interest rate and prepayment risk, generates interest and dividend income from the investment of excess funds depending on loan demand, provides liquidity to meet liquidity requirements and is used as collateral for public deposits and wholesale funding sources.

At December 31, 2001, investment securities of \$26.6 billion consisted of securities available-for-sale (\$26.3 billion) and held-to-maturity (\$.3 billion), compared with total investment securities of \$17.6 billion at December 31, 2000. During the year, management realigned the portfolio to hedge against interest rate changes and the

TABLE 11 Investment Securities

Available-for-Sale			
-----			
- Weighted Average Weighted			
Amortized Fair Maturity in Average			
December 31, 2001 (Dollars in			
Millions) Cost Value Years Yield -			
-----			
----- U.S.			
Treasuries and agencies Maturing			
in one year or less..... \$			
105	\$ 106	.37	4.29%
Maturing after			
one year through five			
years.....			
290	298	2.35	4.74
Maturing after			
five years through ten			
years.....			
44	45	5.83	4.86
Maturing after ten			
years.....			
-----			
-----			
Total..... \$			
439	\$ 449	2.22	4.64
-----			
-----			
Mortgage and asset-backed			
securities Maturing in one year or			
less..... \$ 40 \$ 40 .61 5.59			
Maturing after one year through			
five			
years.....			
13,626	13,704	3.90	5.91
Maturing			
after five years through ten			
years.....			
8,786	8,718	5.84	5.44
Maturing			
after ten years.....			
1,576	1,566	14.57	3.37
-----			
-----			
Total.....			
\$24,028	\$24,028	5.30	5.57
-----			
-----			
----- Obligations of states and			
political subdivisions Maturing in			
one year or less..... \$ 185 \$			
187	.46	7.26	
Maturing after one			
year through five			
years.....			
384	393	2.79	7.33
Maturing after			
five years through ten			
years.....			
228	231	7.00	7.01
Maturing after			
ten years..... 80 80			
16.05	8.68		
-----			
-----			
Total..... \$			
877	\$ 891	4.60	7.35
-----			
-----			
Other debt securities Maturing in			
one year or less..... \$ 137 \$			
138	.53	2.84	
Maturing after one			
year through five			
years.....			
69	70	1.93	6.11
Maturing after			
five years through ten			
years.....			
7	6	4.66	8.03
Maturing after ten			
years.....			
262	235	25.35	
3.03			
-----			
-----			



balances.

2001	2000	-----	-----	-----
Amortized	Percent	Amortized	Percent	At
December	31	(Dollars	in	Millions)
Cost	of	Total	Cost	of
Total	Cost	of	Total	Cost
-	-	-	-	-
-----	-----	-----	-----	-----
-- U.S. Treasuries and agencies.....				
\$ 439	1.7%	\$ 1,600	9.1%	Asset-backed securities
Collateralized mortgage obligations.....				
15,178				
57.1	6,264	35.8	Mortgage-backed securities.....	
8,878	33.4	5,572	31.9	-----
-----				
----- Total asset-backed securities.....				
24,056	90.5	11,836	67.7	Obligations of states and political subdivisions.....
1,148	4.3	2,586		
14.8	Other securities and investments.....			
950	3.5	1,472	8.4	-----
-----				
----- Total investment securities.....				
\$26,593	100.0%	\$17,494	100.0%	-
-----				
-----				
-----				

impact of prepayments in the mortgage servicing rights portfolio. The Company purchased \$32.3 billion and sold \$19.2 billion of investment securities during the realignment process and generated \$329.1 million in securities gains in the declining interest rate environment.

The weighted-average yield of the available-for-sale portfolio was 5.58 percent at December 31, 2001, compared with 7.23 percent at December 31, 2000. The average maturity of the available-for-sale portfolio dropped to 5.4 years at December 31, 2001, down from 9.5 years at December 31, 2000. The relative mix of the type of investment securities maintained in the portfolio is provided in Table 11. The change in investment portfolio mix reflected sales of tax-exempt municipal securities which were replaced by collateralized mortgage obligations. At December 31, 2001, the investment portfolio included a \$15 million net unrealized gain, compared with a net unrealized gain of \$148 million at December 31, 2000.

DEPOSITS Total deposits were \$105.2 billion at December 31, 2001, down \$4.3 billion (3.9 percent) from \$109.5 billion at year-end 2000. The decline since December 31, 2000, was primarily due to the required sale of 14 branches related to the merger of Firststar and USBM as well as management's funding decisions to reduce higher cost time deposits greater than \$100,000.

Noninterest-bearing deposits were \$31.2 billion at December 31, 2001, compared with \$26.6 billion at December 31, 2000. Average noninterest-bearing deposits increased to \$25.1 billion in 2001 compared with \$23.8 billion in 2000. The increase in noninterest-bearing deposits was primarily attributable to business demand accounts that maintain compensating balances with the Company and to bank acquisitions. Core interest-bearing deposits, including savings accounts, interest checking and money market accounts, increased \$2.3 billion (5.5 percent) from a year ago. Average core interest-bearing deposits increased \$2.6 billion (6.4 percent) during

TABLE 12 Deposits

The composition of deposits was as follows:

December 31 (Dollars in Millions)		2001	2000	1999
1998	1997	-----		
-----				
----- Noninterest-bearing				
deposits.....		\$ 31,212	\$	
26,633	\$ 26,350	\$ 27,479	\$ 24,062	Interest-bearing
deposits Savings				
accounts.....		4,637		
		4,516	5,445	6,352
		6,352	6,414	Interest
checking.....		15,251		
		13,982	13,141	13,385
		12,212	Money market	
accounts.....		24,835		
23,899	22,751	22,086	18,672	-----
-----				
Subtotal.....		44,723	42,397	41,337
		41,823	37,298	Time certificates
of deposit less than \$100,000.....		20,724	25,780	
		25,394	27,935	29,548
		Time deposits greater than		
		\$100,000		
Domestic.....		7,286	11,221	9,348
		6,261	6,622	
Foreign.....		1,274	3,504	988
		848	793	-----
-----				
Total				
deposits.....		\$105,219	\$109,535	\$103,417
		\$104,346	\$ 98,323	-----
-----				
-----				
Percent of total deposits		2001	2000	1999
1998	1997	-----		
-----				
----- Noninterest-bearing				
deposits.....		29.7%	24.3%	
25.5%	26.3%	24.5%	Interest-bearing deposits Savings	
accounts.....		4.4		
		4.1	5.3	6.1
		6.5	Interest	
checking.....		14.5		
		12.8	12.7	12.8
		12.4	Money market	
accounts.....		23.6	21.8	
22.0	21.2	19.0	-----	
-----				
Subtotal.....		42.5	38.7	40.0
		40.1	37.9	Time certificates of
deposit less than \$100,000.....		19.7	23.5	24.5
		26.8	30.1	Time deposits greater than \$100,000
Domestic.....		6.9	10.3	9.0
		6.0	6.7	
Foreign.....		1.2	3.2	1.0
		.8	.8	-----
-----				
Total				
deposits.....		100.0%		
		100.0%	100.0%	100.0%
		-----		
-----				

The maturity of time deposits greater than \$100,000 was as follows:

December 31 (Dollars in Millions)		2001
-----		-----
-----		
-- Three months or		

less.....	\$4,060	Over
three months through six months.....		
1,903		Over six months through twelve
months.....	1,200	Over twelve
months.....	1,397	-
		----
Total.....		
\$8,560 -		-----
		-----

2001. The downturn in equity capital markets in 2001 and the current interest rate environment have prompted many customers to increase their liquidity in accessible deposits. Time certificates of deposit less than \$100,000 declined \$5.1 billion (19.6 percent) during the year. Large denomination deposits, both domestic and foreign, decreased \$6.2 billion (41.9 percent). These deposits are largely viewed as purchased funds and are managed to levels deemed appropriate given alternative funding sources. Average time certificates of deposit less than \$100,000 declined \$2.5 billion (9.8 percent) and average large denomination deposits were essentially flat compared with 2000. The decline in average time certificates of deposit less than \$100,000 reflected the net impact of bank acquisitions and branch divestitures and management's pricing decisions to change the mix of funding toward lower rate wholesale funding sources.

Table 12 provides a summary of total deposits by type of deposit.

**BORROWINGS** The Company utilizes both short-term and long-term borrowings to fund growth of earning assets in excess of deposit growth. Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, were \$14.7 billion at December 31, 2001, up \$2.8 billion (24.0 percent) from \$11.8 billion at year-end 2000. Short-term funding is managed to levels deemed appropriate given alternative funding sources.

Long-term debt was \$25.7 billion at December 31, 2001, up from \$21.9 billion at December 31, 2000. The increase in long-term funding reflects favorable funding costs during the declining rate environment relative to rate reductions for shorter-term borrowings or large denomination deposits. During 2001, the Company issued \$1.1 billion of senior contingent convertible debt as well as \$1.5 billion of "Company-obligated Mandatorily Redeemable Preferred Securities of Subsidiary Trusts Holding Solely the Junior Subordinated Debentures of the Parent Company" commonly referred to as "Trust Preferred Securities". The Company's subsidiary U.S. Bank National Association issued \$1.5 billion of fixed-rate subordinated notes. In addition, the Company's bank subsidiaries obtained \$5.3 billion of long-term Federal Home Loan Bank advances in 2001. Refer to "Liquidity Risk Management" on pages 38 through 40 for discussion of liquidity management of the Company.

#### CORPORATE RISK PROFILE

**OVERVIEW** Managing risks is an essential part of successfully operating a financial services company. The most prominent risk exposures are credit, interest rate, market and liquidity. The Company also has exposure related to changes in residual valuations and ongoing operational activities. Credit risk is the risk of not collecting interest and/or the principal balance of a loan or investment when it is due. Interest rate risk is the potential reduction of net interest income as a result of changes in interest rates. Rate movements can affect the repricing of assets and liabilities differently, as well as their market value. Market risk arises from fluctuations in interest rates, foreign exchange rates, and equity prices that may result in changes in the values of financial instruments, such as trading account and available-for-sale securities that are accounted for on a mark-to-market basis. Liquidity risk is the possible inability to fund obligations to depositors, investors and borrowers. Residual risk is the potential reduction in the "end-of-term" value of leased assets or the residual cash flows related to asset securitization and other off-balance sheet structures. Operational risk represents the possibility that transactions are processed erroneously and that material errors are not detected by the systems of internal accounting controls.

**CREDIT RISK MANAGEMENT** The Company's strategy for credit risk management includes stringent, centralized credit policies and uniform underwriting criteria for all loans, including specialized lending categories such as mortgage banking, energy, commercial real estate and real estate construction, leveraged financing and consumer credit. The strategy also emphasizes diversification on a geographic, industry 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 adequate 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 or niche national markets. The Company utilizes a credit risk rating system in order to measure the credit quality of individual commercial loan transactions and regularly forecasts potential changes in risk ratings and nonperforming status. The risk rating system is intended to identify and measure the credit quality of lending relationships. In the Company's retail banking operations, standard credit scoring systems are used to assess consumer credit risks and to price consumer products accordingly. The Company also engages in non-lending activities that may give rise to credit risk, including interest rate swap contracts for customers or balance sheet hedging purposes, foreign exchange transactions, and the processing of credit card transactions for merchants. These activities are subject to the similar credit review, analysis and approval processes as those applied to commercial loans.



In evaluating its credit risk, the Company considers changes, if any, in underwriting activities, the loan portfolio composition (including product mix and geographic, industry or customer-specific concentrations), trends in loan performance, and macroeconomic factors. Generally, the domestic economy has experienced slower growth since late 2000. Accordingly, the Company began to re-evaluate underwriting activities to tighten credit availability to certain types of lending, industries and customers. Additionally, in connection with the merger of Firststar and USBM, the Company has continued to integrate underwriting standards throughout the organization. Core loan growth for the Company was 4.3 percent in 2001 with the majority of this growth in retail lending.

During 2001, corporate earnings growth rates continued to weaken and credit quality indicators among certain industry sectors have continued to deteriorate. Large corporate and middle market commercial businesses announced or continued to implement restructuring activities in an effort to improve operating margins. The stagnant economic growth is evidenced by the Federal Reserve Board's ("FRB") recent actions during late 2000 and 2001 to stimulate economic growth through a series of interest rate reductions. In response to declining economic conditions, company-specific portfolio trends, and the Firststar/USBM merger, the Company undertook an extensive review of its commercial and consumer loan portfolios in early 2001. As a result of this review, the Company initiated several actions during the first six months of 2001 including aligning the risk management practices and charge-off policies of the companies and restructuring and disposing of certain portfolios that did not align with the credit risk profile of the combined company. Credit portfolio restructuring activities included a specific segment of the Company's healthcare portfolio, selling certain consumer loan portfolios of USBM, renegotiating a credit card co-branding relationship and discontinuing an unsecured small business product that did not align with the product offerings of the combined company. The Company also implemented accelerated loan workout strategies for certain commercial credits. By the end of the second quarter of 2001, economic stimulus by the FRB as well as management's actions appeared to have reduced the rate of credit quality deterioration. However, world events during the third quarter of 2001 had a profound impact on consumer confidence and related spending, governmental priorities and business activities. As a result of these events, the Company expected the economic slowdown to accelerate or be more prolonged than originally estimated by management. Since September 11, 2001, the FRB has reduced the discount rate four times in an effort to stabilize the financial markets and economic growth. Accordingly, the Company conducted an additional review of its credit portfolios and recognized the need to address the impact that these events are expected to have on its credit portfolios. In response to this evaluation, the Company increased the provision for credit losses approximately \$1,025.0 million in the third quarter of 2001 beyond expected levels.

CREDIT DIVERSIFICATION Tables 7, 9 and 10 provide information with respect to the overall diversification of the credit portfolio and changes in mix during 2001. Certain industry segments, including transportation, manufacturing, and technology sectors have experienced economic stress in 2001. At December 31, 2001, the transportation sector represented 5.5 percent of the total commercial loan portfolio. It has been impacted by reduced airline travel, slower economic activity and higher fuel costs that adversely impacted trucking businesses. At year-end 2001, the Company's transportation portfolio consisted of airline and airfreight businesses (28.8 percent of the sector), trucking businesses (53.2 percent) and railroad and shipping. Capital goods represented 13.5 percent of the total commercial portfolio at December 31, 2001. Included in this sector were approximately 29.2 percent of loans to diversified manufacturing businesses while engineering and construction equipment and machinery businesses were 30.7 percent and 22.8 percent, respectively, of the capital goods portfolio. Manufacturing production levels and inventory reductions caused some deterioration in these portfolios during late 2000 and 2001. During 2001, the technology sector was adversely impacted by lower capital investments by businesses over the past twelve to eighteen months. At December 31, 2001, the technology industry represented only 2.4 percent of the commercial loan portfolio.

Since mid-2000, the agriculture and paper and forestry products sectors have been stressed. However, these sectors have improved relative to a year ago. At December 31, 2001, the Company's agricultural portfolio was diversified with 36.9 percent of agricultural loans to livestock producers, 27.3 percent to crop producers, 20.3 percent to food processors and 15.5 percent to wholesalers of agricultural products. Volatility in crop prices continues to adversely affect the cash flows of crop producers. Food processors and wholesalers have been less negatively affected by commodity pricing and a rebound in livestock prices in 2001 has improved the credit exposure within this sector. At December 31, 2001, loans to paper and forestry products businesses represented 2.2 percent of the commercial loan portfolio. The industry continues to be adversely impacted by foreign supplies and over-capacity within the industry; however, workout strategies continue to reduce the credit exposure to this industry.

ANALYSIS OF NET CHARGE-OFFS Net charge-offs increased \$721.1 million to \$1,546.5 million in 2001, compared with \$825.4 million in 2000 and \$672.6 million in 1999. The ratio of total net charge-offs to average loans was 1.31 percent in 2001, compared with .70 percent in 2000 and .61 percent in 1999. The increase in 2001 net charge-offs was due to deterioration in economic conditions affecting the commercial loan portfolio, actions taken by the Company during 2001, and an increase in credit card net charge-offs. Also included in 2001 net charge-offs were \$90.0 million of write-offs to conform risk management practices, align charge-off policies and expedite the transition out of a specific segment of the healthcare portfolio not meeting the risk profile of the Company.

Commercial and commercial real estate loan net charge-offs for 2001 were \$884.6 million, compared with \$289.2 million in 2000 and \$179.3 million in 1999. Approximately \$313.2 million of the increase in charge-offs reflected several factors including: a large cattle fraud, recent collateral deterioration specific to transportation equipment caused by the impact of higher fuel prices and the economy, further deterioration in the manufacturing, communications and technology sectors and specific management decisions to accelerate its workout strategy for certain borrowers. Commercial and commercial real estate net charge-offs for 2001 also included \$255.0 million in merger and restructuring-related charge-offs and charge-offs associated with the accelerated loan workout strategy announced in the first quarter of 2001. The increase in commercial loan net charge-offs in 2000 included higher losses on a growing portfolio of small business products, growth in the corporate card portfolio, credit losses related to acquired leasing businesses and lower levels of recoveries compared with 1999.

Retail loan net charge-offs in 2001 were \$649.3 million, compared with \$523.8 million in 2000 and \$478.5 million in 1999. The ratio of retail loan net charge-offs to average loans in 2001 was 1.85 percent, up from 1.60 percent in 2000 and 1.57 percent in 1999. The increase in retail loan net charge-offs in 2001 was primarily due to higher bankruptcies and consumer delinquencies reflecting the continuing downturn in economic conditions.

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

Year Ended December 31	2001	2000	1999	1998	1997	-	-----
----- COMMERCIAL -----							
Commercial.....	1.62%	.56%	.41%	***	***	Lease	
financing.....							1.95
.46 .24 * *	----- Total						
commercial.....	1.66						
.55 .40 .31 .50	COMMERCIAL REAL ESTATE Commercial						
mortgages.....	.21	.03					
.02 * *	Construction and						
development.....	.17	.11	.03	*	*		
-----	Total commercial						
real estate.....	.20	.05	.02	(.04)			
(.05)	RESIDENTIAL						
MORTGAGES.....	.18	.13					
.12 .08 .06	RETAIL Credit						
card.....	4.80						
4.18 4.00 4.02 4.57	Retail						
leasing.....	.65						
.41 .28 * *	Other						
retail.....	1.40						
1.23 1.19 * *	----- Total						
retail.....	1.85						
1.60 1.57 1.51 1.65	-----						
Total loans.....							
1.31% .70% .61% .53% .63%	-----						
-----	-----						

\*Information not available

ANALYSIS OF NONPERFORMING ASSETS Nonperforming assets include nonaccrual loans, restructured loans, other real estate and other nonperforming assets owned by the Company. Interest payments are typically applied against the principal balance and not recorded as income.

At December 31, 2001, nonperforming assets totaled \$1,120.0 million, compared with \$867.0 million at year-end 2000 and \$588.5 million at year-end 1999. The \$253.0 million increase in nonperforming assets from December 31, 2000 reflects an increase of \$190.0 million of nonperforming commercial and commercial real estate loans, a \$22.2 million increase in nonperforming residential mortgages and a \$23.8 million increase in nonperforming retail loans. The increase in nonperforming commercial loans was primarily due to: merger and restructuring-related and risk management actions taken during the year; loans being written down to secondary market valuations and placed on nonperforming status; and continuing stress in sectors of the economy. The increase was partially offset by the disposition of nonperforming loans identified as part of the Company's accelerated workout programs and commercial charge-offs taken during 2001. Certain industry sectors, including agriculture, have stabilized or improved from a year ago. The increase in nonperforming residential mortgages and retail loans generally reflects changes in portfolio delinquencies and the national trends in

unemployment and personal bankruptcies during 2001. The ratio of nonperforming assets to loans plus other real estate was .98 percent at December 31, 2001, compared with .71 percent at year-end 2000 and .52 percent at year-end 1999. Given the continued economic stress in various industry sectors, the Company may experience higher levels of nonperforming assets during the next several quarters.

Accruing loans 90 days or more past due totaled \$462.9 million at December 31, 2001, compared with \$385.2 million at December 31, 2000, and \$248.6 million at December 31, 1999. 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

TABLE 14 Nonperforming Assets(a)

At December 31, -----					
----- (Dollars in Millions)					
2001	2000	1999	1998	1997	-----
-----					
-----					
COMMERCIAL					
Commercial.....					
\$ 526.6	\$ 470.4	\$ 219.0	\$ 230.4	\$ 263.9	
Lease financing.....					
180.8	70.5	31.5	17.7	9.8	-----
-----					
----- Total					
commercial.....					707.4
540.9	250.5	248.1	273.7	COMMERCIAL REAL	
ESTATE Commercial					
mortgages.....					131.3
138.2	86.9	94.9	Construction and		105.5
development.....					35.9
28.4	19.5		38.2	31.6	-----
-----					
----- Total commercial real					
estate.....					167.2
					143.7
					169.8
					115.3
114.4 RESIDENTIAL					
MORTGAGES.....					79.1
					56.9
					72.8
					98.7
					95.0
RETAIL Credit					
card.....					--
					8.8
					5.0
					2.6
* Retail					
leasing.....					6.5
					--
					.4
					.5
					.5
Other					
retail.....					41.1
15.0	21.1	30.4	17.1		-----
-----					
----- Total					
retail.....					47.6
26.5	33.5	17.6			23.8
-----					
----- Total nonperforming					
loans.....					1,001.3
					765.3
					519.6
					495.6
500.7 OTHER REAL					
ESTATE.....					43.8
					61.1
					40.0
					35.1
					57.0
OTHER					
ASSETS.....					
74.9	40.6	28.9	16.9	17.4	-----
-----					
----- Total					
nonperforming assets.....					\$1,120.0
\$ 867.0	\$ 588.5	\$ 547.6	\$ 575.1		-----
-----					
----- Accruing					
loans 90 days or more past					
due(b).....					
\$ 462.9	\$ 385.2	\$ 248.6	\$ 252.9	\$ 213.7	
Nonperforming loans to total					
loans.....					.88%
					.63%
					.46%
					.46%
					.51%
Nonperforming assets to total loans plus					
other real estate.....					
.98	.71	.52	.51	.58	Net interest lost on
nonperforming					
loans.....					
\$ 63.0	\$ 50.8	\$ 29.5	\$ 21.3	\$ 32.1	-----
-----					

Delinquent Loan Ratios(c)

At December 31, -----					
----- 90 days or more					
past due	2001	2000	1999	1998	1997
-----					
-----					
COMMERCIAL					
Commercial.....					
1.44%	1.11%	.57%	.69%	***	Lease
financing.....					3.53
1.24	.82	.57	*		-----
-----					
----- Total					



TABLE 15 Summary of Allowance for Credit Losses

	2001	2000	1999	1998	1997
(Dollars in Millions) 2001 2000 1999 1998 1997 - -					
-----					
Balance at beginning of year.....					\$1,786.9
\$1,710.3 \$1,705.7 \$1,665.8 \$1,600.1 CHARGE-OFFS Commercial					
Commercial.....	779.0	319.8	250.1	*	* Lease
financing.....	144.4	27.9	12.4	*	*
----- Total					
commercial.....	923.4				
347.7 262.5 202.3 232.8 Commercial real estate Commercial					
mortgages.....	49.5	15.8			
19.1 * * Construction and					
development.....	12.6	10.3	2.6	*	
* ----- Total commercial real					
estate.....	62.1	26.1	21.7	23.6	
27.3 Residential					
mortgages.....	15.8				
13.7 16.2 14.4 11.1 Retail Credit					
card.....	294.1				
235.8 220.2 223.9 258.3 Retail					
leasing.....	34.2				
14.8 6.2 * * Other					
retail.....					
441.8 379.5 376.0 * *					
----- Total					
retail.....	770.1				
630.1 602.4 533.4 522.4					
----- Total charge-					
offs.....	1,771.4	1,017.6			
902.8 773.7 793.6 RECOVERIES Commercial					
Commercial.....	60.6	64.0	84.8	*	* Lease
financing.....	30.4				
7.2 4.0 * *					
----- Total					
commercial.....	91.0				
71.2 88.8 81.9 59.3 Commercial real estate Commercial					
mortgages.....	9.1	10.8			
15.1 * * Construction and					
development.....	.8	2.6	1.0	*	*
----- Total commercial real					
estate.....	9.9	13.4	16.1	31.0	37.7
Residential					
mortgages.....	3.2	1.3			
1.4 3.0 2.5 Retail Credit					
card.....	23.4				
27.5 34.6 36.9 38.3 Retail					
leasing.....	4.5				
2.0 1.1 * * Other					
retail.....	92.9				
76.8 88.2 * *					
----- Total					
retail.....	120.8				
106.3 123.9 112.6 93.1					
----- Total					
recoveries.....	224.9				
192.2 230.2 228.5 192.6 NET CHARGE-OFFS Commercial					
Commercial.....	718.4	255.8	165.3	*	* Lease
financing.....					
114.0 20.7 8.4 * *					
----- Total					
commercial.....	832.4				
276.5 173.7 120.4 173.5 Commercial real estate Commercial					
mortgages.....	40.4	5.0			
4.0 * * Construction and					
development.....	11.8	7.7	1.6	*	
* ----- Total commercial real					
estate.....	52.2	12.7	5.6	(7.4)	
(10.4) Residential					
mortgages.....	12.6				
12.4 14.8 11.4 8.6 Retail Credit					
card.....	270.7				
208.3 185.6 187.0 220.0 Retail					
leasing.....	29.7				
12.8 5.1 * * Other					
retail.....					
348.9 302.7 287.8 * *					
----- Total					
retail.....	649.3				
523.8 478.5 420.8 429.3					
----- Total net charge-					
offs.....	1,546.5	825.4	672.6		
545.2 601.0					
----- Provision for credit					

losses.....					2,528.8	828.0
646.0	491.3	639.9	Losses from loan			
sales/transfers.....				(329.3)	-	
-	-	-	Acquisitions and other			
changes.....				17.4	74.0	31.2
93.8	26.8					
-----						
Balance at end of						
year.....						\$2,457.3
\$1,786.9	\$1,710.3	\$1,705.7	\$1,665.8			
-----						
Allowance as a percentage of: Period-end						
loans.....						2.15%
1.46%	1.51%	1.59%	1.68%	Nonperforming		
loans.....					245	233
329	344	333	Nonperforming			
assets.....					219	206
291	312	290	Net charge-			
offs.....						159
216	254	313	277	-		
-----						
-----						

\*Information not available

in repayment or restoration to current status. Retail loans 30 days to 89 days or more past due were 3.11 percent of the total retail portfolio at December 31, 2001, compared with 2.82 percent of the total retail portfolio at December 31, 2000. Retail loans 90 days or more past due totaled .98 percent of the total retail loan portfolio at December 31, 2001, compared with .79 percent of the total retail loan portfolio at December 31, 2000, and .59 percent at December 31, 1999. The increase in retail loan delinquencies was primarily related to the credit card, home equity and revolving credit line portfolios and reflects the economic slowdown and unemployment trends during 2001.

**ANALYSIS AND DETERMINATION OF ALLOWANCE FOR CREDIT LOSSES** The allowance for credit losses provides coverage for probable losses inherent in the Company's loan portfolio. Management evaluates the allowance each quarter to determine that it is adequate to cover inherent losses. The evaluation of each element and the overall allowance is based on a continuing assessment of problem loans and related off-balance sheet items, recent loss experience, and other factors, including regulatory guidance and economic conditions. Management has determined that the allowance for credit losses is adequate.

At December 31, 2001, the allowance was \$2.5 billion (2.15 percent of loans). This compares with an allowance of \$1.8 billion (1.46 percent of loans), at year-end 2000, and \$1.7 billion (1.51 percent of loans), at December 31, 1999. The ratio of the allowance for credit losses to nonperforming loans was 245 percent at December 31, 2001, compared with 233 percent at year-end 2000 and 329 percent at year-end 1999. The ratio of the allowance for credit losses to net charge-offs was 159 percent at December 31, 2001, compared with 216 percent at year-end 2000 and 254 percent at year-end 1999. The Company considers historical charge-off levels in addition to existing conditions, among other factors, when establishing the allowance for credit losses.

Several factors impacted the allowance for credit losses during 2001, including merger and restructuring-related credit actions and management's extensive review of the commercial loan portfolio in light of current economic conditions. The level of the allowance was also impacted by risk rating changes by regulators of shared national credits agented by other banks, Company-specific portfolio trends discussed previously, and the transfer of the unsecured small business product portfolio to loans held for sale. The increase in the allowance for credit losses reflects the impact of changes in the economy since December 31, 2000, and related deterioration in certain sectors of the Company's credit portfolio. It also reflects management's recognition that the current economic slowdown has accelerated and may be more prolonged as a result of world events occurring in the third quarter of 2001.

Management determines the amount of allowance that is required for certain loan categories based on relative risk characteristics of the loan portfolio. Table 16 shows the amount of the allowance for credit losses by loan category. During 2001, the Company, in connection with the merger of Firststar and USBM, conformed its methodology for determining specific allowances for the elements of the loan portfolio. While both predecessor companies utilized credit risk rating processes, migration analysis and historical loss experience to determine each element of its allowance for credit losses, Firststar specifically determined its commercial allowance based on its net loss experience, while USBM utilized its gross loss experience. Although diversity exists in practice, the Company has adopted a net loss experience methodology in determining the allowance for commercial credit losses. Adopting the net loss experience methodology is based, in part, on regulatory guidelines promulgated with respect to evaluating the allowance for credit losses. In addition to adopting a net loss experience method, the Company enhanced its commercial migration methods for higher quality commercial loan categories to better differentiate historical loss factors within those categories. Also, given the current business cycle, historical loss factors utilized in determining the allowance for commercial loans were weighted to reflect the adverse impact of recent losses. Table 16 shows the determination of each element of the allowance for credit losses on a consistent basis for 2001 and 2000. Due to the Company's inability to gather historical loss data on a combined basis for 1997 through 1999, the methodologies and amounts assigned to each element of the loan portfolio for these years have not been conformed.

The allowance recorded for commercial loans is based on a quarterly review of individual credit relationships. The Company's regular risk rating process is an integral component of the methodology utilized in determining the allowance for credit losses. An analysis of the migration of commercial and commercial real estate loans and actual loss experience throughout the business cycle is also conducted quarterly to assess reserves established for credits with similar risk characteristics. An allowance is established for pools of commercial and commercial real estate loans based on the risk ratings assigned. The amount is supported by the results of the migration analysis that considers historical loss experience by risk rating, as well as current and historical economic conditions and industry risk factors. The Company separately analyzes the carrying value of impaired loans to determine whether the carrying value is less than or equal to the appraised collateral value or the present value of expected cash flows. Based on this analysis, an allowance for credit losses may be specifically established

for impaired loans. The allowance established for commercial and commercial real estate loan portfolios, including impaired commercial and commercial real estate loans, increased \$931.7 million to \$1,428.6 million in 2001. The change reflected higher levels of nonperforming loans, increased loss severity reflected in the historical migration, increasing sector risk in certain industries and deterioration in credit risk ratings from a year ago.

The allowance recorded for retail portfolios is based on an analysis of product mix, credit scoring and risk composition of the portfolio, loss and bankruptcy experiences, economic conditions and historical and expected delinquency and charge-off statistics for each homogenous category or group of loans. Based on this information and analysis, an allowance is established approximating a rolling twelve-month estimate of net charge-offs. The allowance for retail loans increased \$58.3 million to \$711.1 million in 2001. The increase primarily reflected the continuing downturn in economic conditions.

Regardless of the extent of the Company's analysis of customer performance, portfolio trends or risk management processes, certain inherent but undetected losses are probable within the loan portfolio. This is due to several factors including inherent delays in obtaining information regarding a customer's financial condition or changes in their unique business conditions, the judgmental nature of individual loan evaluations, collateral assessments and the interpretation of economic trends. Volatility of economic or customer-specific conditions affecting the identification and estimation of losses for larger non-homogeneous credits and the sensitivity of assumptions utilized to establish allowances for homogenous groups of loans are among other factors. For each of these factors, the estimated inherent loss is recorded as an unallocated allowance. The Company estimates a range of inherent losses related to the existence of these exposures and for the risk in concentrations to specific borrowers, financings of highly leveraged transactions, products or industries. The estimates are based upon the Company's evaluation of imprecision risk associated with the commercial and retail allowance levels and the estimated impact of the current economic environment on portfolio segments or concentrations. The unallocated allowance decreased to \$301.5 million at December 31, 2001, from \$627.6 million at December 31, 2000. The change in unallocated allowance reflects deterioration in credit quality during 2001. Although the Company determines the amount of each element of the allowance separately and this process is an important credit management tool, the entire allowance for credit losses is available for the entire loan portfolio. The actual amount of losses incurred can vary significantly from the recorded amounts. The Company's methodology includes several factors intended to minimize the differences in recorded and actual losses. These factors allow the Company to adjust its estimate of losses based on the most recent information available. Refer to Note 1 of the Notes to Consolidated

TABLE 16 Elements of the Allowance for Credit Losses(a)

Allowance Amount	December 31 (Dollars in Millions) 2001			
	2000	1999	1998	1997
COMMERCIAL				
Commercial.....	\$1,068.1	\$ 418.8	\$ 408.3	\$ 343.7
Lease financing.....	107.5	17.7	20.2	21.5
16.4	----			
Total commercial.....	1,175.6	436.5	428.5	365.2
COMMERCIAL REAL ESTATE				
Commercial				
mortgages.....	176.6	42.7	110.4	105.2
Construction and development...	76.4	17.7	22.5	25.9
27.7	-----			
Total commercial real estate.....	253.0	60.4	132.9	131.1
RESIDENTIAL				
MORTGAGES.....	16.1	9.6	18.6	27.2
RETAIL				
Credit				
card.....	295.2	265.6	320.8	304.3
Retail leasing.....	38.7	27.2	18.6	6.5
Other retail.....	377.2	360.0	389.2	365.6
257.9	-----			
Total retail.....	711.1	652.8	728.6	676.4
480.2	-----			
Total allocated allowance...	2,155.8	1,159.3	1,308.6	1,199.9
Unallocated portion.....	301.5	627.6		



401.7	505.8	628.5	-----	
-----				
----- Total				
allowance.....				
\$2,457.3	\$1,786.9	\$1,710.3		
\$1,705.7	\$1,665.8	-	-----	
-----				
-----				
Allowance as a Percent of				
Total Loans -----				
-----				
---- December 31 2001 2000				
1999	1998	1997	-----	
-----				
-----				
COMMERCIAL				
Commercial.....				
2.64%	.90%	.97%	.91%	1.10%
Lease				
financing.....	1.84			
.29	.53	.65	.61	-----
-----				
----- Total				
commercial.....	2.54			
.83	.93	.89	1.06	COMMERCIAL
REAL ESTATE Commercial				
mortgages.....	.94	.22		
.59	.63	.67	Construction and	
development...	1.16	.25	.35	
.50	.68	-----		
-----				
Total commercial real				
estate.....				
1.00	.23	.53	.60	.67
RESIDENTIAL				
MORTGAGES.....	.28	.12		
.16	.19	.23	RETAIL Credit	
card.....	5.01			
3.95	6.41	6.27	4.35	Retail
leasing.....	.79			
.65	.88	.40	.45	Other
retail.....	1.44			
1.47	1.64	1.55	1.23	-----
-----				
----- Total				
retail.....	1.92			
1.85	2.36	2.25	1.78	-----
-----				
----- Total allocated				
allowance...	1.89	.95	1.16	
1.12	1.05	Unallocated		
portion.....	.26	.51	.35	
.47	.63	-----		
-----				
Total				
allowance.....				
2.15%	1.46%	1.51%	1.59%	1.68%
-----				
-----				
-----				

(a) During 2001, the Company changed its methodology for determining the specific allowance for elements of the loan portfolio. Table 16 has been restated for 2000. Due to the Company's inability to gather historical loss data on a combined basis for 1997 through 1999, the methodologies and amounts assigned to each element of the loan portfolio for these years have not been conformed. Utilizing the prior methods the total assigned allowance for 2000 was \$1,397.3 million and the unallocated portion was \$389.6 million. Refer to paragraph four in the section captioned "Analysis and Determination of Allowance for Credit Losses" on page 34.

Financial Statements for accounting policies related to the allowance for credit losses.

**RESIDUAL RISK MANAGEMENT** The Company manages its risk to changes in the value of lease residual assets through disciplined residual setting and valuation at the inception of a lease, diversification of its vehicles, a focus on longer term vehicle leases, effective end-of-term marketing of off-leased vehicles, regular asset valuation reviews and monitoring of residual value gains or losses upon the disposition of assets. To reduce the financial impact of potential changes in vehicle residuals, the Company maintains residual value risk insurance. Also, equipment lease originations are subject to the same stringent underwriting standards referred to in the segment captioned "Credit Risk Management".

Included in the retail leasing portfolio was approximately \$2.8 billion of retail leasing residuals at December 31, 2001, compared with \$2.4 billion at December 31, 2000. The Company monitors concentrations of leases by manufacturer, vehicle "make" and vehicle type. At year-end 2001, no vehicle-type concentration exceeded five percent of the aggregate portfolio. Because retail residual valuations tend to be less volatile for longer-term leases, relative to the estimated residual at inception of the lease, management actively manages lease origination production to achieve a longer-term portfolio. At December 31, 2001, the weighted-average term of the portfolio was 51 months. Since 1998, the used vehicle market has experienced a decline in used car prices. Several factors have contributed to this deflationary cycle. Aggressive leasing programs by automobile manufacturers and competitors within the banking industry included a marketing focus on monthly lease payments, enhanced residuals at lease inception, shorter-term leases and low mileage leases. These practices have created a cyclical oversupply of certain off-lease vehicles. Recently, automobile manufacturers and others have retreated from these marketing programs or begun to exit the leasing business. Another factor impacting the used vehicle market has been the trend in new vehicle prices that decreased in the late 1990's. This trend has been driven by surplus automobile manufacturing capacity and related production and highly competitive Internet sales programs. Recessionary factors are expected to moderate new car production during the next several quarters. Also, many Internet marketers failed or transformed into distribution channels of dealers rather than direct competitors. These recent trends are expected to abate the deflationary pricing pressures of the past few years. In response to factors impacting used vehicle prices, the Company recognized a retail lease impairment of \$40.0 million in 2001. Given the current economic environment, it is difficult to assess the timing and degree of changes in residual values that may impact financial results over the next several quarters.

At December 31, 2001, the commercial leasing portfolio had \$984.6 million of residuals. At year-end 2001, lease residuals related to railcars were 16.2 percent. Trucks and other transportation equipment represented 30.2 percent of the aggregate portfolio while aircraft and manufacturing were 14.9 percent and 12.7 percent, respectively. No other significant concentrations of more than 10 percent existed at December 31, 2001. During 2001, reduced airline travel and higher fuel costs adversely impacted aircraft and transportation equipment lease residual values. Although impairment of equipment lease residuals was not significant in 2001, continuing economic stress in certain industries may further impact used equipment values into next year.

**INTEREST RATE RISK MANAGEMENT** In the banking industry, a major risk exposure is changing interest rates. To minimize the volatility of net interest income and exposure to economic losses, the Company manages its exposure to changes in interest rates through asset and liability management activities within guidelines established by its Asset Liability Policy Committee ("ALPC") and approved by the Board of Directors. ALPC has the responsibility for approving and ensuring compliance with asset/liability management policies, including interest rate risk exposure, off-balance sheet activity and the investment portfolio. The Company uses three methods for measuring and analyzing consolidated interest rate risk: Net Interest Income Simulation Analysis, Market Value of Equity Modeling and Repricing Mismatch Analysis.

**NET INTEREST INCOME SIMULATION ANALYSIS** One of the primary tools used to measure interest rate risk and the effect of interest rate changes on net interest income and net interest margin is simulation analysis. The monthly analysis incorporates substantially all of 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. Through these simulations, management estimates the impact on net interest income of a 300 basis point upward or downward gradual change of market interest rates over a one year period. The simulations also estimate the effect of immediate and sustained parallel shifts in the yield curve of 50 basis points as well as the effect of immediate and sustained flattening or steepening of the yield curve. These simulations include assumptions about how the balance sheet is likely to change with changes in loan and deposit growth. Assumptions are made to project rates for new loans and deposits based on historical analysis, management's outlook and repricing strategies. Loan prepayment and other options risks are developed

from industry estimates of prepayment speeds. Because the results of these simulations can be significantly influenced by assumptions utilized, management evaluates the sensitivity of the simulation's results to changes in key assumptions.

The results from the simulation are reviewed by ALPC monthly and are used to guide hedging strategies. ALPC policy guidelines limit the estimated change in net interest income to 5.0 percent of forecasted net interest income over the succeeding 12 months. In simulations as of December 31, 2001, the interest rate risk position of the Company was relatively neutral as the impact of a downward movement in rates or an upward movement in rates of 300 basis points over a twelve month period resulted in less than 1.0 percent change in net interest income. At December 31, 2001, the Company was well within policy guidelines.

**MARKET VALUE OF EQUITY MODELING** The Company also utilizes the market value of equity as a measurement tool in managing interest rate sensitivity. The market value of equity measures the degree to which the market values of the Company's assets and liabilities and off-balance sheet instruments will change given a change in interest rates. ALPC guidelines limit the change in market value of equity in a 200 basis point parallel rate shock to 15 percent of the base case. Given the low level of rates currently the down 200 basis point scenario cannot be computed. ALPC reviews other down rate scenarios to evaluate the impact of falling rates.

The valuation analysis is dependent upon certain key assumptions about the nature of indeterminate maturity of assets and liabilities. Management estimates the average life and rate characteristics of asset and liability accounts based upon historical analysis and management's expectation of rate behavior. The results of the valuation analysis as of December 31, 2001, were well within policy guidelines.

**REPRICING MISMATCH ANALYSIS** The Company also evaluates its interest rate sensitivity position to maintain a balance between the amounts of interest-bearing assets and interest-bearing liabilities which are expected to mature or reprice at any point in time. While a traditional repricing mismatch analysis ("gap analysis") provides a snapshot of interest rate risk, it does not take into consideration that assets and liabilities with similar repricing characteristics may not reprice at the same time or to the same degree. Also, it does not necessarily predict the impact of changes in general levels of interest rates on net interest income.

TABLE 17 Derivative Positions  
ASSET AND LIABILITY MANAGEMENT POSITIONS

Maturing December 31, 2001 -----						
----- (Dollars in Millions) 2002 2003						
2004 2005 2006 Thereafter Total - -----						
-----						
----- Receive						
fixed/pay floating swaps	Notional					
amount.....	\$ 3,295	\$	\$	\$	\$	\$
1,625	\$ 3,223	\$ 1,861	\$ 875	\$ 5,240	\$16,119	
Weighted-average Receive						
rate.....	4.57%	6.04%				
5.06%	6.05%	5.73%	6.68%	5.74%	Pay	
rate.....	2.00					
1.97	2.10	2.14	2.11	2.07	2.06	Pay
fixed/receive floating swaps	Notional					
amount.....	\$ 500	\$	\$	\$	\$	\$
962	\$ 500	\$ --	\$ --	\$ --	\$ 1,962	Weighted-
average Receive						
rate.....	1.79%	1.90%				
1.87%	--	--	--	1.86%	Pay	
rate.....	2.08					
4.24	3.98	--	--	3.62	Basis	
swaps.....	\$					\$
1,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 1,000
Future and						
forwards.....	4,087	--				
--	--	--	--	4,087		
Options.....						
--	--	45	--	45	--	
-----						
-----						
Weighted- Average Remaining December 31,						
2001 Fair Maturity (Dollars in Millions)						
Value in Years - -----						
-----						
Receive fixed/pay floating swaps	Notional					
amount.....	\$ 329.6					
6.30 Weighted-average Receive						
rate.....	Pay					
rate.....	Pay					
fixed/receive floating swaps	Notional					
amount.....	\$ (2.1)					
1.74 Weighted-average Receive						
rate.....	Pay					
rate.....	Basis					
swaps.....	\$ .2					
0.69 Future and						
forwards.....	71.7	--				
Options.....						

CUSTOMER INTERMEDIATED POSITIONS  
 Maturing December 31, 2001 -----

----- (Dollars in Millions) 2002 2003  
 2004 2005 2006 Thereafter Total - -----

----- Receive  
 fixed/pay floating swaps Notional  
 amount..... \$ 218 \$  
 408 \$ 386 \$ 276 \$ 424 \$ 425 \$ 2,137 Pay  
 fixed/receive floating swaps Notional  
 amount..... 217 409  
 386 276 424 425 2,137 Basis  
 swaps..... -- -  
 - 2 -- -- - 2

Options.....  
 514 615 78 -- -- 4 1,211 Foreign exchange  
 contracts  
 Purchase.....  
 1,810 26 -- -- -- 1,836  
 Sell.....  
 1,801 26 -- -- -- 1,827 - -----

-----  
 Weighted- Average Remaining December 31,  
 2001 Fair Maturity (Dollars in Millions)  
 Value In Years - -----

Receive fixed/pay floating swaps Notional  
 amount..... \$ 63.5  
 3.83 Pay fixed/receive floating swaps  
 Notional amount.....  
 (53.4) 3.83 Basis  
 swaps..... -- -  
 2.67

Options.....  
 -- 1.29 Foreign exchange contracts  
 Purchase.....  
 60.0 .25  
 Sell.....  
 (58.0) .25 - -----

**USE OF DERIVATIVES TO MANAGE MARKET AND INTEREST RATE RISK** In the ordinary course of business, the Company enters into derivative transactions to manage its market and prepayment risks and to accommodate the business requirements of its customers. By their nature, derivative instruments are subject to market risk. The Company does not utilize derivative instruments for speculative purposes. To manage its interest rate risk, the Company may enter into interest rate swap agreements and, to a lesser degree, basis swaps, and interest rate options such as caps and floors. Interest rate swaps involve the exchange of fixed-and variable-rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. Interest rate caps protect against rising interest rates while interest rate floors protect against falling interest rates. In connection with its mortgage banking business, the Company may enter into forward commitments, futures and options to hedge interest rate risk of fixed-rate mortgage loans held for sale and unfunded commitments. All interest rate derivatives that qualify for hedge accounting are recorded at fair value as other assets or liabilities on the balance sheet and designated as either "fair value" or "cash flow" hedges. The Company performs an assessment, both at the inception of the hedge and quarterly thereafter, to determine whether these derivatives are highly effective in offsetting changes in the value of the hedged items. Hedge ineffectiveness for both cash flow and fair value hedges is immediately recorded in noninterest income.

The Company also enters into derivative contracts to accommodate the business requirements of its customers. Customer intermediated transactions may include interest rate derivatives and foreign exchange forward contracts and options. Foreign exchange-based forward contracts provide for the delayed delivery of a purchase or sale of foreign currency. Generally, the Company enters into offsetting derivative positions to mitigate its market risk associated with customer-based contracts. Intermediated interest rate swaps, foreign exchange contracts and all other derivative contracts that do not qualify for hedge accounting are recorded at fair value and resulting gains or losses are recorded in trading account profits and commissions. Derivative instruments are subject to credit risk associated with counterparties to the derivative contracts. Credit risk associated with derivatives is measured based on the replacement cost should the counterparties with contracts in a gain position to the Company fail to perform under the terms of the contracts. The Company manages this risk through diversification of its derivative positions among dealers, primarily commercial banks, broker-dealers and corporations, with established relationships and requiring collateral to support credit exposures in excess of established guidelines. To minimize the risk, the Company enters into legally enforceable master netting agreements, which permit the close out and netting of transactions with the same counterparty upon the occurrence of certain events. Also, a portion of the derivative activity involves exchange-traded instruments. Because exchange-traded instruments conform to standard terms and are subject to policies set by the exchange involved, including counterparty approval, margin requirements and security deposit requirements, the credit risk is substantively reduced.

Table 17 summarizes information on derivative positions as of December 31, 2001.

**MARKET RISK MANAGEMENT** In addition to interest rate risk and market risk associated with derivatives, the Company is exposed to other forms of market risk as a consequence of conducting normal business activities. Business activities that contribute to market risk include, among other things, market making, underwriting, proprietary trading and foreign exchange positions. Value at Risk ("VaR") is a key measure of market risk for the Company. VaR represents the maximum amount that the Company has placed at risk of loss, with a ninety-nine percent degree of confidence, in the course of its risk taking activities. Its purpose is to describe the amount of earnings at risk due to potential losses from adverse market movements.

VaR modeling on trading activities is subject to certain limitations. Additionally, it should be recognized that there are assumptions and estimates associated with VaR modeling and actual results could differ from these assumptions and estimates. The Company mitigates these uncertainties through regular monitoring of trading activities by management and other risk management practices including stop-loss limits and position limits. A stress-test model is used to provide management with a perspective on market events that a VaR model does not capture. In each case, the historical worst performance of each asset class is observed and applied to current trading positions.

ALPC establishes market risk limits subject to approval by the Company's Board of Directors. The Company's VaR limit was \$40.0 million at December 31, 2001. The market risk inherent in the Company's customer-based derivative trading, mortgage banking pipeline, broker-dealer activities, including equities, fixed income, high yield securities and foreign exchange, as estimated by the VaR analysis, was \$10.9 million at December 31, 2001.

**LIQUIDITY RISK MANAGEMENT** ALPC establishes policies, as well as analyzes and manages liquidity, to ensure that adequate funds are available to meet normal operating requirements in addition to unexpected customer demands for funds, such as high levels of deposit withdrawals or loan demand, in a timely and cost-effective manner. The most important factor in the preservation of liquidity is

maintaining public confidence that facilitates the retention and growth of a large, stable supply of core deposits and wholesale funds. Ultimately, public confidence is generated through profitable operations, sound credit quality and a strong capital position. The Company's performance in these areas has enabled it to develop a large and reliable base of core funding within its market areas and in domestic and global capital markets. Liquidity management is viewed from a long-term and short-term perspective, as well as from an asset and liability perspective. Management monitors liquidity through a regular review of maturity profiles, yield and rate behaviors, and loan and deposit forecasts to minimize funding risk.

The Company maintains strategic liquidity and contingency plans that are subject to the availability of asset liquidity in the balance sheet. ALPC periodically reviews the Company's ability to meet funding deficiencies due to adverse business events. These funding needs are then matched with specific asset-based sources to ensure sufficient funds are available. Also, strategic liquidity policies require diversification of wholesale funding sources to avoid concentrations in any one market source. Subsidiary banks are members of various Federal Home Loan Banks that provide a source of funding through FHLB advances. The Company maintains a Grand Cayman office for issuing eurodollar certificates of deposit. The Company also establishes relationships with dealers to issue national market retail and institutional savings certificates and short-and medium-term bank notes. Also, the Company's subsidiary banks have significant correspondent banking networks and corporate accounts. Accordingly, it has access to national fed funds, funding through repurchase agreements and sources of more stable regionally based certificates of deposit.

Asset securitization and conduits represent another source of funding the Company's growth through off-balance sheet structures. The Company has two off-balance sheet conduits that hold high-grade assets. The conduits, which are funded by issuing commercial paper, held average assets of \$14.8 billion including short-term participations in commercial loans, commercial paper and investment securities. The Company provides liquidity facilities to both conduits and credit enhancement to the loan conduit that may be triggered by certain events. Based on the current performance of each structure the Company does not anticipate these triggers will occur in the foreseeable future. Included in noninterest income was \$132.7 million of revenue related to these conduits in 2001 including fees for servicing activities and liquidity facilities and credit enhancements.

In November 2001, the Company established a \$738 million securitization structure related to an unsecured small business credit product that was being discontinued. Additionally, the Company previously created asset-backed securitizations to fund the noninterest-bearing corporate card loan portfolio and indirect automobile loans. The corporate card securitization held \$403 million in average assets in 2001 and is scheduled to be liquidated in February 2002. The indirect automobile securitization held \$655 million of average assets in 2001. The Company provided credit enhancements in the form of subordination and reserve accounts at the inception of the transactions. The Company's risk, primarily for losses in the underlying assets, is considered in determining the fair value of the Company's retained interests in these securitizations. The Company recognized income from residual interests and servicing fees for these securitizations of \$15.5 million in 2001. Refer to Note 8 of the Notes to Consolidated Financial Statements for further information on these off-balance sheet structures.

With respect to real estate and certain equipment, the Company enters into capital or operating leases to meet its business requirements. Certain operating lease arrangements involve third party lessors that acquire these business assets through leveraged financing structures commonly referred to as "synthetic leases". At December 31, 2001, synthetic lease structures held real estate assets of \$372.7 million and equipment of \$41.6 million. The Company provides guarantees to the lender in the event of default by the leveraged financing structures or in the event that the Company does not exercise its option to purchase the property at the end of the lease term and the fair value of the assets is less than the purchase price. The Company's minimum lease obligations for capital and operating arrangements, including those related to synthetic leases, are disclosed in Note 22 of the Notes to Consolidated Financial Statements.

Credit, liquidity, operational and legal structural risks exist due to the nature and complexity of asset securitizations and other off-balance sheet structures. ALPC regularly monitors the performance of each off-balance sheet structure in an effort to minimize these risks and ensure compliance with the requirements of the structures. The Company utilizes its credit risk management systems to evaluate credit quality of underlying assets and regularly forecasts cash flows to evaluate any potential impairment of retained interests. Also, regulatory guidelines require consideration of asset securitizations in the determination of risk-based capital ratios.

The Company's ability to raise negotiated funding at competitive prices is influenced by rating agencies' views of the Company's credit quality, liquidity, capital and earnings. The debt ratings noted in Table 18 reflect the rating agencies' recognition of the strong, consistent financial performance of the Company and quality of the balance sheet.

The parent company's routine funding requirements consist primarily of operating expenses, dividends to shareholders, debt service and funds used for acquisitions. The parent company obtains funding to meet its obligations from dividends collected from its subsidiaries and the issuance of debt securities. Subsidiary management fees fund operating expenses, while shareholder dividends and debt service are satisfied primarily through dividends from its subsidiaries.

At December 31, 2001, parent company long-term debt outstanding was \$6.1 billion, compared with \$6.6 billion at December 31, 2000. In 2001, the parent company issued \$1.1 billion of senior contingent convertible debt, offset by \$1.6 billion of maturities and other repayments of long-term debt. Total parent company debt maturing in 2002 is \$1.5 billion. These debt obligations are expected to be met through medium-term note issuances and dividends from subsidiaries, as well as from the approximately \$3.2 billion of parent company cash and cash equivalents at December 31, 2001. Federal banking laws regulate the amount of dividends that may be paid by banking subsidiaries without prior approval. The amount of dividends available to the parent company from its banking subsidiaries was \$1.2 billion at December 31, 2001. For further information, see Note 23 of the Notes to Consolidated Financial Statements.

CAPITAL MANAGEMENT

The Company is committed to managing capital for maximum shareholder benefit and maintaining strong protection for depositors and creditors. Total shareholders' equity was \$16.5 billion at December 31, 2001, compared with \$15.2 billion at December 31, 2000. The increase was primarily the result of corporate earnings and the issuance of stock in connection with the NOVA acquisition, offset by dividend payments, merger and restructuring-related items and share repurchases.

On February 27, 2001, the Company increased its dividend rate per common share 15.4 percent from \$.1625 per quarter to \$.1875 per quarter. Excluding merger and restructuring-related charges, the dividend payout ratio for 2001 increased to 57.0 percent compared with payout ratios of 40.1 percent in 2000 and 31.7 percent in 1999.

Management has established financial objectives which provide a framework to monitor future capital needs. The Company's dividend policy is influenced by the belief that most shareholders are interested in long-term performance as well as current dividend yields. The current dividend payout level is considered reasonable given the Company's present cash flow position, level of earnings and the strength of its subsidiary banks' capital ratios. Future dividends will be determined based on results of operations, growth expectations, financial condition, regulatory constraints and other factors deemed relevant by the Board of Directors.

On July 17, 2001, the Company's Board of Directors authorized the repurchase of up to 56.4 million shares of the Company's common stock in connection with the July 24, 2001, acquisition of NOVA. During 2001, the Company repurchased 19.7 million shares of common stock in both public and private transactions in connection with this authorization. The Company had forward contracts to purchase 26.7 million shares within this authorization. These contracts were settled in January 2002. On December 18, 2001, the Board of Directors approved an authorization to repurchase an additional 100 million shares of common stock through 2003.

On February 16, 2000, the Board of Directors of USBM authorized the repurchase of up to \$2.5 billion of its common stock over a two year period ending March 31, 2002. On April 11, 2000, Firststar's Board of Directors approved a common stock repurchase program of 100 million shares. The stock repurchase programs of both Firststar and USBM were rescinded on October 4, 2000, and January 17, 2001, respectively, in connection with the planned merger of the formerly separate companies. For a complete analysis of activities impacting shareholders' equity

TABLE 18 Debt Ratings

Standard & At	December 31, 2001	Moody's	Poors	Fitch
-----				
U.S. BANCORP Short-term				
borrowings		F1		
notes		A1	A	A+
debt		A2	A-	
			A	Preferred
stock		A3		
				BBB+ A Commercial
paper		P-1		
		A-1	F1	U.S. BANK NATIONAL ASSOCIATION Short-term
time deposits		P-1		
				A-1 F1+ Long-term time
deposits		Aa3	A+	
				AA- Bank
notes				
		Aa3/P-1	A+/A-1	A+/F1+ Subordinated
debt		A1	A	A
-----				

and capital management programs, refer to Note 15 of the Notes to Consolidated Financial Statements.

Banking regulators define minimum capital requirements for banks and financial services holding companies. Additionally, credit rating agencies evaluate capital adequacy including tangible common equity as a percentage of tangible assets. The Company manages various capital ratios to maintain appropriate capital levels in accordance with Board-approved capital guidelines. At December 31, 2001, tangible common equity was \$9.4 billion (5.7 percent of tangible assets), compared with 6.3 percent at year-end 2000. The decline in the tangible common equity ratio was primarily due to the acquisition of NOVA during the third quarter of 2001. As of December 31, 2001, tier 1 and total risk-based capital ratios were 7.7 percent and 11.7 percent, respectively, well above the minimum regulatory requirements of 4.0 percent for tier 1 and 8.0 percent for total risk-based capital. This compared to tier 1 and total risk-based capital ratios of 7.2 percent and 10.6 percent at December 31, 2000. The improvement in the total risk-based capital ratio during 2001 primarily reflected changes in the mix of investment securities in addition to the issuance of Trust Preferred Securities. Regulatory authorities have also established a minimum "leverage" ratio of 4.0 percent, which is defined as tier 1 equity to average quarterly assets. For the fourth quarter of 2001, the Company's leverage ratio improved to 7.7 percent compared with 7.4 percent in the fourth quarter of a year ago.

With respect to each of its banking subsidiaries, the Company intends to maintain sufficient capital to be "well capitalized" as defined by the regulatory agencies. The "well capitalized" category requires tier 1 and total risk-based capital ratios of at least 6.0 percent and 10.0 percent, respectively, and a minimum leverage ratio of 5.0 percent. All banking subsidiaries are considered "well capitalized" at December 31, 2001.

Table 19 provides a summary of tier 1 and total risk-based capital ratios as of December 31, 2001 and 2000, as defined by the regulatory agencies.

FOURTH QUARTER SUMMARY

In the fourth quarter of 2001, the Company had net income of \$695.4 million (\$.36 per diluted share), compared with \$768.7 million (\$.40 per diluted share) in the fourth quarter of 2000. The Company reported operating earnings (net income excluding merger and restructuring-related items) of \$785.2 million (\$.40 per diluted share) in the fourth quarter of 2001, compared with operating earnings of \$824.2 million (\$.43 per diluted share) in the fourth quarter of 2000. Fourth quarter net interest income on a taxable-equivalent basis increased \$122.6 million to \$1,684.8 million, compared with the fourth quarter of

TABLE 19 Regulatory Capital Ratios

At December 31 (Dollars in Millions) 2001 2000 - -----	
-----	
----- U.S. BANCORP Tangible	
common equity.....	\$ 9,374 \$ 10,045 As a percent of tangible
assets.....	5.7% 6.3% Tier 1
capital.....	\$ 12,488 \$ 11,602 As a percent of risk-weighted
assets.....	7.7% 7.2% As a percent of
adjusted quarterly average assets (leverage	
ratio).....	7.7% 7.4%
Total risk-based	
capital.....	\$ 19,148 \$
17,038 As a percent of risk-weighted	
assets.....	11.7% 10.6% BANK
SUBSIDIARIES(A) U.S. BANK NATIONAL ASSOCIATION Tier 1	
capital.....	7.5%
7.3% Total risk-based	
capital.....	11.8 11.2
Leverage.....	7.7 7.9 U.S. BANK NATIONAL ASSOCIATION ND Tier 1
capital.....	18.1%
10.3% Total risk-based	
capital.....	23.1 15.6
Leverage.....	17.9 10.2 U.S. BANK NATIONAL ASSOCIATION MT Tier 1
capital.....	19.4%
14.9% Total risk-based	
capital.....	20.5 17.6
Leverage.....	14.0 12.0 Well- BANK REGULATORY CAPITAL REQUIREMENTS
Minimum Capitalized ----- Tier 1	
capital.....	4.0%
6.0% Total risk-based	
capital.....	8.0 10.0
Leverage.....	4.0 5.0 - -----
-----	

(a) These balances and ratios were prepared in accordance with regulatory accounting principles as disclosed in the subsidiaries' regulatory reports.



2000, primarily reflecting increased earning assets driven by increases in the investment portfolio, core retail loan growth and acquisitions, partially offset by a \$4.3 billion reduction in loans related to transfers of short-term, high credit quality, low margin commercial loans to the loan conduit, a \$2.8 billion decline in residential mortgage loans, and the sale of indirect automobile and high LTV home equity loans in the first quarter of 2001. The net interest margin on a taxable-equivalent basis increased in the fourth quarter of 2001 to 4.60 percent, compared with 4.33 percent in the fourth quarter of 2000, reflecting funding benefits during the declining rate environment, a more favorable funding mix and improving loan spreads, partially offset by lower yields on the investment portfolio.

The provision for credit losses increased to \$265.8 million in the fourth quarter of 2001, compared with \$229.5 million in the fourth quarter of 2000. The increase was the result of higher charge-offs from a year ago due to deterioration in economic conditions and credit quality in the loan portfolio.

Noninterest income increased \$58.7 million from the same quarter a year ago, to \$1,323.6 million. Credit card fee revenue declined quarter over quarter by \$18.6 million (8.8 percent) reflecting lower corporate card transaction volumes. Merchant and ATM processing revenue increased \$116.0 million principally due to the acquisition of NOVA. Deposit service charges, cash management fees, commercial product revenue and mortgage banking revenue improved in the fourth quarter of 2001 from a year ago. The

TABLE 20 Fourth Quarter Summary

Three Months Ended December 31, -----		(Dollars in Millions, Except Per Share Data) 2001 2000	
-----			
CONDENSED INCOME			
STATEMENT Interest income (taxable-equivalent basis).....	\$2,529.3	\$3,179.7	Interest expense.....
844.5	1,617.5	-----	Net interest income.....
	1,562.2		Securities gains, net.....
		22.0	7.0
Noninterest			
income.....			
1,301.6	1,257.9	-----	Total net revenue.....
	2,827.1		Noninterest expense(a).....
	1,503.9	1,347.8	Provision for credit losses.....
			265.8
			229.5
Income before taxes and merger and restructuring-related items.....			
	1,238.7	1,249.8	Taxable-equivalent adjustment.....
			9.9
			20.7
Income			
taxes.....			
443.6	404.9	-----	Operating earnings(a).....
	785.2	824.2	Merger and restructuring-related items (after-tax).....
		(89.8)	(55.5)
- Net income in accordance with GAAP.....			
		\$ 695.4	\$ 768.7
----- PER COMMON SHARE Earnings per share.....			
			\$ .36
			\$ .41
Diluted earnings per share.....			
			.36
			.40
Dividends declared per share(b).....			
		.1875	.1625
FINANCIAL RATIOS Return on average			
assets.....		1.64%	1.89%
Return on average			
equity.....		16.5	20.7
Net interest margin (taxable-equivalent basis).....			
		4.60	4.33
Efficiency ratio.....			
		50.8	55.1
FINANCIAL RATIOS EXCLUDING MERGER AND RESTRUCTURING-RELATED ITEMS(A) Return on average			
assets.....		1.85%	2.02%
Return on average			
equity.....		18.6	22.2
Efficiency ratio.....			
		47.8	50.4
Banking efficiency ratio(c).....			
		46.6	41.9
-----			

(a) The Company analyzes its performance on a net income basis in accordance with accounting principles generally accepted in the United States, as well as on an operating basis before merger and restructuring-related items referred to as "operating earnings." Operating earnings are presented as supplemental information to enhance the readers' understanding of, and highlight trends in, the Company's financial results excluding the impact of merger and restructuring-related items of specific business acquisitions and restructuring activities. Operating earnings should not be viewed as a substitute for net income and earnings per share as determined in accordance with accounting principles generally accepted in the United States. Merger and restructuring-related items excluded from net income to derive operating earnings may be significant and may not be comparable to other companies.

(b) Dividends per share have not been restated for the 2001 merger of Firststar and USBM.

(c) Without investment banking and brokerage activity.

U.S. Bancorp

improvements reflected core business growth, product enhancements, loan conduit activities and strong mortgage originations. Capital markets-related revenue declined \$31.6 million (12.0 percent) reflecting softness in equity capital markets since late 2000. Other income declined \$99.6 million from the same quarter a year ago primarily due to a \$10.0 million retail lease residual impairment recognized in the fourth quarter of 2001 and a decline in the level of equity investment earnings.

Fourth quarter noninterest expense totaled \$1,644.5 million in the fourth quarter of 2001 compared with \$1,431.9 million in the fourth quarter of 2000. Excluding merger-related charges, noninterest expense totaled \$1,503.9 million, an increase of \$156.1 million (11.6 percent) from the fourth quarter of 2000. Approximately \$100 million of the increase was the result of acquisitions. In addition to the impact of acquisitions, noninterest expenses were higher due to recognizing a \$27.3 million MSR impairment in the fourth quarter of 2001 and increases due to core business growth, offset somewhat by a reduction in expenses related to capital markets activities.

#### LINE OF BUSINESS FINANCIAL REVIEW

Operating segments are components of the Company about which financial information is available and is evaluated regularly in deciding how to allocate resources and assess performance. Prior to the merger of Firststar and USBM, the Company operated its business units separately in 2000 and 1999 and the basis of financial presentation differed significantly. Accordingly, the presentation of comparative business line results for 1999 is not practicable at this time.

At the date of the merger of Firststar and USBM, the Company reorganized into the following operating segments: Wholesale Banking, Consumer Banking, Private Client, Trust and Asset Management, Payment Services, Capital Markets, and Treasury and Corporate Support. Units providing central support and other corporate activities are reported as part of Treasury and Corporate Support and allocated as appropriate. For detailed descriptions of these operating segments see "BUSINESS SEGMENTS" in Note 1 of the Notes to Consolidated Financial Statements.

**BASIS OF FINANCIAL PRESENTATION** Business line results are derived from the Company's business unit profitability reporting system by specifically attributing managed balance sheet assets, deposits and other liabilities and their related interest income or expense. Funds transfer pricing methodologies are utilized to allocate a cost for funds used or credit for funds provided to all business line assets and liabilities using a matched funding concept. Also, the business unit is allocated the taxable-equivalent benefit of tax-exempt products. The provision for credit losses recorded by each operating segment was primarily based on the net charge-offs of each line of business. The difference between the provision for credit losses determined in accordance with accounting principles generally accepted in the United States recognized by the Company on a consolidated basis and the provision recorded by the business lines is recorded in Treasury and Corporate Support. Noninterest income and expenses directly managed by each business line, including fees, service charges, salaries and benefits, and other direct expenses are accounted for within each segment's financial results in a manner similar to the consolidated financial statements. Noninterest expenses incurred by centrally managed operations or a business line that directly supports another business line's operations are not charged to the applicable business line. Income taxes are assessed to each line of business at a standard tax rate with the residual tax expense or benefit to arrive at the consolidated effective tax rate included in Treasury and Corporate Support. Merger and restructuring-related items are not identified by or allocated to lines of business. Because capital levels are evaluated and managed centrally, capital is not allocated to the business units. Designations, assignments and allocations may change from time to time as management accounting systems are enhanced or product lines change. During 2001, certain organization and methodology changes were made to reflect the merger. All results for 2001 and 2000 have been restated to present consistent methodologies for all business lines.

**WHOLESALE BANKING** offers lending, depository, treasury management and other financial services to middle market, large corporate and public sector clients. Wholesale Banking contributed \$1,364.4 million of the Company's pre-tax income in 2001, compared with \$1,667.3 million in 2000, a decrease of \$302.9 million (18.2 percent). The decline was primarily driven by an increase in the provision for credit losses and certain asset write-downs taken by the business line. The line of business generated operating income of \$1,956.8 million in 2001 and \$1,827.8 million in 2000, a 7.1 percent increase. Total net revenue grew by \$175.9 million (8.0 percent) in 2001. Net interest income on a taxable-equivalent basis increased 4.7 percent for the year primarily due to core deposit growth, as well as the impact of banking and equipment finance leasing acquisitions. The increase is offset somewhat by the transfer of short-term, high credit quality, low margin commercial loans to the loan conduit and the impact of declining rates on the funding benefit of deposits. Noninterest income increased 19.4 percent in 2001 reflecting revenue related to the leasing acquisitions, core growth in syndication and cash management-related fees and growth in securitization fee

income related to the loan conduit. Net fee income growth included a \$6.0 million impairment of commercial leasing residuals and lower earnings of approximately \$33.4 million from relationship-based equity investments managed by the line of business. Offsetting the net growth in revenue was an increase in noninterest expenses of \$46.9 million (12.9 percent), primarily due to bank and lease acquisitions, planned growth in targeted markets and certain asset write-downs. Included in expenses during the year were asset write-downs of commercial leasing partnerships of \$38.4 million and repossessed tractor/trailer and other related property of \$14.0 million. Cost savings from business integration activities during 2001 substantively offset the core and acquisition-related expense growth. Additionally, the provision for credit losses increased \$431.9 million during 2001. The increase reflected increasing net charge-offs due to the deterioration in credit quality reflected by an increase in nonperforming commercial loans. Refer to "Corporate Risk Profile" on pages 29 through 36 for further information on factors impacting the credit quality of the loan portfolios.

CONSUMER BANKING delivers products and services to the broad consumer market and small businesses through banking offices, telemarketing, on-line services, direct mail and automated teller machines ("ATMs"). It encompasses community banking, metropolitan banking, small business banking, consumer lending, mortgage banking and investment product sales. Consumer Banking contributed \$1,866.4 million of the Company's pre-tax income in 2001 compared with \$2,039.4 million in 2000, a decrease of 8.5 percent. The decline was driven by the impact of declining rates on the funding benefit of deposits, an increase in the provision for credit losses, banking acquisitions and certain asset write-downs taken by the Company. The line of business generated operating income of \$2,287.7 million in 2001, a decline of 4.2 percent from 2000. Total net revenue grew by 1.3 percent during 2001, or \$53.9 million over 2000. Fee-based revenue growth was strong, increasing by 19.0 percent over 2000, while net interest income declined 4.7 percent. The decline in net interest income reflected the impact of declining interest rates on the funding benefit of consumer deposits. It also reflects the sale of approximately \$1.3 billion of high LTV home equity and indirect automobile loans in the first quarter of 2001, and the divestiture of branches with \$771.0 million of deposits during the second quarter of 2001 in connection with the merger of Firststar and USBM.

TABLE 21 Line of Business Financial Performance

		Percent		Percent		Year	
		2001		2000		Change	
Ended December 31 (Dollars in Millions)		2001		2000		Change	
2001		2000		Change			
----- CONDENSED INCOME STATEMENT Net							
interest income (taxable-equivalent basis).....	\$1,774.4	\$1,695.0	4.7%	\$2,895.1	\$3,039.3	(4.7%)	Noninterest
income.....	594.2	497.7	19.4	1,242.6	1,044.5	19.0	
----- Total net							
revenue.....	2,368.6	2,192.7	8.0	4,137.7	4,083.8	1.3	Noninterest
expense.....	397.9	355.6	11.9	1,685.3	1,628.7	3.5	Other intangible
amortization.....	1.4	150.4	62.3	* Goodwill	12.5	8.0	56.3
amortization.....	12.5	8.0	56.3	14.3	4.4	*	
----- Total noninterest expense.....							
411.8	364.9	12.9	1,850.0	1,695.4	9.1	----- Operating	
income.....							
1,827.8	7.1	2,287.7	2,388.4	(4.2)	Provision for credit	1,956.8	
losses.....	592.4	160.5	*	421.3	349.0	20.7	Income
before income taxes.....							
1,364.4	1,667.3	(18.2)	1,866.4	2,039.4	(8.5)	Income taxes	
and taxable-equivalent adjustment.....	496.5	606.6	(18.2)	679.2	742.1	(8.5)	
----- Operating earnings, before merger and restructuring-							
related							
items.....	\$	867.9	\$1,060.5	(18.2)	\$1,187.2	\$1,297.3	(8.5)
----- Merger and restructuring-related							
items (after-tax)(a)..... Net							
income.....							
----- AVERAGE BALANCE SHEET DATA							
Loans.....	\$	54,036	\$	55,106	(1.9)	\$	43,017
							\$
							42,306
							1.7
Assets.....	60,174	60,296	(.2)	49,919	47,943	4.1	Noninterest-bearing
deposits.....	10,687	9,434	13.3	11,999	11,935	.5	Interest-bearing
deposits.....	6,536	4,938	32.4	61,358	62,266	(1.5)	
----- Total							
deposits.....	\$	17,223	\$	14,372	19.8	\$	73,357
							\$
							74,201
							(1.1)

(a) Merger and restructuring-related items are not allocated to the business lines.

\* Not meaningful.





1,748.6  
1,509.2  
15.9 849.0  
1,122.5  
(24.4)  
448.2 459.4  
(2.4) 525.2  
412.8 27.2  
738.2 907.4  
(18.6) 20.8  
20.7 .5  
55.4 23.8 \*  
-- .1 -- .4  
.4 -- 11.9  
11.4 4.4 .1  
.7 (85.7) -  
-----  
-----  
-----  
- 469.4  
480.5 (2.3)  
592.5 448.0  
32.3 738.3  
908.2  
(18.7) ----  
-----  
-----  
-----  
651.3 651.2  
-- 1,156.1  
1,061.2 8.9  
110.7 214.3  
(48.3) 10.0  
2.0 \* 431.8  
352.6 22.5  
17.6 -- \* -  
-----  
-----  
-----  
- 641.3  
649.2 (1.2)  
724.3 708.6  
2.2 93.1  
214.3  
(56.6)  
233.4 236.2  
(1.2) 263.6  
257.9 2.2  
33.9 78.0  
(56.5) ----  
-----  
-----  
-----  
----- \$  
407.9 \$  
413.0 (1.2)  
\$ 460.7 \$  
450.7 2.2 \$  
59.2 \$  
136.3  
(56.6) ----  
-----  
-----  
----- \$  
4,370 \$  
3,794 15.2  
\$ 9,972 \$  
9,531 4.6 \$  
483 \$ 263  
83.7 5,424  
5,130 5.7  
12,142  
10,652 14.0  
3,478 3,394  
2.5 2,134  
2,119 .7  
168 188  
(10.6) 174  
154 13.0  
4,916 4,722  
4.1 -- -- -  
-----  
-----  
-----  
-- \$ 7,050  
\$ 6,841 3.1  
\$ 168 \$ 188  
(10.6) \$







completed during the third quarter of 2001. The line of business generated operating income of \$1,156.1 million in 2001, an 8.9 percent increase compared with 2000. Total net revenue growth was 15.9 percent, or \$239.4 million, compared with 2000 including the impact of the NOVA acquisition of \$134.3 million. Excluding the NOVA acquisitions, total net revenue growth was approximately 7.0 percent. Total net revenue growth was partially offset by increased in noninterest expense of 32.3 percent, primarily driven by the NOVA acquisition. Excluding the impact of the NOVA acquisition, noninterest expenses for the business line were essentially flat relative to a year ago. Additionally, the provision for credit losses increased \$79.2 million (22.5 percent) in 2001. The increase in provision reflects deterioration in delinquencies, higher bankruptcies and credit losses in the credit card portfolio and the economic slowdown impacting consumers.

CAPITAL MARKETS engages in equity and fixed income trading activities, offers investment banking and underwriting services for corporate and public sector customers and provides financial advisory services and securities, mutual funds, annuities and insurance products to consumers and regionally based businesses through a network of brokerage offices. Capital Markets contributed \$93.1 million of the Company's pre-tax income in 2001, compared with \$214.3 million in 2000, a decrease of 56.6 percent. The unfavorable variance in pre-tax income from 2000 was due to significant decreases in fees related to trading, investment product fees and commissions and investment banking revenues reflecting the recent adverse capital markets conditions. In response to significant changes in the securities markets including increased volatility, changes in equity valuations, a slowdown in the market for new and secondary issuances of equity and the increasingly competitive environment for the industry, U.S. Bancorp Piper Jaffray restructured its operations during 2001. Additionally, in June 2001, the Company decided to discontinue its U.S. Bancorp Libra operations, a business unit that specialized in underwriting and trading high-yield debt and mezzanine securities. These restructuring activities are expected to improve operating efficiency of the business unit by removing excess capacity from the product distribution system and brokerage operations.

TREASURY AND CORPORATE SUPPORT includes the Company's investment and residential mortgage portfolios, funding, capital management and asset securitization activities, interest rate risk management, the net effect of transfer pricing related to loan and deposit balances, and the change in residual allocations associated with the provision for loan losses. It also includes business activities managed on a corporate basis, including income and expense of enterprise-wide operations and administrative support functions. Treasury and Corporate Support recorded a pre-tax loss of \$733.0 million in 2001, compared to a loss of \$456.9 million in 2000. The incremental loss was driven by an increase in the provision for credit losses, lower earnings from equity investments and non-recurring gains from the disposal of office buildings in 2000. During 2001, total net revenue was \$1,537.3 million compared with \$978.3 million a year ago. The \$559.0 million increase was primarily due to an increase in average investment securities and the residual benefit of declining interest rates given the Company's interest rate risk management position. Also included in 2001 were approximately \$289.8 million of securities gains compared with \$8.1 million in 2000, offset somewhat by lower earnings from equity investments of \$78.0 million and gains from the disposal of office buildings in 2000. Noninterest expenses were \$1,596.8 million in 2001 compared with \$1,471.3 million for the same period of 2000. The increase was primarily related to core business operations and higher costs related to increased affordable housing projects. Provision for credit losses for this business unit represents the residual aggregate of the credit losses allocated to the reportable business units (based on net charge-offs for the accounting period) and the Company's recorded provision determined in accordance with generally accepted accounting principles in the United States. Provision for credit losses for the year ended December 31, 2001, was \$673.5 million compared with a net recovery of \$36.1 million in 2000. The change in the provision reflects the Company's decision in the third quarter of 2001 to increase the allowance for credit losses in light of recent events, declining economic conditions and deterioration in the credit quality of the loan portfolio from a year ago. Refer to "Corporate Risk Profile" for further information on provision for credit losses, nonperforming assets and factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

#### ACCOUNTING CHANGES

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended, establishes accounting and reporting standards for all derivative instruments and criteria for designation and effectiveness of hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The changes in the fair value of the derivatives are recognized currently in earnings unless specific hedge accounting criteria are met. If the derivative qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged. On

January 1, 2001, the Company adopted SFAS 133. Transition adjustments related to adoption resulted in an after-tax loss of approximately \$4.1 million recorded in net income and an after-tax increase of \$5.2 million to other comprehensive income. The transition adjustments related to adoption were not material to the Company's financial statements, and as such, were not separately reported in the consolidated statement of income.

ACCOUNTING FOR BUSINESS COMBINATIONS AND GOODWILL AND OTHER INTANGIBLE ASSETS In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations" and Statement of Financial Accounting Standard No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets". SFAS 141 mandates the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS 142 addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The Company is required to adopt SFAS 142 on January 1, 2002. The most significant changes made by SFAS 142 are that goodwill and indefinite lived intangible assets will no longer be amortized and will be tested for impairment at least annually, thereafter. Any impairment charges from the initial impairment test at the time of adoption would be recognized as a "cumulative effect of change in accounting principles" in the income statement. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the amortization provisions of SFAS 142 are effective upon adoption of SFAS 142.

The Company will apply the amortization provisions of SFAS 142 during the first quarter of 2002. Management anticipates that applying the provisions of SFAS 141 to recent acquisitions and the provisions of SFAS 142 to purchase acquisitions completed prior to July 1, 2001, will increase after-tax income for the year ending December 31, 2002, by approximately \$200 to \$210 million, or \$.10 per diluted share. This considers the application of SFAS 142's definition of a business and the impact of reclassifying certain assets from goodwill to intangibles and changes in estimated useful lives of certain intangible assets. The Company has not yet fully determined the impact on earnings of impairments related to goodwill and indefinite lived intangible assets under the new guidelines required by SFAS 142. Any material impairment charge resulting from these transitional accounting rules will be reflected as a "cumulative effect of a change in accounting principles" in the first quarter of 2002. Because banking regulations exclude 100 percent of goodwill from the determination of capital adequacy, the impact of any impairment on the Company's capital adequacy will not be significant.

## Responsibility for Financial

### Statements of U.S. Bancorp

Responsibility for the financial statements and other information presented throughout the Annual Report on Form 10-K rests with the management of U.S. Bancorp. The Company believes that the consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States and present fairly the substance of transactions based on the circumstances and management's best estimates and judgment. All financial information throughout the Annual Report on Form 10-K is consistent with that in the financial statements.

In meeting its responsibilities for the reliability of the financial statements, the Company depends on its system of internal controls. The system is designed to provide reasonable assurance that assets are safeguarded and transactions are executed in accordance with the appropriate corporate authorization and recorded properly to permit the preparation of the financial statements. To test compliance, the Company carries out an extensive audit program. This program includes a review for compliance with written policies and procedures and a comprehensive review of the adequacy and effectiveness of the internal control systems. Although control procedures are designed and tested, it must be recognized that there are limits inherent in all systems of internal accounting control and, as such, errors and irregularities may nevertheless occur. Also, estimates and judgments are required to assess and balance the relative cost and expected benefits of the controls. The Company believes that its system of internal controls provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected within a timely period by employees in the normal course of performing their assigned functions.

The Board of Directors of the Company has an Audit Committee composed of directors who are not officers or employees of U.S. Bancorp. The committee meets periodically with management, the internal auditors and the independent accountants to consider audit results and to discuss internal accounting control, auditing and financial reporting matters.

The Company's independent accountants, PricewaterhouseCoopers LLP, have been engaged to render an independent professional opinion on the financial statements and to assist in carrying out certain aspects of the audit program described above. Their opinion on the financial statements is based on procedures conducted in accordance with auditing standards generally accepted in the United States and forms the basis for their report as to the fair presentation, in the financial statements, of the Company's financial position, operating results and cash flows.

/s/ Jerry A. Grundhofer	/s/ David M. Moffett
Jerry A. Grundhofer	David M. Moffett
President and	Vice Chairman and
Chief Executive Officer	Chief Financial Officer

### Report of Independent Accountants

To the Shareholders and Board of Directors of U.S. Bancorp:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of U.S. Bancorp and its subsidiaries at December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers, LLP

Minneapolis, Minnesota

January 15, 2002

U.S. Bancorp

Consolidated Balance Sheet

At December 31 (Dollars in Millions) 2001 2000 - -----	
-----	
ASSETS Cash and due from	
banks.....	\$ 9,120 \$ 8,475
Money market	
investments.....	625 657
Trading account	
securities.....	982 753
Investment securities Held-to-maturity (fair value \$306 and \$257, respectively).....	299
252 Available-for-	
sale.....	26,309 17,390
Loans held for	
sale.....	2,820 764
Loans	
Commercial.....	
46,330 52,817 Commercial real	
estate.....	25,373 26,443
Residential mortgages.....	
5,746 7,753	
Retail.....	
36,956 35,352 ----- Total	
loans.....	114,405
122,365 Less allowance for credit losses.....	
2,457 1,787 ----- Net	
loans.....	111,948
120,578 Premises and	
equipment.....	1,741 1,836
Customers' liability on	
acceptances.....	178 183
Goodwill.....	
5,488 4,312 Other intangible	
assets.....	1,924 997 Other
assets.....	
9,956 8,724 ----- Total	
assets.....	\$171,390
\$164,921 ----- LIABILITIES AND SHAREHOLDERS'	
EQUITY Deposits Noninterest-	
bearing.....	\$ 31,212 \$
26,633 Interest-	
bearing.....	65,447
68,177 Time certificates of deposit greater than	
\$100,000.....	8,560 14,725 ----- Total
deposits.....	105,219
109,535 Short-term	
borrowings.....	14,670
11,833 Long-term	
debt.....	25,716
21,876 Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company.....	
2,826 1,400 Acceptances	
outstanding.....	178 183
Other	
liabilities.....	
6,320 4,926 ----- Total	
liabilities.....	154,929
149,753 Shareholders' equity Common stock, par value \$0.01 a share authorized: 2001 -- 4,000,000,000 shares; 2000 -- 2,000,000,000 shares issued: 2001 -- 1,972,777,763 shares; 2000 -- 1,943,541,593 shares.....	20
19 Capital	
surplus.....	4,906
4,276 Retained	
earnings.....	11,918
11,658 Less cost of common stock in treasury: 2001 --	
21,068,251 shares; 2000 -- 41,458,159	
shares.....	(478) (880) Other
comprehensive income.....	95 95 -
----- Total shareholders'	
equity.....	16,461 15,168 -----
----- Total liabilities and shareholders'	
equity.....	\$171,390 \$164,921 - -----
-----	

See Notes to Consolidated Financial Statements.

Consolidated Statement of Income

Year Ended December 31 (Dollars and Shares in Millions, Except Per Share Data) 2001 2000 1999 - -----

----- INTEREST INCOME			
Loans.....	\$ 9,455.4	\$ 10,562.5	\$ 9,122.7
Loans held for sale.....	146.9	102.1	
Investment securities Taxable.....	1,206.1	1,008.3	1,047.1
Non-taxable.....	140.6	150.1	
Money market investments.....	26.6	53.9	
Trading securities.....	57.5		
Other interest income.....	101.6	151.4	
Total interest income.....	11,083.6	12,072.5	
----- INTEREST EXPENSE			
Deposits.....	2,828.1	3,618.8	2,970.0
Short-term borrowings.....	534.1		
Long-term debt.....	1,162.7		
Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company.....	149.9	112.0	111.0
Total interest expense.....	4,674.8	6,022.9	
Net interest income.....	6,408.8		
Provision for credit losses.....	2,528.8	828.0	646.0
Net interest income after provision for credit losses.....	3,880.0	5,221.6	5,190.4
NONINTEREST INCOME			
Credit card fee revenue.....	774.3	761.8	
Merchant and ATM processing revenue.....	428.8	230.3	189.6
Trust and investment management fees.....	894.4	926.2	887.1
Deposit service charges.....	660.6	551.1	
Cash management fees.....	347.3	292.4	
Mortgage banking revenue.....	234.0	189.9	
Trading account profits and commissions.....	221.6	258.4	222.4
Investment products fees and commissions.....	460.1	466.6	450.8
Investment banking revenue.....	258.2	360.3	246.6
Commercial product revenue.....	385.9	304.4	215.7
Securities gains, net.....	329.1	8.1	13.2
Merger and restructuring-related gains.....	62.2	--	--
Other.....	302.9	533.7	403.1
Total noninterest income.....	5,359.4		
NONINTEREST EXPENSE			
Salaries.....	2,347.1	2,427.1	2,355.3
Employee benefits.....	366.2		
Net occupancy.....	399.8	410.1	
Furniture and equipment.....	305.5	308.2	
Communication.....	181.4	138.8	123.4
Postage.....	179.8	174.5	170.7
Goodwill.....	251.1	235.0	175.8
Other intangible assets.....	278.4	157.3	
Merger and restructuring-related charges.....	946.4	348.7	532.8
Other.....	1,331.4	1,130.7	1,059.5
Total noninterest expense.....	6,605.2		
Income before income taxes.....	2,634.2		
Applicable income taxes.....	927.7	1,512.2	
Net income.....	1,706.5	\$ 2,875.6	\$ 2,381.8
Earnings per share			
Basic.....	1.51	\$ 1.25	\$ 1.23
Diluted.....	.88	\$ 1.50	\$ 1.23

	Average common	
shares.....		1,927.9
	1,906.0	1,907.8
	Average diluted common	
shares.....		1,939.5 1,918.5
1,930.0 -		

See Notes to Consolidated Financial Statements.

U.S. Bancorp  
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Consolidated Statement of Shareholders' Equity

Common Shares	Common Capital	Retained (Dollars in Millions)	Outstanding Stock	Surplus
Earnings - -----				
-----				
BALANCE DECEMBER 31,				
1998.....	1,903,461,698	\$	19.3	\$ 4,338.7
		\$		\$ 8,758.4
Net income.....				
	2,381.8			Unrealized loss on securities available for sale.....
				Reclassification adjustment for losses realized in net income.....
				Income taxes.....
				Total comprehensive income...
Cash dividends declared on common stock.....				
	(1,090.8)			Issuance of common stock and treasury shares.....
69,705,239	.2	213.8		Purchase of treasury stock.....
	(44,636,116)			Retirement of treasury stock.....
	(343.8)			Shares reserved to meet deferred compensation obligations.....
	2.1			Amortization of restricted stock... 47.8 -----
-----				
BALANCE DECEMBER 31,				
1999.....	1,928,509,178	\$	19.4	\$ 4,258.6
		\$		\$ 10,049.4 - -----
-----				
----- Net				
income.....				
	2,875.6			Unrealized gain on securities available for sale.....
				Foreign currency translation adjustment.....
				Reclassification adjustment for gains realized in net income.....
				Income taxes.....
				Total comprehensive income...
Cash dividends declared on common stock.....				
	(1,267.0)			Issuance of common stock and treasury shares.....
32,652,574	(35.0)			Purchase of treasury stock.....
	(58,633,923)			Shares reserved to meet deferred compensation obligations.....
	8.5			Amortization of restricted stock... 43.5 -----
-----				
BALANCE DECEMBER 31,				
2000.....	1,902,083,434	\$	19.4	\$ 4,275.6
		\$		\$ 11,658.0 - -----
-----				
----- Net				
income.....				
	1,706.5			Unrealized gain on securities available for sale.....
				Unrealized gain on derivatives.....
				Foreign currency translation adjustment.....
				Realized gain on derivatives.....
				Reclassification adjustment for gains realized in net income.....
				Income taxes.....
				Total comprehensive income...
Cash dividends declared on common stock.....				
	(1,446.5)			Issuance of common stock and treasury shares.....
69,502,689	.7	1,383.7		Purchase of treasury stock.....
	(19,743,672)			Retirement of treasury stock.....
	(823.2)			Shares reserved to meet deferred compensation



obligations..... (132,939)  
3.0 Amortization of restricted  
stock... 67.1 -----

-----  
BALANCE DECEMBER 31,  
2001..... 1,951,709,512 \$  
19.7 \$ 4,906.2 \$ 11,918.0 - -----

-----  
Other Total Treasury  
Comprehensive Shareholders'  
(Dollars in Millions) Stock  
Income Equity - -----

-----  
BALANCE DECEMBER 31,  
1998..... \$ (755.4) \$ 212.9  
\$ 12,573.9 Net

income.....  
2,381.8 Unrealized loss on  
securities available for  
sale..... (743.9)  
(743.9) Reclassification  
adjustment for losses realized in  
net income..... 163.9 163.9  
Income

taxes.....  
210.5 210.5 ----- Total  
comprehensive income... 2,012.3

Cash dividends declared on common  
stock.....

(1,090.8) Issuance of common  
stock and treasury  
shares..... 1,377.0

1,591.0 Purchase of treasury  
stock..... (1,187.9)  
(1,187.9) Retirement of treasury  
stock..... 344.0 .1 Shares

reserved to meet deferred  
compensation  
obligations..... (2.0) .1

Amortization of restricted  
stock... 47.8 -----

----- BALANCE  
DECEMBER 31, 1999..... \$  
(224.3) \$ (156.6) \$ 13,946.5 - --

-----  
----- Net

income.....  
2,875.6 Unrealized gain on  
securities available for  
sale..... 436.0 436.0

Foreign currency translation  
adjustment.....  
(.5) (.5) Reclassification  
adjustment for gains realized in  
net income..... (41.6) (41.6)

Income  
taxes.....  
(141.8) (141.8) ----- Total  
comprehensive income... 3,127.7

Cash dividends declared on common  
stock.....

(1,267.0) Issuance of common  
stock and treasury  
shares..... 534.9

499.9 Purchase of treasury  
stock..... (1,182.2)  
(1,182.2) Shares reserved to meet  
deferred compensation

obligations..... (8.5) --  
Amortization of restricted  
stock... 43.5 -----

----- BALANCE  
DECEMBER 31, 2000..... \$

(880.1) \$ 95.5 \$ 15,168.4 - -----

-----  
----- Net

income.....  
1,706.5 Unrealized gain on  
securities available for  
sale..... 194.5 194.5

Unrealized gain on  
derivatives..... 106.0 106.0  
Foreign currency translation  
adjustment.....

(4.0) (4.0) Realized gain on  
derivatives..... 42.4 42.4  
Reclassification adjustment for  
gains realized in net  
income..... (333.1) (333.1)

Income  
taxes.....  
(5.9) (5.9) ----- Total  
comprehensive income... 1,706.4

Cash dividends declared on common  
stock.....

(1,446.5)	Issuance of common stock and treasury shares.....	49.3
1,433.7	Purchase of treasury stock.....	(467.9) (467.9)
	Retirement of treasury stock.....	823.6 -- Shares reserved to meet deferred compensation
	obligations.....	(3.0) -- Amortization of restricted stock... 67.1 -----
		BALANCE
	DECEMBER 31, 2001.....	\$
(478.1)	\$ 95.4 \$ 16,461.2	-----
		-----
		-----

See Notes to Consolidated Financial Statements.

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Consolidated Statement of Cash Flows

Year Ended December 31 (Dollars in Millions) 2001 2000  
 1999 - -----

OPERATING ACTIVITIES Net

income.....			
\$ 1,706.5	\$ 2,875.6	\$ 2,381.8	Adjustments to reconcile net income to net cash provided by operating activities
			Provision for credit losses.....
		2,528.8	828.0
		646.0	Depreciation and amortization of premises and equipment.....
284.0	262.6	270.6	Amortization of goodwill and other intangibles.....
	529.5	392.3	329.8
			Provision for deferred income taxes.....
			(184.0)
357.1	252.9		Net (increase) decrease in trading securities.....
	(229.1)	(135.6)	65.6
			(Gain) loss on sale of securities and other assets, net.....
(428.7)	(47.3)	149.9	Mortgage loans originated for sale in the secondary market.....
			(15,500.2)
			(5,563.3)
			(6,117.1)
			Proceeds from sales of mortgage loans.....
			13,483.0
			5,475.0
			7,229.3
			Other assets and liabilities, net.....
		(7.9)	(1.8)
			(242.2)
			----- Net cash provided by operating activities.....
			2,181.9
			4,442.6
			4,966.6
			INVESTING ACTIVITIES
Sales.....			
	19,240.2	10,194.0	6,819.7
Maturities.....			
	4,572.2	2,127.7	5,290.7
Purchases.....			
	(32,278.6)	(12,161.3)	(9,135.8)
			Loans Sales and securitization.....
			7,387.9
			6,655.8
			5,013.7
Purchases.....			
	(87.5)	(688.4)	(254.6)
			Net increase in loans outstanding.....
			(1,126.5)
	(13,511.0)	(9,880.0)	Proceeds from sales of premises and equipment.....
		166.3	212.9
			64.2
			Purchases of premises and equipment.....
			(299.2)
			(382.8)
			(289.0)
			Acquisitions, net of cash acquired.....
			(741.4)
			904.4
			241.9
			Divestitures of branches.....
			(340.0)
			(78.2)
			(469.0)
			Other, net.....
			(143.9)
			(289.1)
			(961.3)
			----- Net cash used in investing activities.....
			(3,650.5)
			(7,016.0)
			(3,559.5)
			FINANCING ACTIVITIES
Deposits.....			
	(4,258.1)	3,403.7	(3,034.9)
			Short-term borrowings.....
			5,244.3
			702.1
			544.9
			Principal payments on long-term debt.....
			(10,539.6)
			(5,277.5)
			(5,706.1)
			Proceeds from long-term debt issuance.....
			11,702.3
			5,862.7
			8,067.5
			Proceeds from issuance of Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company.....
			1,500.0
			-- -- Proceeds from issuance of common stock.....
			136.4
			210.0
			275.5
			Repurchase of common stock.....
			(467.9)
			(1,182.2)
			(1,187.9)
			Cash dividends paid.....
			(1,235.1)
			(1,271.3)
			(1,029.7)
			----- Net cash provided by (used in) financing activities... 2,082.3
			2,447.5
			(2,070.7)
			----- Change in cash and cash equivalents.....
			613.7
			(125.9)
			(663.6)
			Cash and cash equivalents at beginning of year.....
			9,131.6
			9,257.5
			9,921.1
			----- Cash and cash equivalents at end of year.....
			\$ 9,745.3
			\$ 9,131.6
			\$ 9,257.5

See Notes to Consolidated Financial Statements.

NOTE 1 Significant Accounting Policies

U.S. Bancorp and its subsidiaries (the "Company") compose the organization created by the acquisition by Firststar Corporation ("Firststar") of the former U.S. Bancorp ("USBM"). The new Company retained the U.S. Bancorp name. The Company is a multi-state financial services holding company headquartered in Minneapolis, Minnesota. The Company provides a full range of financial services including lending and depository services through banking offices principally in 24 states. The Company also engages in credit card, merchant, and ATM processing, mortgage banking, insurance, trust and investment management, brokerage, leasing and investment banking activities principally in domestic markets.

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

**USES OF ESTIMATES** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual experience could differ from those estimates.

**BUSINESS SEGMENTS**

Within the Company, financial performance is measured by major lines of business based on the products and services provided to customers through its distribution channels. The Company has six reportable operating segments:

Wholesale Banking offers lending, depository, treasury management and other financial services to middle market, large corporate and public sector clients.

Consumer Banking delivers products and services to the broad consumer market and small businesses through banking offices, telemarketing, on-line services, direct mail and automated teller machines ("ATMs"). It encompasses community banking, metropolitan banking, small business banking, consumer lending, mortgage banking, and investment product sales.

Private Client, Trust and Asset Management provides mutual fund processing services, trust, private banking and financial advisory services through four businesses including: the Private Client Group, Corporate Trust Services, Institutional Trust and Custody and Fund Services. The business segment also offers investment management services to several client segments including mutual funds, institutional customers, and private asset management.

Payment Services includes consumer and business credit cards, corporate and purchasing card services, consumer lines of credit, ATM processing and merchant processing.

Capital Markets engages in equity and fixed income trading activities, offers investment banking and underwriting services for corporate and public sector customers and provides financial advisory services and securities, mutual funds, annuities and insurance products to consumers and regionally based businesses through a network of brokerage offices.

Treasury and Corporate Support includes the Company's investment and residential mortgage portfolios, funding, capital management and asset securitization activities, interest rate risk management, the net effect of transfer pricing related to loan and deposit balances, and the change in residual allocations associated with the provision for loan losses. It also includes business activities managed on a corporate basis, including income and expense of enterprise-wide operations and administrative support functions.

**SEGMENT RESULTS** Accounting policies for the lines of business are the same as those used in preparation of the consolidated financial statements with respect to activities specifically attributable to each business line. However, the preparation of business line results requires management to establish methodologies to allocate funding costs and benefits, expenses and other financial elements to each line of business. For details of these methodologies and segment results, see "Basis for Financial Presentation" on page 43 and Table 21 "Line of Business Financial Performance" included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

**SECURITIES**

**TRADING ACCOUNT SECURITIES** Debt and equity securities held for resale are classified as trading account securities and reported at fair value. Realized and unrealized gains or losses are determined on a trade date basis and reported in noninterest income.

**AVAILABLE-FOR-SALE SECURITIES** These securities are not trading account securities but may be sold before maturity in response to changes in the Company's interest rate risk

profile or demand for collateralized deposits by public entities. Available-for-sale securities are carried at fair value with unrealized net gains or losses reported within other comprehensive income in shareholders' equity. When sold, the amortized cost of the specific securities is used to compute the gain or loss.

**HELD-TO-MATURITY SECURITIES** Debt securities for which the Company has the positive intent and ability to hold to maturity are reported at historical cost adjusted for amortization of premiums and accretion of discounts.

#### LOANS

Loans are reported net of unearned income. Interest income is accrued on the unpaid principal balances as earned. Loan and commitment fees are deferred and recognized over the life of the loan and/or commitment period as yield adjustments.

**ALLOWANCE FOR CREDIT LOSSES** Management determines the adequacy of the allowance for credit losses based on evaluations of the loan portfolio, recent loss experience, and other pertinent factors, including economic conditions. This evaluation is inherently subjective as it requires estimates, including amounts of future cash collections expected on nonaccrual loans, that may be susceptible to significant change. The allowance for credit losses relating to impaired loans is based on the loan's observable market price, the collateral for certain collateral-dependent loans, or the discounted cash flows using the loan's effective interest rate.

The Company determines the amount of the allowance required for certain sectors based on relative risk characteristics of the loan portfolio. The allowance recorded for commercial loans is based on quarterly reviews of individual credit relationships and an analysis of the migration of commercial loans and actual loss experience. The allowance recorded for homogeneous consumer loans is based on an analysis of product mix, risk characteristics of the portfolio, fraud loss and bankruptcy experiences, and historical losses, adjusted for current trends, for each homogenous category or group of loans. The allowance is increased through provisions charged to operating earnings and reduced by net charge-offs.

**NONACCRUAL LOANS** Generally commercial loans (including impaired loans) are placed on nonaccrual status when the collection of interest or principal has become 90 days past due or is otherwise considered doubtful. When a loan is placed on nonaccrual status, unpaid interest is reversed. Future interest payments are generally applied against principal. Revolving consumer lines and credit cards are charged off by 180 days past due and closed-end consumer loans other than loans secured by 1-4 family properties are charged off at 120 days past due and are, therefore, not placed on nonaccrual status.

**IMPAIRED LOANS** A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due (both interest and principal) according to the contractual terms of the loan agreement.

**LEASES** The Company engages in both direct and leveraged lease financing. The net investment in direct financing leases is the sum of all minimum lease payments and estimated residual values, less unearned income. Unearned income is added to interest income over the terms of the leases to produce a level yield.

The investment in leveraged leases is the sum of all lease payments (less nonrecourse debt payments) plus estimated residual values, less unearned income. Income from leveraged leases is recognized over the term of the leases based on the unrecovered equity investment.

**LOANS HELD FOR SALE** Loans held for sale ("LHFS") represent mortgage loan originations intended to be sold in the secondary market and other loans that management has an active plan to sell. LHFS are carried at the lower of cost or market value as determined on an aggregate basis by type of loan. In the event management decides to sell loans receivable, the loans are transferred at the lower of cost or fair value. Any credit-related loss at the time of transfer is recorded as a reduction in the allowance for credit losses. Subsequent decreases in fair value are recognized in noninterest income.

**OTHER REAL ESTATE** Other real estate ("ORE"), which is included in other assets, is property acquired through foreclosure or other proceedings. ORE is carried at the lower of cost or fair value, less estimated selling costs. The property is evaluated regularly and any decreases in the carrying amount are included in noninterest expense.

#### DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the Company enters into derivative transactions to manage its market and prepayment risks and to accommodate the business requirements of its customers. All derivative instruments are recorded as either assets or liabilities at fair value. Subsequent changes in a derivative's fair value are recognized currently in earnings unless specific hedge accounting criteria are met.

All derivative instruments that qualify for specific hedge accounting are recorded at fair value and classified either as a hedge of the fair value of a recognized asset or liability ("fair value" hedge) or as a hedge of the variability of cash flows to be received or paid related to a recognized asset or liability or a forecasted transaction ("cash flow" hedge).

Changes in the fair value of a derivative that is highly effective and designated as a fair value hedge and the offsetting changes in the fair value of the hedged item are recorded in income. Changes in the fair value of a derivative that is highly effective and designated as a cash flow hedge are recognized in other comprehensive income until income from the cash flows of the hedged item are recognized. The Company performs an assessment, both at the inception of the hedge and on a quarterly basis thereafter, to determine whether these derivatives are highly effective in offsetting changes in the value of the hedged items. Any change in fair value resulting from hedge ineffectiveness is immediately recorded in noninterest income.

If a derivative designated as a hedge is terminated or ceases to be highly effective, the gain or loss is amortized to earnings over the remaining life of the hedged asset or liability (fair value hedge) or over the same period(s) that the forecasted hedged transactions impact earnings (cash flow hedge). If the hedged item is disposed of, or the forecasted transaction is no longer probable, the derivative is recorded at fair value with any resulting gain or loss included in the gain or loss from the disposition of the hedged item or, in the case of a forecasted transaction that is no longer probable, included in earnings immediately.

#### OTHER SIGNIFICANT POLICIES

**PREMISES AND EQUIPMENT** Premises and equipment are stated at cost less accumulated depreciation and depreciated primarily on a straight-line basis over the estimated life of the assets.

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

**MORTGAGE SERVICING RIGHTS** Mortgage servicing rights associated with loans originated and sold, where servicing is retained, are capitalized and included in other intangible assets in the consolidated balance sheet. The value of these capitalized servicing rights is amortized in proportion to, and over the period of, estimated net servicing revenue and recorded in noninterest expense as amortization of intangible assets. The carrying value of these rights is periodically reviewed for impairment based on fair value. For purposes of measuring impairment, the servicing rights are stratified based on the underlying loan type and note rate and compared to a valuation prepared based on a discounted cash flow methodology, utilizing current prepayment speeds and discount rates. Impairment is recognized through a valuation allowance for each impaired stratum and recorded as amortization of intangible assets.

**INTANGIBLE ASSETS** For all purchase acquisitions completed prior to July 1, 2001, the price paid over the net fair value of the acquired businesses ("goodwill") is amortized over periods ranging up to 25 years. For purchase acquisitions completed subsequent to June 30, 2001, goodwill is not amortized. Other intangible assets are amortized over their estimated useful lives, which range from seven to fifteen years, using straight-line and accelerated methods. The recoverability of goodwill and other intangible assets is evaluated if events or circumstances indicate a possible inability to realize the carrying amount. The evaluation includes assessing the estimated fair value of the intangible asset based on market prices for similar assets, where available, and the present value of the estimated future cash flows associated with the intangible asset.

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

**STATEMENT OF CASH FLOWS** For purposes of reporting cash flows, cash and cash equivalents include cash and money market investments, defined as interest-bearing amounts due from banks, federal funds sold and securities purchased under agreements to resell.

**STOCK-BASED COMPENSATION** The Company grants stock options for a fixed number of shares to employees and directors with an exercise price equal to the fair value of the shares at the date of grant. The Company accounts for stock option grants in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," ("APB 25") and accordingly recognizes no compensation expense for the stock option grants.

**PER SHARE CALCULATIONS** Earnings per share is calculated by dividing net income (less preferred stock dividends) by the weighted average number of common shares outstanding during the year. Diluted earnings per share is calculated by adjusting income and outstanding shares, assuming conversion of all potentially dilutive securities, using the treasury stock method. All per share amounts have been restated for stock splits.

NOTE 2 Accounting Changes

ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities," as amended, establishes accounting and reporting standards for all derivative instruments and criteria for designation and effectiveness of hedging activities. SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet and measure those instruments at fair value. The changes in the fair value of the derivatives are recognized currently in earnings unless specific hedge accounting criteria are met. If the derivative qualifies as a hedge, the accounting treatment varies based on the type of risk being hedged. On January 1, 2001, the Company adopted SFAS 133. Transition adjustments related to adoption resulted in an after-tax loss of approximately \$4.1 million recorded in net income and an after-tax increase of \$5.2 million recorded in other comprehensive income. The transition adjustments related to adoption were not material to the Company's financial statements, and as such, were not separately reported in the consolidated statement of income.

ACCOUNTING FOR BUSINESS COMBINATIONS AND GOODWILL AND OTHER INTANGIBLE ASSETS In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 ("SFAS 141"), "Business Combinations" and Statement of Financial Accounting Standard No. 142 ("SFAS 142"), "Goodwill and Other Intangible Assets." SFAS 141 mandates the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and establishes specific criteria for the recognition of intangible assets separately from goodwill. SFAS 142 addresses the accounting for goodwill and intangible assets subsequent to their acquisition. The Company is required to adopt SFAS 142 on January 1, 2002. The most significant changes made by SFAS 142 are that goodwill and indefinite lived intangible assets will no longer be amortized and will be tested for impairment at least annually, thereafter. Any impairment charges from the initial impairment test at the date of adoption would be recognized as a "cumulative effect of change in accounting principles" in the income statement. The amortization provisions of SFAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the amortization provisions of SFAS 142 are effective upon adoption of SFAS 142.

The Company will apply the amortization provisions of SFAS 142 during the first quarter of 2002. Management anticipates that applying the provisions of SFAS 141 to recent acquisitions and the provisions of SFAS 142 to purchase acquisitions completed prior to July 1, 2001, will increase after-tax income for the year ending December 31, 2002, by approximately \$200 to \$210 million, or \$.10 per diluted share. This considers the application of SFAS 142's definition of a business and the impact of reclassifying certain assets from goodwill to intangibles and changes in estimated useful lives of certain intangible assets. The Company has not yet fully determined the impact on earnings of impairments related to goodwill and indefinite lived intangible assets under the new guidelines required by SFAS 142. Any material impairment charge resulting from these transitional accounting rules will be reflected as a "cumulative effect of a change in accounting principles" in the first quarter of 2002. Because banking regulations exclude 100 percent of goodwill from the determination of capital adequacy, the impact of any impairment on the Company's capital adequacy will not be significant.

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NOTE 3 Business Combinations

On February 27, 2001, Firststar and USBM merged in a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies. Each share of Firststar stock was exchanged for one share of the Company's common stock while each share of USBM stock was exchanged for 1.265 shares of the Company's common stock. The new Company retained the U.S. Bancorp name.

On September 20, 1999, Firststar and Mercantile Bancorporation, Inc., ("Mercantile") merged in a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies. Each share of Mercantile stock was exchanged for 2.091 shares of Firststar common stock.

On July 24, 2001, the Company acquired NOVA Corporation ("NOVA"), a merchant processor, in a stock and cash transaction valued at approximately \$2.1 billion. The transaction, representing total assets acquired of \$2.9 billion and total liabilities assumed of \$773 million, was accounted for as a purchase. Included in total assets are merchant contracts and other intangibles of \$650 million and the excess of the purchase price over the fair value of identifiable net assets ("goodwill") of \$1.6 billion.

In addition to these mergers, the Company has completed several strategic acquisitions to enhance its presence in certain growth markets and businesses. The following table summarizes acquisitions by the Company and its acquirees completed since January 1, 1999, treating Firststar as the original acquiring company:

Goodwill and Other Cash Paid/  
(Dollars and Shares in Millions)  
Date Assets Deposits Intangibles  
(Received) Shares Issued - -----  
-----  
-----

Pacific Century  
Bank..... September  
2001 \$ 570 \$ 712 \$ 138 \$ (40) --  
NOVA

Corporation.....  
July 2001 949 -- 1,932 842 56.9  
U.S.

Bancorp.....  
February 2001 86,602 51,335 -- --  
- 952.4 First Union

branches.....  
December 2000 450 1,779 347  
(1,123) -- Scripps Financial

Corporation..... October  
2000 650 618 113 -- 9.4 Lyon  
Financial Services,

Inc..... September 2000  
1,289 -- 124 307 -- Oliver-Allen  
Corporation..... April

2000 280 -- 34 -- 3.6 Peninsula  
Bank.....  
January 2000 491 452 71 -- 5.1  
Western

Bancorp.....  
November 1999 2,508 2,105 773 --  
35.1 Mercantile

Bancorporation.....  
September 1999 35,520 24,334 --  
-- 331.8 Voyager Fleet Systems,

Inc..... September 1999  
43 -- 25 27 -- Bank of  
Commerce.....

July 1999 638 529 269 -- 11.8  
Mellon Network Services'  
Electronic Funds Transfer

Processing Unit..... June 1999  
-- -- 78 170 -- Libra  
Investments, Inc.....

January 1999 33 -- 4 -- 1.3 --  
-----  
-----

Accounting (Dollars and Shares  
in Millions) Method - -----  
-----

Pacific Century  
Bank..... Purchase  
NOVA

Corporation.....  
Purchase U.S.

Bancorp.....  
Pooling First Union  
branches.....

Purchase Scripps Financial  
Corporation..... Purchase  
Lyon Financial Services,

Inc..... Purchase Oliver-  
Allen Corporation.....  
Purchase Peninsula  
Bank.....



Purchase Western  
 Bancorp.....  
 Purchase Mercantile  
 Bancorporation.....  
 Pooling Voyager Fleet Systems,  
 Inc..... Purchase Bank of  
 Commerce.....  
 Purchase Mellon Network  
 Services' Electronic Funds  
 Transfer Processing Unit.....  
 Purchase Libra Investments,  
 Inc..... Purchase - -  
 -----  
 -----

Separate results of operations as originally reported on a condensed basis of Firststar and USBM, for the period prior to the merger, were as follows:

Year Ended December 31	-----	
	(Dollars in	
Millions) 2000	1999	-----
-----		
	NET	
	INTEREST INCOME	
Firststar.....	\$ 2,699	\$ 2,643
USBM.....	3,471	3,261
	---	
Total.....	\$ 6,170	\$ 5,904
	-----	
	NET INCOME	
Firststar.....	\$ 1,284	\$ 875
USBM.....	1,592	1,507
	---	
Total.....	\$ 2,876	\$ 2,382
	-----	
	TOTAL ASSETS AT YEAR END	
Firststar.....	\$ 77,585	\$ 72,788
USBM.....	87,336	81,530
	-----	
Total.....	\$164,921	\$154,318
	-----	
	-----	

On January 18, 2002, the Company announced a definitive agreement to acquire The Leader Mortgage Company, LLC ("Leader"), a wholly owned subsidiary of First Defiance Financial Corporation, in a cash transaction. Leader specializes in acquiring servicing of loans originated for state and local housing authorities. Leader had \$506 million in assets at December 31, 2001. In 2001, it had \$2.1 billion in mortgage production and an \$8.6 billion servicing portfolio at December 31, 2001. The transaction is expected to close in the second quarter of 2002.



portfolio.....				
177.7 -- --	177.7	Provision for		
credit losses.....	7.5	-- --		
7.5 Other merger-related				
charges.....	46.1	2.0	(16.3)	
31.8 -----				
		Total		
1999.....				
\$417.0	\$ 95.9	\$ 27.4	\$ 540.3	- ----
-----				
-----				
-----				
-----				

- (a) Represents the 1998 acquisition of the former Firststar Corporation by Star Banc. Star Banc was renamed Firststar Corporation.
- (b) In 2001, "Other" includes merger and restructuring-related items pertaining to the First Union branch acquisition and the Pacific Century Bank acquisition.

The Company determines merger and restructuring-related charges and related accruals based on its integration strategy and formulated plans. These plans are established as of the acquisition date and regularly evaluated during the integration process.

Severance and employee-related charges include the cost of severance, other benefits and outplacement costs associated with the termination of employees primarily in branch offices and centralized corporate support and data processing functions. The severance amounts are determined based on the Company's existing severance pay programs and are paid out over a benefit period of up to two years from the time of termination. The total number of employees included in severance amounts were approximately 2,820 for USBM, 2,400 for Mercantile, 2,000 for Firststar, 160 for NOVA, 300 for the Piper Restructuring and 520 for all other acquisitions. Severance and employee-related costs are included in the determination of goodwill for groups of acquired employees identified at closing to be severed. Severance and employee-related costs are recorded



other.....	--	--	--	(50.3)	--
(30.2)	(80.5)				
-----					
-- Balance at December 31,					
2000.....	--	--	--		
49.8	49.8				
Provision charged to operating expense.....					
1,167.2	1.6	50.7	22.7	3.2	21.0
1,266.4 Additions related to purchase acquisitions.....					
--	82.2	--	--	7.4	89.6
Cash outlays.....					
(532.5)	(32.4)	(22.3)	(23.8)		
(3.2)	(50.6)	(664.8)			
Noncash write-downs and other.....					
(510.4)	(3.0)	(10.3)	1.1	--	
(13.0)	(535.6)				
-----					
--- Balance at December 31,					
2001.....	\$	124.3	\$	48.4	\$
18.1	\$	--	\$	14.6	\$
				205.4	-
-----					
-----					
-----					

(a) "Other" includes the 1997 acquisition of the former U.S. Bancorp of Portland, Oregon by First Bank System, Inc. ("FBS"). FBS was renamed U.S. Bancorp. "Other" also includes the 1998 acquisition of Piper Jaffray, Inc., the 1999 acquisitions of Libra Investments, Inc., Bank of Commerce, and Western Bancorp, and the 2000 acquisitions of Peninsula Bank, Oliver-Allen Corporation, Lyon Financial Services, Inc., Scripps Financial Corporation and 41 branches acquired from First Union. Refer to Note 3 for further information.

(b) The liability relates to certain severance-related items.



Scripps Financial Corporation.....	--	4.6	Bank of Commerce.....	--	4.1
			Peninsula Bank.....	--	3.0
			Other acquisitions.....		7.8
			15.3	-----	
Total.....					
\$205.4	\$49.8			-----	
				-----	

In connection with the merger of Firststar and USBM, management estimates the Company will incur pre-tax merger-related charges of approximately \$271.1 million in 2002. These are currently estimated to include \$14.0 million in employee-related costs, \$170.9 million for conversions of systems and consolidation of operations, \$57.8 million in occupancy and equipment charges (elimination of duplicate facilities and write-off of equipment) and \$28.4 million in other merger-related costs (including legal fees, balance sheet restructuring charges and other costs).

With respect to the NOVA acquisition, the Company expects to incur approximately \$68.3 million of merger-related charges through 2003. The Piper Restructuring was substantially completed by December 31, 2001. In addition, the Company anticipates an additional \$15.1 million of merger-related expenses in 2002 as a result of other acquisitions.

NOTE 5 Restrictions on Cash and Due from Banks

Bank subsidiaries are required to maintain minimum average reserve balances with the Federal Reserve Bank. The amount of those reserve balances was approximately \$916 million at December 31, 2001.

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NOTE 6 Investment Securities

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

2001	-----		
	----- Gross Gross		
	Unrealized	Unrealized	Amortized
	Holding	Holding	Fair (Dollars in
	Millions)	Cost	Gains Losses Value -
	-----		
	----- Held-to-		
	maturity Asset-backed		
securities.....	\$ 28	\$ --	\$ --
-- \$ 28	Obligations of state and		
	political		
subdivisions.....			
271 9 (2) 278	-----		
	----- Total held-		
	to-maturity securities....		
\$ (2) \$ 306	\$ 299	\$ 9	
	-----		
	----- Available-for-sale U.S. Treasuries		
	and agencies.....		
	\$ 439	\$ 10	\$ -
	- \$ 449		Asset-backed
securities.....	24,028	114	
(114) 24,028	Obligations of state		
	and political		
subdivisions.....			
877 16 (2) 891	-----		
Other.....			
950 35 (44) 941	-----		
	----- Total		
	available-for-sale		
securities.....	\$		
26,294 \$ 175 \$ (160) \$ 26,309	-----		
	-----		
2000	-----		
	----- Gross Gross		
	Unrealized	Unrealized	Amortized
	Holding	Holding	Fair (Dollars in
	Millions)	Cost	Gains Losses Value -
	-----		
	----- Held-to-maturity		
	Asset-backed		
securities.....	\$ 36	\$ --	\$ --
-- \$ 36	Obligations of state and		
	political		
subdivisions.....			
216 5 -- 221	-----		
	----- Total held-		
	to-maturity securities....		
\$ -- \$ 257	\$ 252	\$ 5	
	-----		
	----- Available-for-sale U.S. Treasuries		
	and agencies.....		
	\$ 1,600	\$ 27	\$
(3) \$ 1,624	Asset-backed		
securities.....	11,800	128	
(35) 11,893	Obligations of state and		
	political		
subdivisions.....			
2,370 41 (2) 2,409	-----		
Other.....			
1,472 21 (29) 1,464	-----		
	----- Total		
	available-for-sale		
securities.....	\$		
17,242 \$ 217 \$ (69) \$ 17,390	-----		
	-----		

Securities carried at \$18.1 billion at December 31, 2001, and \$13.3 billion at December 31, 2000, were pledged to secure public, private and trust deposits and for other purposes required by law. Securities sold under agreements to repurchase were collateralized by securities and securities purchased under agreements to resell with an amortized cost of \$3.0 billion and \$1.0 billion at December 31, 2001, and 2000, respectively.

The following table provides information as to the amount of gross gains and losses realized through the sales of available-for-sale investment securities.

(Dollars in Millions)	2001	2000	1999	-----
	-----			
	----- Gross realized			
gains.....				
\$ 333.1	\$ 23.1	\$ 31.1	Gross realized	



losses(a).....			
(4.0) (15.0) (195.6) -----			
----- Net realized gains			
(losses).....	\$		
329.1 \$ 8.1 \$ (164.5) -----			
----- Income tax (benefit) on realized			
gains (losses).....	\$	115.2	\$ 2.8
(57.9) - -----			
-----			
-----			

(a) Included in the gross realized losses for 1999 is \$177.7 million related to the Mercantile balance sheet restructuring. These losses were included in merger and restructuring-related expense.

For amortized cost, fair value and yield by maturity date of held-to-maturity and available-for-sale securities outstanding as of December 31, 2001, see Table 11 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

NOTE 7 Loans and Allowance for Credit Losses

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

(Dollars in Millions) 2001		2000	
-----			
----- COMMERCIAL			
Commercial.....	\$ 40,472	\$ 47,041	Lease
financing.....	5,858	5,776	Total
commercial.....	46,330		
52,817 COMMERCIAL REAL ESTATE Commercial			
mortgages.....	18,765		
19,466 Construction and			
development.....	6,608	6,977	---
----- Total commercial real			
estate.....	25,373	26,443	
RESIDENTIAL			
MORTGAGES.....	5,746		
7,753 RETAIL Credit			
card.....	5,889		
6,012 Retail			
leasing.....	4,906		
4,153 Other retail Home equity and second			
mortgage.....	14,318	13,600	Revolving
credit.....	2,673	2,750	
Installment.....			
2,292	2,186		
Automobile.....			
5,660	5,609		
Student.....			
1,218	1,042		Total other
retail.....	26,161	25,187	--
----- Total			
retail.....	36,956		
35,352			Total
loans.....	\$114,405		
\$122,365			-----

Loans are presented net of unearned interest which amounted to \$1.6 billion and \$1.7 billion at December 31, 2001 and 2000, respectively. The Company had loans of \$28.0 billion at December 31, 2001, and \$7.8 billion at December 31, 2000, pledged at the Federal Home Loan Bank. Loans of \$7.2 billion at December 31, 2001, and \$3.6 billion at December 31, 2000, were pledged at the Federal Reserve Bank.

The Company primarily lends to borrowers in the 24 states where it has banking offices. Collateral for commercial loans may include marketable securities, accounts receivable, inventory and equipment. For detail of the Company's commercial portfolio by industry type and geography as of December 31, 2001, and 2000, see Table 9 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

For detail of the Company's commercial real estate portfolio by property type and geography as of December 31, 2001, and 2000, see Table 10 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements. Such loans are collateralized by the related property.

The following table lists information related to nonperforming loans as of December 31:

(Dollars in Millions) 2001		2000	
-----			
----- Loans on nonaccrual			
status.....	\$1,001.3	\$	
765.3 Renegotiated			
loans.....			--
----- Total nonperforming			
loans.....	\$1,001.3	\$	
765.3			-----
Interest income that would have been recognized at			
original contractual			
terms.....	\$		
109.2	\$ 72.2	Amount recognized as interest	
income.....	46.2	21.4	-----
----- Forgone			
revenue.....			
\$ 63.0	\$ 50.8		-----

Activity in the allowance for credit losses was as follows:

(Dollars in Millions)	2001	2000	1999	
Balance at beginning of year	\$1,786.9	\$1,710.3	\$1,705.7	
Add Provision charged to operating expense(a)	646.0	2,528.8	828.0	
Deduct Loans charged off	1,771.4	1,017.6	902.8	
Less recoveries of loans charged off	224.9	192.2	230.2	
Net loans charged off	1,546.5	825.4	672.6	
Losses from loan sales/transfers	(329.3)	--	--	
Acquisitions and other changes	74.0	31.2	17.4	
Balance at end of year	\$2,457.3	\$1,786.9	\$1,710.3	

(a) In 2001, \$382.2 million of the provision for credit losses was incurred in connection with the merger of Firststar and USBM.

A portion of the allowance for credit losses is allocated to loans deemed impaired. All impaired loans are included in non-performing assets. A summary of these loans and their related allowance for loan losses is as follows:

	2001	2000	1999
Recorded Valuation	\$ 694	\$ 125	\$ 487
Recorded Valuation (Dollars in Millions)	\$ 57	\$ 257	\$ 8
Investment Allowance	--	--	127
Investment Allowance	132	--	--
Total impaired loans	\$ 694	\$ 125	\$ 614
	\$ 57	\$ 389	\$ 8
Average balance of impaired loans during the year	\$ 780	\$ 526	\$ 408
Interest income recognized on impaired loans during the year	25.0	7.8	3.3

Commitments to lend additional funds to customers whose loans were classified as nonaccrual or renegotiated at December 31, 2001, totaled \$82.5 million. During 2001 there were no loans that were restructured at market interest rates and returned to a fully performing status.

NOTE 8 Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities

RECEIVABLE SALES

When the Company sells receivables, it may retain interest-only strips, servicing rights, a cash reserve account, and/or other interests in the receivables. The gain or loss on sale of the receivables depends in part on the previous carrying amount of the financial assets involved in the transfer, and is allocated between the assets sold and the retained interests based on their relative fair values at the date of transfer. Market prices are used to determine retained interest fair values when readily available. However, quotes are generally not available for retained interests, so the Company generally estimates fair value based on the present value of future expected cash flows using management's best estimates of the key assumptions--credit losses, prepayment speeds, forward yield curves, and discount rates commensurate with the risks involved. Retained interests are valued at inception and updated quarterly using a discounted cash flow methodology.

On November 16, 2001, the Company sold \$737.8 million of unsecured small

business receivables. The transaction generated a loss on sale of \$64.7 million. The Company retained interest-only strips, a cash collateral reserve, and subordinated securities. Key assumptions used in measuring retained interests at the date of securitization are consistent with those presented in the table below captioned "Residual Economic Assumptions and Adverse Changes." These products are similar in nature to revolving credit card receivables. Each month new advances on these accounts are sold. The proceeds from these sales are netted against the cash collected for the month. The net cash collected is distributed accordingly to pay down the outstanding securities. The Company receives a fee to continue to service the receivables. Since the Company receives adequate compensation relative to current market servicing prices, no servicing asset or liability regarding this securitization is recognized.

During 2001 and 2000, the Company administered a loan conduit which holds short-term participations in commercial loans originated by the Company. These loans totaled \$5.9 billion at December 31, 2001 and included net sales of originated loans to the loan conduit of

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approximately \$3.7 billion during 2001. The Company received fee revenue of \$57.6 million and \$18.0 million from the loan conduit in 2001 and 2000, respectively. Under a credit enhancement agreement with the conduit, the Company would be required to make payments to the conduit in specified amounts if the conduit experiences payment defaults on its loans. No credit enhancements were needed during 2001 or 2000. In addition, the Company maintains a reserve to reflect its obligation to provide credit enhancements to the conduit.

For the years ended December 31, 2001 and 2000, the Company sold \$147.5 million and \$255.7 million of the U.S. government guaranteed portions of loans originated under Small Business Administration (SBA) programs, recognizing a pre-tax gain on sale of \$6.3 million and \$10.6 million, respectively. The SBA covers losses occurring on these guaranteed portions. Although the Company retains no credit recourse relating to these sales, it does continue to own a portion of the non-guaranteed elements of the loans. The Company continues to service the loans and is required under the SBA programs to retain specified yield amounts. A portion of the yield is recognized as servicing fee income as it occurs and the remainder is capitalized as a servicing asset, and included in the gain on sale calculation.

SERVICING ASSET POSITION

2001	2000	(Dollars in Millions)
SBA Loans	SBA Loans	- -----
-----	-----	
-----	-----	----- Servicing
-----	-----	assets at beginning of
year.....	year.....	.....
\$6.9	\$ 4.3	Servicing assets
		recognized during the
year.....	year.....	.....
2.8	4.0	Amortization.....
(2.2)	(1.4)	-----
--	--	Servicing assets at end of
year.....	year.....	.....
\$7.5	\$ 6.9	- -----
-----	-----	
-----	-----	

No valuation allowances were required during 2001 or 2000 on servicing assets. Servicing assets are reported in aggregate but measured on a transaction specific basis. Market values were determined using discounted cash flows, utilizing the assumptions noted in the table below.

Key economic assumptions used in valuing servicing assets at the date of sale resulting from sales completed during 2001 and 2000 were as follows:

2001	2000	(Dollars in Millions)
SBA Loans(a)	SBA Loans(a)	SBA Loans(a)
-----	-----	-----
-----	-----	----- Fair
-----	-----	value of assets
recognized.....	recognized.....	.....
\$9.1	\$7.9	Prepayment
speed(b).....	speed(b).....	.....
21	21	CPR
21	21	Weighted-average life
(years).....	(years).....	.....
3.7	3.9	Expected credit
losses.....	losses.....	.....
NA	NA	Discount
rate.....	rate.....	.....
12%	12%	Variable returns to
transferees.....	transferees.....	.....
NA	NA	- -----
-----	-----	
-----	-----	

- (a) All were adjustable rate loans based on the Wall Street Journal prime rate.
- (b) The Company used a prepayment vector based on loan seasoning for valuation. The given speed was the effective prepayment speed that yields the same weighted-average life calculated using the prepayment vector.

The Company also established a securitization trust which held credit card receivables originated by the Company. This trust was terminated in December 2000. At termination, \$509 million of credit card receivables were transferred from the trust to the Company in exchange for the seller's certificates held by the Company. In 2000, \$665 million of proceeds from collections of credit card receivables were reinvested in the trust. The Company received \$18.0 million in servicing fee revenue from the trust in 2000 and recorded a \$2.2 million gain upon the termination of the trust.

RESIDUAL ECONOMIC ASSUMPTIONS AND ADVERSE CHANGES

The Company has retained interests on the following asset sales: \$1.8 billion sale of indirect automobile loans on September 24, 1999; \$420 million sale of corporate and purchasing card receivables on February 27, 1997; \$737.8 million sale of unsecured small business receivables on November 16, 2001; and sales of SBA loans since 1988. At December 31, 2001, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions were as follows:

Indirect Corporate Unsecured Automobile SBA Card Small Business At December 31, 2001 (Dollars in Millions) Loans Loans(a) Receivables(b) Receivables - ----- ----- ----- -----					
----- Carrying amount/fair value of retained interests.....	\$23.1	\$ 3.2	\$		
4.3 \$ 232.7 Weighted-average life (in years).....	0.7	3.7	0.1	0.8	
PREPAYMENT SPEED ASSUMPTION (ANNUAL)(C)(D) (E).....	1.5	ABS 21	CPR --		
6.0% Impact on fair value of 10% adverse change.....	\$(0.7)				
\$(0.2) \$ -- \$ (3.1) Impact on fair value of 20% adverse change.....	(1.5)	(0.4)	--		
(4.7) EXPECTED CREDIT LOSSES (ANNUAL).....	2.8%	--%	--%	13.5%	
Impact on fair value of 10% adverse change.....	\$(0.7)	\$ --	\$		
-- \$ (8.7) Impact on fair value of 20% adverse change.....	(1.4)	--	--	(16.8)	
RESIDUAL CASH FLOWS DISCOUNT RATE (ANNUAL).....	12.0%				
12.0% --% 11.0% Impact on fair value of 10% adverse change.....	\$(0.2)	\$(0.1)	\$ --	\$ (2.6)	
Impact on fair value of 20% adverse change.....	(0.4)	(0.2)	--		
(5.2) INTEREST RATES ON VARIABLE AND ADJUSTABLE CONTRACTS.....	NA	NA			
NA 10.5% Impact on fair value of 10% adverse change.....	NA	NA			
NA \$ (6.7) Impact on fair value of 20% adverse change.....	NA				
NA NA (12.9) - ----- ----- -----					

- (a) Credit losses are covered by the appropriate SBA loan program and are not included in retained interests. Principal reductions caused by defaults are included in the prepayment assumption.
- (b) Residual interest is effectively a single period receivable that is paid and renewed each month during the revolving period. Therefore, no assumptions are used in its estimate. Losses are recognized in the period they occur.
- (c) The Company uses prepayment vectors based on loan seasoning for valuation. The given speed is the effective prepayment speed that yields the same weighted-average life calculated using the prepayment vector.
- (d) ABS = absolute prepayment rate and is the auto industry's standard measure of prepayment speed. CPR = constant prepayment rate.
- (e) Monthly repayment rate on small business lines of credit.

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent variation in assumptions generally cannot be extrapolated because the relationship of the change in the assumptions to the change in fair value may not be linear. Also, in this table the effect of a variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption; in reality, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

The table below summarizes certain cash flows received from and paid to conduit or structured entities for the loan sales described above:

Year Ended December 31 (Dollars in Millions) 2001 2000 - ----- ----- ----- Proceeds from new sales(a).....	\$70,209.4	\$37,911.6	Proceeds from
---	------------	------------	---------------

existing

securitizations(b).....	
6,969.9	8,042.7
Reinvestment in existing	
securitizations(b).....	
(6,547.8)	(7,972.9)
Servicing and other	
fees received.....	
73.9	52.9
Other cash flows received on	
retained interests(c).....	29.9 34.2
Purchases of delinquent or foreclosed	
assets.....	-- --
-----	-----
-----	-----

- (a) Gross proceeds from commercial loan sales were \$69.5 billion for 2001. The net cash flows for these sales were \$3.7 billion. For 2000, gross commercial loan sale proceeds were \$37.6 billion, with net cash flows of (\$30.3) million.
- (b) The corporate card and unsecured small business receivables securitizations are revolving transactions where proceeds are reinvested until their legal terminations. The indirect automobile and SBA loan sales are amortizing transactions where the cash flow is used to pay off investors.
- (c) This amount represents total cash flows received from retained interests by the transferor other than servicing fees. Other cash flows include, for example, all cash flows from interest-only strips and cash above the minimum required level in cash collateral accounts.

Quantitative information relating to loan sales and managed assets was as follows:

At December 31 -----

Total Principal Amount Principal  
Balance 90 Days or More Past Due -

----- Asset Type  
(Dollars in Millions) 2001 2000  
2001 2000 - -----

----- COMMERCIAL

Commercial.....  
\$47,867 \$ 49,982 \$ 590 \$ 525 Lease  
financing.....  
5,858 5,776 207 72 -----

- Total commercial.....  
53,725 55,758 797 597 COMMERCIAL

REAL ESTATE Commercial  
mortgages..... 18,765  
19,466 136 118 Construction and  
development..... 6,608 6,977 37  
40 -----

----- Total  
commercial real estate.... 25,373  
26,443 173 158 RESIDENTIAL

MORTGAGES..... 5,746  
7,753 140 116 RETAIL Credit

card..... 5,889  
6,012 128 111 Retail

leasing..... 4,906  
4,153 12 8 Other

retail.....  
26,593 26,100 224 165 -----

----- Total

retail..... 37,388  
36,265 364 285 -----

-----  
Total managed loans.....

\$122,232 \$126,219 \$ 1,474 \$ 1,155  
Less: Loans sold or

securitized..... 7,827 3,854  
----- Total loans

held..... \$114,405  
\$122,365 ----- SOLD

OR SECURITIZED ASSETS Commercial  
loans..... \$5,868 \$

2,003 \$ -- \$ -- Indirect  
automobile loans(a)..... 432 913

4 3 Guaranteed SBA  
loans(b)..... 582 518 2 --

Corporate card  
receivables(b)..... 214 420 1 1

Credit card  
receivables..... -- -- -- --

- Unsecured small business  
receivables(b).....

731 -- 4 -- ----- Total  
securitized assets..... \$7,827

\$ 3,854 \$ 11 \$ 4 - -----

-----

Year Ended December 31 -----

Average Balance Net Credit Losses

----- Asset Type (Dollars in  
Millions) 2001 2000 2001 2000 - --

----- COMMERCIAL

Commercial.....  
\$ 49,672 \$ 48,403 \$ 724 \$ 259

Lease  
financing.....

5,852 4,512 114 21 -----

Total commercial.....  
55,524 52,915 838 280 COMMERCIAL

REAL ESTATE Commercial  
mortgages..... 19,004

19,158 40 5 Construction and  
development..... 7,077 6,882 12

8 ----- Total commercial real  
estate.... 26,081 26,040 52 13

RESIDENTIAL  
MORTGAGES..... 6,868

9,578 13 12 RETAIL Credit  
card..... 5,645





NOTE 10 Mortgage Servicing Rights

Changes in capitalized mortgage servicing rights are summarized as follows:

Year Ended December 31,	(Dollars in Millions)	
2001	2000	
Balance at beginning of year.....		
	\$ 229	\$ 213
Rights purchased.....	25	16
capitalized.....	315	
Amortization.....		137
sold.....	(45)	(35)
Impairment.....	(61)	(1)
year.....	\$ 360	\$ 229
Balance at end of year.....		

The fair value of capitalized mortgage servicing rights was \$360 million at December 31, 2001, and \$245 million at December 31, 2000. At December 31, 2001, the reduction in the current fair value of mortgage servicing rights to immediate 25 and 50 basis point adverse interest rate changes would be approximately \$32 million and \$63 million, respectively. The Company has purchased principal-only securities that act as a partial economic hedge to this possible adverse interest rate change. The Company serviced \$22.0 billion and \$17.0 billion of mortgage loans for other investors as of December 31, 2001 and 2000, respectively.

NOTE 11 Intangible Assets

The following is a summary of intangible assets as of December 31, which are included in the consolidated balance sheet:

(Dollars in Millions)	2001	2000
Goodwill.....	\$ 5,488	\$ 4,312
benefits.....	530	374
contracts.....	680	17
servicing rights.....	360	229
intangibles.....	354	377
assets.....	\$ 7,412	\$ 5,309

NOTE 12 Short-Term Borrowings

The following table is a summary of short-term borrowings for the last three years:

2001	2000	1999	(Dollars in Millions)		
Amount	Rate	Amount	Rate	Amount	Rate
At year-end Federal funds purchased.....					
\$ 1,146	1.1%	\$ 2,849	5.8%	\$ 5,489	4.7%
Securities sold under agreements to repurchase.....					
3,001	1.1	3,347	4.6	3,174	3.8
Commercial paper.....					
452	1.9	223	6.4	170	4.7
Treasury, tax and loan notes.....					
4,038	1.3	776	5.2	619	5.0
Other short-term borrowings.....					
6,033	2.5	4,638	6.1	1,106	5.6
Total.....					
\$14,670	1.8%	\$11,833	5.6%	\$10,558	4.6%
Average for the year Federal funds purchased.....					
\$ 4,997	5.0%	\$ 5,690	6.2%	\$ 5,898	5.0%
Securities sold under agreements to repurchase.....					
2,657	2.9	3,028	4.8	3,128	4.0
Commercial paper.....					
390	3.9	215	6.3	370	5.1
Treasury, tax and loan notes.....					
1,321	3.5	912	6.1	577	4.5
Other short-term borrowings.....					
3,615	4.0	2,741	7.7	1,734	6.9
Total.....					
\$12,980	4.1%	\$12,586	6.2%	\$11,707	5.0%

----- Maximum month-end balance  
Federal funds  
purchased..... \$ 7,829 \$  
7,807 \$ 7,080 Securities sold under agreements to  
repurchase..... 3,001 3,415 3,278 Commercial  
paper..... 590  
300 397 Treasury, tax and loan  
notes..... 6,618 3,578 1,435  
Other short-term  
borrowings..... 7,149 4,920  
4,945 - -----  
-----

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NOTE 13 Long-Term Debt

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

(Dollars in Millions) 2001		2000	
-----			
----- U.S. BANCORP (Parent Company) Fixed-rate			
subordinated notes 7.625% due			
2002.....	150	150	\$ 150 \$
	8.125% due		
2002.....	150	150	150
	7.00% due		
2003.....	150	150	150
	6.625% due		
2003.....	100	100	100
	7.25% due		
2003.....	32	32	32
	8.00% due		
2004.....	73	125	125
	7.625% due		
2005.....	121	150	150
	6.75% due		
2005.....	191	300	300
	6.875% due		
2007.....	250	250	250
	7.30% due		
2007.....	200	200	200
	7.50% due		
2026.....	200	200	200
	Senior contingent convertible debt 1.50% due		
2021.....	1,100	--	Medium-term
notes.....			3,215
	4,634 Capitalized lease obligations, mortgage		
	indebtedness and		
other.....	142	122	-----
Subtotal.....	6,074	6,563	SUBSIDIARIES Fixed-rate subordinated notes
			6.00% due
2003.....	79	100	100
	6.375% due		
2004.....	75	75	75
	6.375% due		
2004.....	150	150	150
	7.55% due		
2004.....	100	100	100
	8.35% due		
2004.....	100	100	100
	7.30% due		
2005.....	100	100	100
	6.875% due		
2006.....	125	125	125
	6.625% due		
2006.....	100	100	100
	6.50% due		
2008.....	300	300	300
	6.30% due		
2008.....	300	300	300
	5.70% due		
2008.....	400	400	400
	7.125% due		
2009.....	500	500	500
	7.80% due		
2010.....	300	300	300
	6.375% due		
2011.....	1,500	--	--
	Federal Home Loan Bank		
advances.....	7,196	2,753	Bank
notes.....			
	7,550	9,300	Euro medium-term notes due
2004.....	400	400	Capitalized
	lease obligations, mortgage indebtedness and		
other.....	367	210	-----
Total.....	\$ 25,716	\$ 21,876	-----
			-----

In August 2001, the Company issued \$1.1 billion of senior contingent convertible debt due August 6, 2021. The interest rate is 1.50% per annum. The debt would be convertible into the Company's stock only if the Company's stock price increases to the contractual strike price. The convertible strike price decreases over the term of the bond. The notes are callable in August 2003 and puttable in August 2002 and on specified dates thereafter.

In July 2001, the Company's subsidiary U.S. Bank National Association issued \$1.5 billion of fixed-rate subordinated notes due August 1, 2011. The interest rate is 6.375% per annum.

Medium-term notes ("MTNs") outstanding at December 31, 2001, mature from January 2002 through December 2004. The MTNs bear fixed or floating interest rates ranging from 2.01 percent to 7.50 percent. The weighted-average interest rate of MTNs at December 31, 2001, was 3.85 percent.

Federal Home Loan Bank ("FHLB") advances outstanding at December 31, 2001,

mature from February 2002 through October 2026. The advances bear fixed or floating interest rates ranging from 0.50 percent to 8.25 percent. The Company has an arrangement with the FHLB whereby based on collateral available (residential and commercial mortgages), the Company could have borrowed an additional \$10.6 billion at December 31, 2001. The weighted-average interest rate of FHLB advances at December 31, 2001, was 3.36 percent.

Bank notes outstanding at December 31, 2001, mature from January 2002 through November 2005. The Bank notes bear fixed or floating interest rates ranging from 1.79 percent to 6.30 percent. The weighted-average interest

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NOTE 15 Shareholders' Equity

At December 31, 2001 and 2000, the Company had authority to issue 4 billion and 2 billion shares of common stock, respectively, and 10 million shares of preferred stock. The Company had 1,951.7 million and 1,902.1 million shares of common stock outstanding at December 31, 2001 and 2000, respectively. At December 31, 2001, the Company had 279.1 million shares of common stock reserved for future issuances. These shares are primarily reserved for stock option plans, dividend reinvestment plans and deferred compensation plans. In connection with the merger of Firststar and USBM, the number of authorized common shares for U.S. Bancorp was increased from 2 billion to 4 billion effective February 27, 2001. Additionally, the par value of the Company's common stock was reduced from \$1.25 per share to \$.01 per share.

The Company has a Preferred Share Purchase Rights Plan intended to preserve the long-term value of the Company by discouraging a hostile takeover of the Company. Under the plan, each share of common stock carries a right to purchase one one-thousandth of a share of preferred stock. The rights become exercisable in certain limited circumstances involving a potential business combination transaction or an acquisition of shares of the Company and are exercisable at a price of \$100 per right, subject to adjustment. Following certain other events, each right entitles its holder to purchase for \$100 an amount of common stock of the Company, or, in certain circumstances, securities of the acquirer, having a then-current market value of twice the exercise price of the right. The dilutive effect of the rights on the acquiring company is intended to encourage it to negotiate with the Company's Board of Directors prior to attempting a takeover. If the Board of Directors believes a proposed acquisition is in the best interests of the Company and its shareholders, the Board may amend the plan or redeem the rights for a nominal amount in order to permit the acquisition to be completed without interference from the plan. Until a right is exercised, the holder of a right has no rights as a shareholder of the Company. The rights expire on February 27, 2011.

The Company issued 57.2 million and 18.2 million shares of common stock with an aggregate value of \$1.9 billion and \$298 million in connection with purchase acquisitions during 2001 and 2000, respectively.

On February 16, 2000, USBM's Board of Directors authorized the repurchase of up to \$2.5 billion of its common stock over a two-year period ending March 31, 2002. This USBM repurchase program replaced a program that was scheduled to expire on March 31, 2000. On April 11, 2000, Firststar's Board of Directors approved a common stock repurchase program of 100 million shares. The stock repurchase programs of Firststar and USBM were rescinded on October 4, 2000, and January 17, 2001, respectively, in connection with the planned merger of the formerly separate companies. On July 17, 2001, the Company's Board of Directors authorized the repurchase of up to 56.4 million shares of the Company's common stock to replace shares issued in connection with the July 24, 2001 acquisition of NOVA Corporation. The stock repurchase authorization will expire on July 23, 2003. Under this program the Company has repurchased 19.7 million shares for \$467.9 million in 2001. The Company had forward contracts to purchase 26.7 million shares within this authorization. These contracts were settled in January of 2002. On December 18, 2001, the Board of Directors approved an authorization to repurchase an additional 100 million shares of outstanding common stock over the following 24 months.

The following table summarizes the Company's common stock repurchased in each of the last three years:

(Dollars and Shares in Millions)	
Shares	Value
2001.....	19.7 \$ 467.9
2000.....	58.6 1,182.2
1999.....	44.6 1,187.9

USBM offered employees and directors an Employee Stock Purchase Plan ("ESPP") that permitted all eligible employees with at least one year of service and directors to purchase common stock. In connection with the merger with Firststar, the ESPP was terminated effective October 13, 2000.

USBM's Dividend Reinvestment Plan providing for automatic reinvestment of dividends and optional cash purchases was suspended on November 9, 2000, following the announcement of the definitive agreement to merge with Firststar.



Shareholders' equity is affected by transactions and valuations of asset and liability positions that require adjustments to Accumulated Other Comprehensive Income. The reconciliation of transactions affecting Accumulated Other Comprehensive Income included in shareholders' equity for the years ended December 31, is as follows:

(Dollars in Millions)	Pre-tax	Tax-effect	Net-of-tax
----- 2001			
Unrealized gain on securities available-for-sale.....	\$ 194.5	\$ (77.6)	\$ 116.9
Unrealized gain on derivatives.....	106.0	(40.3)	65.7
Realized gain on derivatives.....	42.4	(16.1)	26.3
Reclassification adjustment for gains realized in net income.....	(333.1)	126.6	(206.5)
Foreign currency translation adjustments.....	(4.0)	1.5	(2.5)
Total.....	\$ 5.8	\$ (5.9)	\$ (.1)
----- 2000			
Unrealized gain on securities available-for-sale.....	\$ 436.0	\$ (157.8)	\$ 278.2
Reclassification adjustment for gains realized in net income.....	(41.6)	15.8	(25.8)
Foreign currency translation adjustments.....	(.5)	.2	(.3)
Total.....	\$ 393.9	\$ (141.8)	\$ 252.1
----- 1999			
Unrealized loss on securities available-for-sale.....	\$ (743.9)	\$ 268.2	\$ (475.7)
Reclassification adjustment for losses realized in net income.....	163.9	(57.7)	106.2
Total.....	\$ (580.0)	\$ 210.5	\$ (369.5)

NOTE 16 Earnings Per Share

The components of earnings per share were:

(Dollars and Shares in Millions, Except Per Share Data)			
	2001	2000	1999
-----			
Net			
income.....	\$1,706.5	\$2,875.6	\$2,381.8
- Weighted-average common shares			
outstanding.....	1,927.9	1,906.0	1,907.8
effect of the assumed purchase of stock based on the treasury stock method for options and stock plans.....			
	11.6	12.5	22.2
----- Dilutive common shares			
outstanding.....	1,930.0	1,939.5	1,918.5
Earnings per share			
Basic.....	\$ .89	\$ 1.51	\$ 1.25
Diluted.....	\$ .88	\$ 1.50	\$ 1.23

NOTE 17 Employee Benefits

RETIREMENT PLANS Pension benefits are provided to substantially all employees based on years of service and employees' compensation while employed with the Company. Employees are fully vested after five years of service. The Company's funding policy is to contribute amounts to its plans sufficient to meet the minimum funding requirements of the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Company determines to be appropriate. The actuarial cost method used to compute the pension liabilities and expense is the projected unit credit method. Prior to their acquisition dates, employees of certain acquired companies were covered by separate, noncontributory pension plans that provided benefits based on years of service and compensation. Generally, the Company merges plans of acquired companies into its existing pension plans when it becomes practicable.

As a result of the Firststar and USBM merger, the Company maintained two different qualified pension plans, with three different pension benefit structures during 2001: the former USBM's cash balance pension benefit structure, a final average pay benefit structure for the former Firststar organization, and a cash balance pension benefit structure related to the Mercantile acquisition. The two pension plans were merged as of January 1, 2002, under a new final average pay benefit structure; however, the benefit structure of the new plan does not become effective for the Mercantile acquisition until January 1, 2003. Under the new plan's benefit structure, a participant's future retirement benefits are based on a participant's highest five-year average annual compensation during his or her last 10 years before retirement or termination from the Company. Generally, under the two previous cash balance pension benefit structures the participants' earned retirement benefits were

based on their average compensation over their career. Retirement benefits under the former Firststar benefit

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structure were earned based on final average pay and years of service, similar to the new plan. Plan assets primarily consist of various equity mutual funds, listed stocks and other miscellaneous assets.

The Company also maintains several unfunded, non-qualified, supplemental executive retirement programs that provide additional defined pension benefits for senior managers and executive employees. Because all the non-qualified plans are unfunded, the aggregate accumulated benefit obligations exceed the assets. A supplemental executive retirement plan of USBM was frozen for substantially all participants as of September 30, 2001, but with service credit running through December 31, 2001. The assumptions used in computing the present value of the accumulated benefit obligation, the projected benefit obligation and net pension expense are substantially consistent with those assumptions used for the funded qualified plans. The Company anticipates recognizing curtailment gains of approximately \$11.7 million in early 2002 in connection with changes to non-qualified pension plans.

**POST-RETIREMENT MEDICAL PLANS** In addition to providing pension benefits, the Company provides health care and death benefits to certain retired employees through several retiree medical programs. As a result of the merger of USBM with Firststar, there were three major retiree medical programs in place during 2001 with various terms and subsidy schedules. Effective January 1, 2002, the Company adopted one retiree medical program for all future retirees. For certain eligible employees, the provisions of the USBM retiree medical plan and the Mercantile retiree medical plan will remain in place until December 31, 2002. Generally, all employees may become eligible for retiree health care benefits by meeting defined age and service requirements. The Company may also subsidize the cost of coverage for employees meeting certain age and service requirements. The medical plan contains other cost-sharing features such as deductibles and coinsurance. The estimated cost of these retiree benefit payments is accrued during the employees' active service.

Information presented in the four tables below reflects a measurement date of September 30.

The following table sets forth the components of net periodic benefit cost for the retirement plans:

Pension Plans Post-Retirement Medical Plans						
(Dollars in Millions)						
	2001	2000	1999	2001	2000	1999
----- Components of net periodic benefit cost Service						
cost.....	\$ 61.0	\$ 65.4	\$ 70.1	\$ 2.1	\$ 2.0	\$ 3.8
Interest						
cost.....	118.7	117.3	107.1	17.9	16.3	16.5
return on plan assets.....	(232.6)	(201.6)	(177.5)	(1.0)	(.6)	(.5)
Net amortization and deferral..... (10.7)						
loss.....	(13.2)	1.3	.2	2.0	Recognized actuarial loss.....	(1.2)
1.9	(.1)	(1.4)	.2	-----		
-- Net periodic benefit cost..... (64.8)						
cost.....	(31.4)	2.9	19.1	16.5	22.0	Curtailment and settlement (gain) loss.....
(17.0)	(6.2)	--	10.3	-----		
----- Net periodic benefit cost after curtailment and settlement (gain) loss..... \$						
(64.8)	(48.4)	\$ (3.3)	\$ 19.1	\$ 26.8	\$ 22.0	

The following table sets forth the weighted average plan assumptions and other data:

USBM Firststar				
(Dollars in Millions)				
	2001	2000	1999	2001
-----				
----- Pension plan actuarial computations Discount rate in determining benefit obligations.....				
7.5%	8.0%	6.6%	Expected long-term return on plan assets(b).....	11.0
12.2	12.2	11.4	Rate of increase in future compensation.....	3.5
3.5	4.0	4.1	Post-retirement medical plan actuarial computations Discount rate in determining benefit obligations.....	7.5%
7.5%	7.8%	7.5%	7.5%	8.0%
6.8%	Expected long-term return on plan			

assets.....	5.0	5.0	5.0	* * *			
Health care cost trend rate(a) Prior to age 65.....	10.5%	7.7%	7.0%	10.5%	7.5%	7.7%	After age 65.....
Effect of one percent increase in health care cost trend rate Service and interest costs.....	\$ 1.2						
Accumulated post-retirement benefit obligation.....	13.1	13.1	12.4	6.0			
Effect of one percent decrease in health care cost trend rate Service and interest costs.....	\$						
Accumulated post-retirement benefit obligation.....	(13.6)	(11.6)	(10.9)				
	(5.7)	(4.6)	(3.6)	-	-	-	-

\* The Firststar plan had no assets as of December 31, 2001, 2000 and 1999.

- (a) The pre-65 and post-65 rates are assumed to decrease gradually to 5.5% and 6.0% respectively by 2011 and remain at these levels thereafter.
- (b) In connection with the merger of Firststar and USBM, the asset management practices and investment strategies of the plan were conformed. At December 31, 2001, the investment asset allocation was weighted toward equities and diversified by industry and companies with varying market capitalization levels.

The following table summarizes benefit obligation and plan asset activity for the retirement plans:

Pension Plans Post-Retirement Medical Plans -----				
(Dollars in Millions) 2001 2000 2001 2000 - -----				
--- CHANGE IN BENEFIT OBLIGATION Benefit obligation at				
beginning of measurement period....	\$1,595.4	\$1,580.3	\$	
cost.....	244.1	\$ 225.0	Service	
cost.....	61.0			
cost.....	65.4	2.1	2.0	Interest
cost.....	117.3	17.9	16.3	Plan participants'
contributions.....				Plan
amendments.....				10.3 6.8
loss.....	--	(2.4)	--	Actuarial
payments.....	24.9	19.8		Benefit
Curtailments.....	(170.4)	(111.7)	(31.8)	(25.8)
Settlements.....	--	(4.4)	--	--
Benefit obligation at end of measurement period.....	\$1,656.4	\$1,595.4	\$ 265.1	\$ 244.1
-----				
--- CHANGE IN FAIR VALUE OF PLAN ASSETS Fair value at beginning of measurement period.....				
assets.....	\$2,283.2	\$1,985.3	\$ 21.8	\$ 13.4
assets.....			(531.8)	443.8 1.8 .9
assets.....				Employer
contributions.....	16.3	33.3	26.5	Plan participants'
contributions.....				10.3 6.8
Acquisitions/divestitures.....	--	1.1	--	--
Settlements.....	--	(51.6)	--	--
payments.....	(170.4)	(111.7)	(31.8)	(25.8)
Fair value at end of measurement period.....	\$1,611.1	\$2,283.2	\$ 35.4	\$ 21.8
-----				
--- FUNDED STATUS Funded status at end of measurement period.....				
transition (asset) obligation.....	(45.3)	\$ 687.8	\$ (229.7)	\$ (222.3)
Unrecognized prior service cost.....	8.1	9.0		
Unrecognized net (gain) loss.....			(74.8)	(87.6) (9.5) (7.8)
Unrecognized net (gain) loss.....			473.2	(338.6) 16.6
contribution.....	(7.6)			Fourth quarter
contribution.....	6.7	3.7	5.7	15.9
-----				
Net amount				
recognized.....			\$ 359.8	\$ 263.5
recognized.....	\$ (208.8)	\$ (212.8)		
-----				
COMPONENTS OF STATEMENT OF FINANCIAL POSITION Prepaid benefit cost.....				
cost.....	433.1	\$ --	\$ --	\$ 531.7
Accrued benefit liability.....	(169.6)	(208.8)	(212.8)	(171.8)
-----				
Net amount				
recognized.....			\$ 359.8	\$ 263.5
recognized.....	\$ (208.8)	\$ (212.8)		
-----				

The following table provides information for pension plans with benefit obligations in excess of plan assets:

(Dollars in Millions)	
2001	2000
-----	
Benefit obligation.....	
\$ 227.5	\$ 216.5
Accumulated benefit obligation.....	
220.6	193.9
Fair value of plan assets.....	
--	--
-----	

EMPLOYEE INVESTMENT PLAN The Company has defined contribution retirement savings plans which allow qualified employees, at their option, to make contributions up to certain percentages of pre-tax base salary through salary deductions under Section 401(k) of the Internal Revenue Code. Employee contributions are invested, at the employees' direction, among a variety of investment alternatives. Employee contributions are 100 percent matched by the Company, up to the first four percent of an employee's compensation. The Company's matching contribution vests immediately; however, a participant must be employed on December 31st to receive that year's matching contribution. Although the matching contribution is initially invested in the Company's common stock, effective in 2002 an employee will be allowed to reinvest the matching contributions among various investment alternatives. Total expense was \$53.7 million, \$53.6 million and \$57.3 million in 2001, 2000 and 1999, respectively.

NOTE 18 Stock Options and Compensation Plans

As part of its employee and director compensation programs, the Company may grant certain stock awards under the provisions of the existing stock option and compensation plans. The Company has stock options outstanding under various plans at December 31, 2001, including plans assumed in acquisitions. The plans provide for grants of options to purchase shares of common stock generally at the stock's fair market value at the date of

grant. In addition, the plans provide for grants of shares of common stock which are subject to restriction on transfer and to forfeiture if certain vesting requirements are not met.

With respect to stock option and stock compensation plans, the Company has elected to follow APB 25 in accounting for its employee stock incentive and purchase plans. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized. On the date exercised, if new shares are issued, the option proceeds equal to the par value of the shares are credited to common stock and additional proceeds are credited to capital surplus. If treasury shares are issued, the option proceeds equal to the average treasury share price are credited to treasury stock and additional proceeds are credited to capital surplus.

Option grants are generally exercisable up to ten years from the date of grant and vest over three to five years. Restricted shares vest over three to seven years. Compensation expense for restricted stock is based on the market price of the Company stock at the time of the grant and amortized on a straight-line basis over the vesting period. Compensation expense related to the restricted stock was \$71.9 million, \$43.4 million and \$69.5 million in 2001, 2000 and 1999, respectively.

Stock incentive plans of acquired companies are generally terminated at the merger closing dates. Option holders under such plans receive the Company's common stock, or options to buy the Company's stock, based on the conversion terms of the various merger agreements. The historical option information presented below has been restated to reflect the options originally granted under acquired companies' plans.

At December 31, 2001, there were 64.4 million shares (subject to adjustment for forfeitures) available for grant under various plans.

The following is a summary of stock options outstanding and exercised under various stock option plans of the Company:

2001	2000		
Weighted- Average Exercise Price		Weighted- Average Exercise Price	
Stock Options		Stock Options	
STOCK OPTION PLANS			
Number outstanding at beginning of year.....			
153,396,226	\$ 22.80	153,163,030	\$ 22.74
Granted.....			
65,144,310	21.25	22,633,170	19.64
Assumed/converted.....			
8,669,285	16.40	447,341	6.85
Exercised.....			
(12,775,067)	13.44	(10,017,357)	11.02
Cancelled.....			
(12,829,958)	19.91		
-----			
Number outstanding at end of year.....			
201,610,265	\$ 22.58	153,396,226	\$ 22.80
Exercisable at end of year.....			
117,534,343	\$ 22.36	68,870,745	\$ 19.78
-----			
RESTRICTED SHARE PLANS			
Number outstanding at beginning of year.....			
6,377,137		4,212,954	
Granted.....			
1,021,887	4,110,440		
Assumed/converted.....			
298,988	--		
Cancelled/vested.....			
(5,520,424)	(1,946,257)		
-----			
Number outstanding at end of year.....			
2,177,588	6,377,137		

-----  
 -----  
 Weighted-average fair  
 value of shares  
 granted..... \$ 6.76 \$  
 6.32 - -----  
 -----  
 -----

1999 -----  
 --- Weighted- Average  
 Exercise Stock Options  
 Price - -----

----- STOCK OPTION  
 PLANS Number outstanding  
 at beginning of  
 year..... 107,405,102  
 \$ 17.97  
 Granted.....  
 75,922,950 27.08  
 Assumed/converted.....  
 1,210,738 16.58  
 Exercised.....  
 (22,332,730) 13.03  
 Cancelled.....  
 (9,043,030) 25.63 -----  
 ----- Number  
 outstanding at end of  
 year.....  
 153,163,030 \$ 22.74  
 Exercisable at end of  
 year.....  
 70,527,758 \$ 18.00 - ----  
 -----

-----  
 RESTRICTED SHARE PLANS  
 Number outstanding at  
 beginning of  
 year..... 6,072,217  
 Granted.....  
 1,379,808  
 Assumed/converted.....  
 -----  
 Cancelled/vested.....  
 (3,239,071) -----  
 ----- Number  
 outstanding at end of  
 year.....  
 4,212,954 - -----  
 -----  
 ----- Weighted-  
 average fair value of  
 shares granted..... \$  
 7.20 - -----  
 -----  
 -----





NOTE 19 Income Taxes

The components of income tax expense were:

(Dollars in Millions)	2001	2000	1999
----- ----- FEDERAL			
Current.....	\$ 979.9	\$ 996.1	\$1,036.0
Deferred.....	(164.5)	324.5	219.5
Federal income tax.....	815.4	1,320.6	1,255.5
----- STATE			
Current.....	131.8	159.0	103.3
Deferred.....	(19.5)	32.6	33.4
State income tax.....	191.6	136.7	112.3
Total income tax provision.....	\$ 927.7		
\$1,512.2	\$1,392.2		

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

(Dollars in Millions)	2001	2000	1999
----- ----- Tax at statutory rate			
(35%).....	\$ 922.0	\$1,535.8	
\$1,320.9 State income tax, at statutory rates, net of federal tax benefit.....	73.0	124.5	88.9
Tax effect of: Tax-exempt interest, net.....	(60.3)	(38.9)	(56.0)
Amortization of nondeductible goodwill.....	88.1	91.6	73.1
Tax credits.....	(69.4)	(62.7)	(41.7)
Nondeductible merger charges.....	52.5	4.9	56.4
Sale of preferred minority interest.....	(50.0)	--	--
Other items.....	(99.6)	(75.9)	(45.1)
Applicable income taxes.....	\$ 927.7		
\$1,512.2	\$1,392.2		

Deferred income tax assets and liabilities reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for the same items for income tax reporting purposes.

Significant components of the Company's deferred tax assets and liabilities as of December 31 were as follows:

(Dollars in Millions)	2001	2000
----- ----- DEFERRED TAX ASSETS		
Allowance for credit losses.....	\$ 1,043.9	\$ 637.0
Pension and post-retirement benefits.....	59.5	53.5
Real estate and other asset basis differences.....	32.6	31.9
State and federal operating loss carryforwards.....	24.4	25.0
Federal AMT credits and capital losses.....	22.0	22.0
Accrued severance, pension and retirement benefits.....	2.2	30.6
Charitable contributions.....	.9	--
Other deferred tax assets, net.....	234.0	196.0
Gross deferred tax assets.....	1,418.6	996.9
----- DEFERRED TAX LIABILITIES		
Leasing activities.....	(1,642.5)	(1,218.1)
Accelerated depreciation.....	(117.7)	(92.7)
Securities available-for-sale.....	(59.7)	(52.2)
Deferred fees.....	(49.2)	35.0
Other investment basis differences.....	(32.5)	(41.1)
Other deferred tax liabilities, net.....	(73.6)	(124.0)
Gross deferred tax liabilities.....	(1,975.2)	(1,493.1)
Valuation allowance.....	(16.6)	(16.6)
NET DEFERRED TAX LIABILITY.....	\$	

(573.2) \$ (512.8) - -----

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At December 31, 2001, for income tax purposes, the Company had federal net operating loss carryforwards of \$1.2 million available, which expire in years 2002 through 2009. A valuation allowance has been established to offset deferred tax assets related to state net operating loss carryforwards totaling approximately \$437 million, which expire at various times within the next 15 years.

Certain events covered by Internal Revenue Code section 593(e), which was not repealed, will trigger a recapture of base year reserves of acquired thrift institutions. The base year reserves of acquired thrift institutions would be recaptured if an entity ceases to qualify as a bank for federal income tax purposes. The base year reserves of thrift institutions also remain subject to income tax penalty provisions that, in general, require recapture upon certain stock redemptions of, and excess distributions to, stockholders. At December 31, 2001, retained earnings included approximately \$101.8 million of base year reserves for which no deferred federal income tax liability has been recognized.

#### NOTE 20 Derivative and Other Off-Balance Sheet Instruments

In the normal course of business, the Company uses various derivative and other off-balance sheet instruments to manage its interest rate risk and market risks and accommodate the business requirements of its customers. These instruments carry varying degrees of credit, interest rate, and market or liquidity risks.

#### DERIVATIVES

The Company requires the recognition of derivative instruments as either assets or liabilities and the measurement of those instruments at fair value. Subsequent changes in the derivatives' fair values are recognized currently in earnings unless specific hedge accounting criteria are met.

**FAIR VALUE HEDGES** The Company's interest rate swaps designated as fair value hedges of underlying fixed-rate debt and deposit obligations have a fair value of \$276.5 million and fair value hedges of Trust Preferred Securities have a fair value of \$(43.5) million at December 31, 2001. Each period the changes in fair value of both the hedge instruments and the underlying debt obligations are recorded as gains or losses in trading account profits and commissions. All fair value hedges are intended to reduce the interest rate risk associated with the underlying hedged item. The fair value hedge transactions were considered highly effective for the year ended December 31, 2001, and the change in fair value of the swaps attributed to hedge ineffectiveness was not material.

The Company enters into forward commitments to sell groups of residential mortgage loans that it originates or purchases as part of its mortgage banking activities. The Company commits to sell the loans at specified prices in a future period, typically within 90 days. The Company is exposed to interest rate risk during the period between issuing a loan commitment and the sale of the loan into the secondary market. Specific forward commitments are designated as a hedge against changes in the fair value of fixed-rate mortgage loans held for sale attributed to changes in interest rates. The fair value of these forward commitments was \$52.5 million at December 31, 2001. The change in fair value of the forward commitments attributed to hedge ineffectiveness recorded in noninterest income was \$17.9 million for the year ended December 31, 2001.

**CASH FLOW HEDGES** The Company has interest rate swaps designated as cash flow hedges linked to the cash flows of variable rate LIBOR loans and floating rate debt. The swaps have a fair value of \$106 million at December 31, 2001. The gain will be reclassified from other comprehensive income into earnings during the same period the forecasted transactions occur. The estimated amount of the gain to be reclassified into earnings within the next 12 months is \$64.4 million, which includes cash flow hedges terminated early where the forecasted transaction is still probable. The Company has determined that the occurrence of the hedged forecasted transactions remains probable. The change in fair value of the swaps attributed to hedge ineffectiveness was not material for the year ended December 31, 2001.

**OTHER DERIVATIVE ACTIVITY** The Company acts as an intermediary for interest rate swaps, caps, floors and foreign exchange contracts on behalf of its customers. The Company minimizes its market and liquidity risks by taking offsetting positions. The Company manages its credit risk, or potential risk of loss from default by counterparties, through credit limit approval and monitoring procedures. Market value changes on intermediated swaps and other derivatives are recognized in income in the period of change. Gains or losses on intermediated transactions were not significant for the year ended December 31, 2001.

In addition, the Company enters into interest rate swaps and other derivative contracts to protect against interest rate risk and credit risk that do not meet the criteria to receive hedge accounting treatment. These derivatives are recorded at fair value on the balance sheet as trading account assets or liabilities and any changes in fair value are recorded in trading profits/losses and commissions.

The Company also enters into forward commitments to sell groups of residential mortgage loans to protect against changes in the fair value of fixed-rate mortgage loan commitments not yet funded. These forward commitment

transactions and unfunded loan commitments are recorded on the balance sheet at fair value and changes in fair value are recorded in income. The fair value of the forward commitments and the loan commitments was \$19.2 million and \$(20.3) million, respectively, at December 31, 2001.

Futures and forward contracts are agreements for the delayed delivery of securities or cash settlement money market instruments. The Company enters into futures contracts to reduce market risk on its fixed income inventory positions. The Company manages its credit risk on forward contracts, which arises from the potential nonperformance by counterparties, through credit approval and limit procedures.

OTHER OFF-BALANCE SHEET INSTRUMENTS

COMMITMENTS TO EXTEND CREDIT Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. The contractual amount represents the Company's exposure to credit loss in the event of default by the borrower. The Company manages this credit risk by using the same credit policies it applies to loans. Collateral is obtained to secure commitments based on management's credit assessment of the borrower. The collateral may include marketable securities, receivables, inventory, equipment and real estate. Since the Company expects many of the commitments to expire without being drawn, total commitment amounts do not necessarily represent the Company's future liquidity requirements. In addition, the commitments include consumer credit lines that are cancelable upon notification to the consumer.

LETTERS OF CREDIT Standby letters of credit are conditional commitments the Company issues to guarantee the performance of a customer to a third party. The guarantees frequently support public and private borrowing arrangements, including commercial paper issuances, bond financings and other similar transactions. The Company issues commercial letters of credit on behalf of customers to ensure payment or collection in connection with trade transactions. In the event of a customer's nonperformance, the Company's credit loss exposure is the same as in any extension of credit, up to the letter's contractual amount. Management assesses the borrower's credit to determine the necessary collateral, which may include marketable securities, real estate, accounts receivable and inventory. Since the conditions requiring the Company to fund letters of credit may not occur, the Company expects its liquidity requirements to be less than the total outstanding commitments.

Notional amounts of commitments to extend credit and letters of credit were as follows:

	Expiring (Dollars in Millions)	Expiring One Year	Expiring Less Than One Year	After December 31, 2001 Total
-----				
Commitments to extend credit				
Commercial.....	\$ 14,969	\$ 32,687	\$ 47,656	Corporate and purchasing
cards.....		20,083	2,688	22,771
		Consumer credit		
cards.....		19,059	--	
		19,059 Other		
consumer.....	6,254	5,836	12,090	Letters of credit
Standby.....	3,691	4,054	7,745	
Commercial.....	406	22	428	
-----				
-----				

COMMITMENTS FROM SECURITIES LENDING The Company participates in securities lending activities by acting as the customer's agent involving the loan or sale of securities. The Company indemnifies customers for the difference between the market value of the securities lent and the market value of the collateral received. Cash collateralizes these transactions.

For further information on derivatives and other off-balance sheet instruments, see Table 17 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

NOTE 21 Fair Values of Financial Instruments

Due to the nature of its business and its customers' needs, the Company offers a large number of financial instruments, most of which are not actively traded. When market quotes are unavailable, valuation techniques including discounted cash flow calculations and pricing models or services are used. The Company also uses various aggregation methods and assumptions, such as the discount rate and cash flow timing and amounts. As a result, the fair value estimates can neither be substantiated by independent market comparisons, nor realized by the immediate sale or settlement of the financial instrument. Also, the estimates reflect a point in time and could change significantly based on changes in economic factors, such as interest rates. Furthermore, the disclosure of certain financial and nonfinancial assets and liabilities are not required. Finally, the fair value disclosure is not intended to estimate a market value of the Company as a whole. A summary of the Company's valuation techniques and assumptions follows.

**CASH AND CASH EQUIVALENTS** The carrying value of cash, amounts due from banks, federal funds sold and securities purchased under resale agreements was assumed to approximate fair value.

**SECURITIES** Generally, trading account securities and investment securities were valued using available market quotes. In some instances, for securities that are not widely traded, market quotes for comparable securities were used.

**LOANS** The loan portfolio consists of both floating and fixed-rate loans, the fair value of which was estimated using discounted cash flow analyses and other valuation techniques. To calculate discounted cash flows, the loans were aggregated into pools of similar types and expected repayment terms. The expected cash flows of loans considered historical prepayment experiences and estimated credit losses for nonperforming loans and were discounted using current rates offered to borrowers of similar credit characteristics.

**DEPOSIT LIABILITIES** The fair value of demand deposits, savings accounts and certain money market deposits is equal to the amount payable on demand at year-end. The fair value of fixed-rate certificates of deposit was estimated by discounting the contractual cash flow using the discount rates implied by the high-grade corporate bond yield curve.

**SHORT-TERM BORROWINGS** Federal funds purchased, securities sold under agreements to repurchase and other short-term funds borrowed are at floating rates or have short-term maturities. Their carrying value is assumed to approximate their fair value.

**LONG-TERM DEBT AND COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF SUBSIDIARY TRUSTS HOLDING SOLELY THE JUNIOR SUBORDINATED DEBENTURES OF THE PARENT COMPANY** Estimated fair value for medium-term notes, Euro medium-term notes, bank notes, Federal Home Loan Bank advances, capital lease obligations and mortgage note obligations was determined using a discounted cash flow analysis based on current market rates of similar maturity debt securities to discounted cash flows. Other long-term debt instruments and company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company were valued using available market quotes.

**INTEREST RATE SWAPS AND OPTIONS** The interest rate swap cash flows were estimated using a third party pricing model and discounted based on appropriate LIBOR, Eurodollar futures and swap yield curves.

**LOAN COMMITMENTS, LETTERS OF CREDIT AND GUARANTEES** The Company's commitments have floating rates and do not expose the Company to interest rate risk, with the exception of mortgage commitments. No premium or discount was ascribed to the loan commitments because virtually all funding would be at current market rates.

The estimated fair values of the Company's financial instruments at December 31 are shown in the table below.

2001	2000	-----	-----	-----	-----
Amount	Value	Amount	Value	Amount	Value
-----					
FINANCIAL ASSETS					
Cash and cash equivalents..... \$ 9,745					
\$ 9,745 \$ 9,132 \$ 9,132 Trading account securities..... 982 982 753					
753 Investment securities..... 26,608					
26,615 17,642 17,647 Loans held for sale..... 2,820 2,820					
764 764					
Loans.....					
111,948	112,236	120,578	121,139	-----	-----
-----					
Total financial assets..... 152,103 \$152,398					
148,869 \$149,435 ----- Nonfinancial assets..... 19,287 16,052 ---					
-----					
Total assets..... \$171,390					
\$164,921 ----- FINANCIAL LIABILITIES					
Deposits.....					
\$105,219 \$105,561 \$109,535 \$109,593 Short-term borrowings..... 14,670					
14,670 11,833 11,833 Long-term debt..... 25,716					
25,801 21,876 22,006 Company-obligated mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company.....					
2,826	2,915	1,400	1,351	-----	-----
-----					
Total financial liabilities..... 148,431 \$148,947					
144,644 \$144,783 ----- Nonfinancial liabilities..... 6,498 5,109					
Shareholders' equity.....					
16,461 15,168 ----- Total liabilities and shareholders' equity..... \$171,390 \$164,921 ----- --					
-----					
DERIVATIVE POSITIONS Asset and liability management positions Interest rate					
swaps..... \$ 339 \$ 339 \$ -- \$					
107 Forward commitments to sell residential mortgages..... 72					
72 (14) (14) Customer intermediated positions Interest rate contracts..... 10 10 6 6					
Foreign exchange contracts..... 2 2					
4	4	-----	-----	-----	-----
-----					

NOTE 22 Commitments and Contingent Liabilities

Rental expense for operating leases amounted to \$165.2 million in 2001, \$219.3 million in 2000 and \$193.8 million in 1999. Future minimum payments, net of sublease rentals, under capitalized leases and noncancelable operating leases with initial or remaining terms of one year or more, consisted of the following at December 31, 2001:

Capitalized Operating (Dollars in Millions) Leases	Leases	-----	-----
-----			
2002.....	\$ 12.6	\$ 191.5	-----
2003.....	9.0	164.4	-----
2004.....	8.1	137.4	-----
2005.....	6.9	113.6	-----
2006.....	6.3	95.3	-----
Thereafter.....	51.2	508.4	-----
-----			
Total minimum lease payments..... 94.1 \$1,201.6 ----			
---- Less amount representing interest..... 38.4 ----- Present value of net minimum lease payments..... \$ 55.7			
-----			

Various legal proceedings are currently pending against the Company. Due to their complex nature, it may be years before some matters are resolved. In the opinion of management, the aggregate liability, if any, will not have a material adverse effect on the Company's financial position, liquidity or results of operations.

NOTE 23 U.S. Bancorp (Parent Company)

CONDENSED BALANCE SHEET

December 31 (Dollars in Millions) 2001 2000 - -----	
-----	
ASSETS Deposits with subsidiary banks, principally interest-	
bearing.....	\$ 3,184
\$ 1,714 Available-for-sale	
securities.....	189 325
Investments in Bank	
affiliates.....	
17,907 15,019 Nonbank	
affiliates.....	1,291
1,059 Advances to Bank	
affiliates.....	1,214
1,971 Nonbank	
affiliates.....	928
1,958 Other	
assets.....	
2,258 2,179 ----- Total	
assets.....	\$26,971
\$24,225 -----	LIABILITIES AND SHAREHOLDERS'
EQUITY Short-term funds	
borrowed.....	\$ 452 \$ 224
Advances from	
subsidiaries.....	69 97 Long-
term debt.....	
6,074 6,563 Junior subordinated debentures issued to	
subsidiary	
trusts.....	
2,990 1,443 Other	
liabilities.....	925
730 Shareholders'	
equity.....	16,461
15,168 ----- Total liabilities and	
shareholders' equity.....	\$26,971 \$24,225 - -----
-----	

CONDENSED STATEMENT OF INCOME

Year Ended December 31 (Dollars in Millions) 2001 2000	
1999 - -----	
-----	
INCOME	
Dividends from subsidiaries (including \$1,300.1, \$3,010.5	
and \$1,661.0 from bank subsidiaries).....	
\$1,310.2 \$3,027.8 \$1,704.3 Interest from	
subsidiaries.....	272.8 234.8
177.2 Service and management fees from	
subsidiaries.....	221.8 246.0 229.1 Other
income.....	
21.0 217.0 202.0 ----- Total	
income.....	1,825.8
3,725.6 2,312.6 EXPENSES Interest on short-term funds	
borrowed.....	18.5 19.3 26.8 Interest on
long-term debt.....	318.5
441.7 296.4 Interest on junior subordinated debentures	
issued to subsidiary	
trusts.....	141.7 111.3
110.3 Merger and restructuring-related	
charges.....	49.5 21.3 103.8 Other
expenses.....	
322.5 225.2 307.7 ----- Total	
expenses.....	850.7
818.8 845.0 -----	Income before
income taxes and equity in undistributed income of	
subsidiaries.....	975.1
2,906.8 1,467.6 Income tax	
credit.....	(102.4)
(34.0) (36.9) -----	Income of
parent company.....	1,077.5
2,940.8 1,504.5 Equity (deficiency) in undistributed	
income of	
subsidiaries.....	
629.0 (65.2) 877.3 ----- Net	
income.....	
\$1,706.5 \$2,875.6 \$2,381.8 - -----	
-----	



CONDENSED STATEMENT OF CASH FLOWS

Year Ended December 31 (Dollars in Millions) 2001 2000

1999	-	-	-
-----			
OPERATING ACTIVITIES Net			
income	.....		
\$1,706.5	\$2,875.6	\$2,381.8	Adjustments to reconcile net
income to net cash provided by operating activities			
(Equity) deficiency in undistributed income of			
subsidiaries	.....		
(629.0)	65.2	(877.3)	(Gain) loss on sale of securities,
net			
		(8.2)	4.1 (7.0) Depreciation and
amortization of premises and			
equipment	.....		
		8.7	51.7 76.2 Other,
net	.....		
(391.1)	(3.2)		71.2
----- Net cash			
provided by operating activities			
2,605.5	1,570.5	INVESTING ACTIVITIES	Securities Sales
and maturities			
		254.9	92.2 128.9
Purchases	.....		
(73.5)	(59.4)	(334.3)	Investments in
subsidiaries			
(4.6)	(26.0)	Equity distributions from	
subsidiaries			
		600.0	-- 145.0 Net
decrease (increase) in advances to affiliates			
		1,759.6	(829.0) 58.1 Other,
net	.....		
34.7	(113.7)	(421.3)	-----
Net cash provided by (used in) investing activities			
634.7	(914.5)	(449.6)	FINANCING ACTIVITIES Net
(decrease) increase in short-term advances from			
subsidiaries	.....		
(10.6)	(15.6)	62.6	Net increase (decrease) in short-term
funds borrowed			
		228.9	53.3 (11.5) Net (decrease)
increase in long-term debt			
		1,183.7	824.8 Proceeds from issuance of junior
subordinated debentures to subsidiary			
trusts	.....		
		1,546.4	-- Proceeds from issuance of common
stock			
		136.4	210.0 277.6 Repurchase
of common stock			
		(467.9)	(1,182.2) (1,187.9) Cash dividends
paid	.....		
(1,271.3)	(1,029.7)		(1,235.1)
----- Net			
cash used in financing activities			
(314.7)	(1,022.1)	(1,064.1)	-----
---- Change in cash and cash			
equivalents	.....		
		1,469.2	668.9 56.8 Cash
and cash equivalents at beginning of year			
1,714.4	1,045.5	988.7	-----
Cash and cash equivalents at end of year			
\$3,183.6	\$1,714.4	\$1,045.5	-----
-----			

Transfer of funds (dividends, loans or advances) from bank subsidiaries to the Company is restricted. Federal law prohibits loans unless they are secured and generally limits any loan to the Company or individual affiliate to 10 percent of the bank's equity. In aggregate, loans to the Company and all affiliates cannot exceed 20 percent of the bank's equity.

Dividend payments to the Company by its subsidiary banks are subject to regulatory review and statutory limitations and, in some instances, regulatory approval. The approval of the Comptroller of the Currency is required if total dividends by a national bank in any calendar year exceed the bank's net income for that year combined with its retained net income for the preceding two calendar years or if the bank's retained earnings are less than zero. Furthermore, dividends are restricted by the Comptroller of the Currency's minimum capital constraints for all national banks. Within these guidelines, all bank subsidiaries have the ability to pay dividends without prior regulatory approval. The amount of dividends available to the parent company from the bank subsidiaries at December 31, 2001, was \$1,183 million.

U.S. Bancorp

NOTE 24 Supplemental Disclosures to the Consolidated Financial Statements

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

Year Ended December 31 (Dollars in Millions) 2001		2000		1999	
-----					
----- Income taxes					
paid.....					\$
	658.1	\$ 1,046.5	\$ 901.1	Interest	
paid.....					
	5,092.2	5,686.3	4,697.6	Net noncash transfers to	
foreclosed property.....				foreclosed property.....	59.9 94.3 102.9
----- Acquisitions and					
divestitures Assets					
acquired.....					\$
	1,150.8	\$ 3,314.6	\$ 4,229.3	Liabilities	
assumed.....					(509.0)
(3,755.9)	(2,610.0)	-----			
-----					
Net.....					
	\$ 641.8	\$ (441.3)	\$ 1,619.3	-----	
-----					

MONEY MARKET INVESTMENTS are included with cash and due from banks as part of cash and cash equivalents. Money market investments were comprised of the following at December 31:

(Dollars in Millions) 2001		2000	
-----			
----- Interest-bearing			
deposits.....			\$
	104	\$ 82	Federal funds
sold.....			
123	203	Securities purchased under agreements	
to resell.....			398 372
----- Total money market			
investments.....		\$ 625	\$
657	-----		
-----			

REGULATORY CAPITAL The measures used to assess capital include the capital ratios established by bank regulatory agencies, including the specific ratios for the "well capitalized" designation. For a description of the regulatory capital requirements and the actual ratios as of December 31, 2001 and 2000, for the Company and its bank subsidiaries, see Table 19 included in Management's Discussion and Analysis which is incorporated by reference into these Notes to Consolidated Financial Statements.

Consolidated Balance Sheet -- Five-Year Summary

% Change December 31 (Dollars in Millions) 2001

2000 1999 1998 1997 2000-2001 - -----

-----					
----- ASSETS Cash and due from					
banks.....	\$ 9,120	\$ 8,475			
\$ 7,324	\$ 8,882	\$ 7,972	7.6%	Money market	
investments.....	625	657			
1,934	1,039	1,411	(4.9)	Trading account	
securities.....	982	753	617		
666	268	30.4	Held-to-maturity		
securities.....	299	252	194		
233	2,942	18.7	Available-for-sale		
securities.....	26,309	17,390			
17,255	20,732	17,500	51.3	Loans held for	
sale.....	2,820	764			
670	1,794	743	*	Loans	
Commercial.....					
46,330	52,817	45,856	41,068	36,329	(12.3)
Commercial real estate.....					
25,373	26,443	25,142	21,808	19,798	(4.0)
Residential mortgages.....					
5,746	7,753	11,395	13,980	15,892	(25.9)
Retail.....					
36,956	35,352	30,836	30,102	27,010	4.5
----- Total					
loans.....	114,405				
122,365	113,229	106,958	99,029	(6.5)	Less allowance
for credit losses.....	2,457	1,787	1,710		
1,706	1,666	37.5	-----		
----- Net					
loans.....	111,948				
120,578	111,519	105,252	97,363	(7.2)	Other
assets.....					
19,287	16,052	14,805	12,116	9,289	20.2
----- Total					
assets.....	\$171,390				
\$164,921	\$154,318	\$150,714	\$137,488	3.9%	-----
-----					
LIABILITIES AND SHAREHOLDERS' EQUITY Deposits					
Noninterest-bearing.....					
\$ 31,212	\$ 26,633	\$ 26,350	\$ 27,479	\$ 24,062	17.2%
Interest-bearing.....					
74,007	82,902	77,067	76,867	74,261	(10.7)
-----					
Total deposits.....					
105,219	109,535	103,417	104,346	98,323	(3.9)
Short-term borrowings.....					
14,670	11,833	10,558	10,011	10,385	24.0
Long-term debt.....	25,716				
21,876	21,027	18,679	13,181	17.6	Company-obligated
mandatorily redeemable preferred					
securities.....					
2,826	1,400	1,400	1,400	1,050	* Other
liabilities.....					
6,498	5,109	3,969	3,704	3,147	27.2
----- Total					
liabilities.....	154,929				
149,753	140,371	138,140	126,086	3.5	Shareholders'
equity.....	16,461				
15,168	13,947	12,574	11,402	8.5	-----
----- Total					
liabilities and shareholders' equity.....	\$171,390				
\$164,921	\$154,318	\$150,714	\$137,488	3.9%	-----
-----					

\*Not meaningful

Consolidated Statement of Income -- Five-Year Summary

% Change Year Ended December 31 (Dollars in Millions) 2001 2000 1999 1998 1997 2000-2001 - -

----- INTEREST INCOME

Loans.....	\$ 9,455.4	\$ 10,562.5	\$ 9,122.7	\$ 8,818.3	\$ 8,419.0	
	(10.5)% Loans held for					
sale.....	103.9	91.9	40.0	43.9	146.9	102.1
	Investment securities					
Taxable.....	1,206.1	1,008.3	1,047.1	1,179.5	1,060.7	19.6
Non-taxable.....	89.5	140.6	150.1	158.2	158.0	(36.3)
	Money market investments.....					
	44.9	63.0	63.6	(50.6)	26.6	53.9
	Trading securities.....					
	53.7	45.0	25.6	16.8	7.1	57.5
	Other interest income.....					
	113.0	88.2	42.6	(32.9)	101.6	151.4
	----- Total interest income.....					
	12,072.5	10,626.7	10,424.7	9,800.7	(8.2)	

----- INTEREST EXPENSE

Deposits.....	2,828.1	3,618.8	2,970.0	3,234.7	3,084.2	(21.8)
	Short-term borrowings.....					
	781.7	582.4	594.7	643.3	(31.7)	534.1
	Long-term debt.....					
	1,510.4	1,126.9	926.5	586.0	(23.0)	1,162.7
	Company-obligated mandatorily redeemable preferred securities.....					
	111.0	103.8	76.3	33.8	149.9	112.0
	----- Total interest expense.....					
	6,022.9	4,790.3	4,859.7	4,389.8	(22.4)	

----- Net interest

income.....	6,049.6	5,836.4	5,565.0	5,410.9	5.9	6,408.8
	Provision for credit losses.....					
	828.0	646.0	491.3	639.9	**	2,528.8
	----- Net interest income after provision for credit losses.....					
	3,880.0	5,221.6	5,190.4	5,073.7	4,771.0	(25.7)

NONINTEREST INCOME

Credit card fee revenue.....	648.2	748.0	611.8	1.6	774.3	761.8
	Merchant and ATM processing revenue.....					
	189.6	* *	86.2	428.8	230.3	189.9
	Trust and investment management fees.....					
	110.4	(3.4)	894.4	926.2	887.1	788.3
	Deposit service charges.....					
	497.2	470.3	450.6	19.9	660.6	551.1
	Cash management fees.....					
	280.6	242.0	214.2	18.8	347.3	292.4
	Mortgage banking revenue.....					
	190.4	244.6	137.9	23.2	234.0	189.9
	Trading account profits and commissions.....					
	130.3	44.8	(14.2)	221.6	258.4	222.4
	Investment products fees and commissions.....					
	110.4	(1.4)	460.1	466.6	450.8	306.9
	Investment banking revenue.....					
	100.4	--	(28.3)	258.2	360.3	246.6
	Commercial product revenue.....					
	121.9	97.9	26.8	385.9	304.4	215.7
	Securities gains, net.....					
	29.1	7.3	**	329.1	8.1	13.2
	Merger and restructuring-related gains.....					
	62.2	--	--	48.1	--	**

Other.....

	302.9	533.7	403.1	420.1	357.6	(43.2)
--	-------	-------	-------	-------	-------	--------

----- Total noninterest income.....

	5,359.4	4,883.2	4,244.9	3,650.0	2,718.6	9.8
--	---------	---------	---------	---------	---------	-----

NONINTEREST EXPENSE

Salaries.....	2,347.1	2,427.1	2,355.3	2,196.7	1,892.0	(3.3)
	Employee benefits.....					
	399.8	410.1	424.9	424.0	(8.4)	366.2
	Net occupancy.....					
	417.9	396.9	371.8	356.9	335.0	5.3
	Furniture and equipment.....					
	307.9	314.1	312.3	(.9)	305.5	308.2
Communication.....	181.4	138.8	123.4	114.2	* 30.7	
Postage.....	179.8	174.5	170.7	155.4	106.6	3.0
Goodwill.....	251.1	235.0	175.8	176.0	114.1	6.9
	Other intangible assets.....					
	278.4	157.3	154.0	125.8	93.3	77.0
	Merger and restructuring-related charges.....					
	946.4					

348.7 532.8 593.8 633.0 \*\*

Other.....						
1,331.4	1,130.7	1,059.5	965.6	1,029.4	17.8	-----
-----						
----- Total noninterest						
expense.....						
6,605.2	5,717.0					-----
5,661.3	5,423.4	4,939.7	15.5			-----
----- Income						
before income taxes.....						
2,634.2	4,387.8	3,774.0	3,300.3	2,549.9	(40.0)	-----
-----						
----- Applicable income						
taxes.....						
927.7	1,512.2					-----
1,392.2	1,167.4	950.6	(38.7)			-----
-----						
----- Net						
income.....						
\$						
1,706.5	\$ 2,875.6	\$2,381.8	\$2,132.9	\$1,599.3		-----
(40.7)						-----
-----						
----- Net income applicable to						
common equity.....						
\$ 1,706.5	\$ 2,875.6					-----
\$2,381.8	\$2,132.8	\$1,588.2	(40.7)%	-		-----
-----						
-----						

\*Information not available

\*\*Not meaningful

Consolidated Daily Average Balance Sheet and Related Yields and Rates  
Year Ended December 31 2001 -

----- Yields	
(Dollars in Millions) Balance	
Interest and Rates - -----	
-----	
----- ASSETS Money	
market investments..... \$	
712 \$ 26.6 3.74% Trading	
account securities..... 771	
59.3 7.69 Taxable	
securities.....	
20,129 1,206.1 5.99 Non-	
taxable securities.....	
1,787 128.9 7.21 Loans held	
for sale..... 1,911	
146.9 7.69 Loans	
Commercial.....	
50,072 3,642.5 7.31	
Commercial real estate....	
26,081 2,011.2 7.71	
Residential mortgages.....	
6,868 513.7 7.48	
Retail.....	
35,156 3,302.7 9.39 -----	
----- Total	
loans..... 118,177	
9,470.1 8.01 ----- Other	
earning assets.....	
1,678 101.6 6.05 Allowance	
for credit losses... 1,979 --	
----- Total	
earning	
assets(a).....	
145,165 11,139.5 7.67 Other	
assets.....	
22,758 ----- Total	
assets..... \$165,944 -	
----- LIABILITIES AND	
SHAREHOLDERS' EQUITY	
Noninterest-bearing	
deposits.... \$ 25,109	
Interest-bearing deposits	
Interest	
checking..... 13,962	
203.6 1.46 Money market	
accounts..... 24,932	
711.0 2.85 Savings	
accounts..... 4,571	
42.5 .93 Time certificates of	
deposit less than	
\$100,000..... 23,328	
1,241.4 5.32 Time deposits	
greater than	
\$100,000.....	
13,054 629.6 4.82 -----	
----- Total interest-	
bearing	
deposits.....	
79,847 2,828.1 3.54 Short-	
term borrowings.....	
12,980 534.1 4.11 Long-term	
debt.....	
24,608 1,162.7 4.72 Company-	
obligated mandatorily	
redeemable preferred	
securities.....	
1,955 149.9 7.66 -----	
----- Total interest-	
bearing	
liabilities.....	
119,390 4,674.8 3.92 Other	
liabilities.....	
5,244 Shareholders'	
equity..... 16,201 --	
----- Total liabilities and	
shareholders' equity...	
\$165,944 ----- Net	
interest income.....	
\$ 6,464.7 ----- Gross	
interest margin.....	
3.75% ----- Gross	
interest margin without	
taxable-equivalent	
increments.....	
3.71% ----- PERCENT	
OF EARNING ASSETS Interest	
income.....	
7.67% Interest	
expense..... 3.22	
----- Net interest	
margin..... 4.45 ---	
----- Net interest	
margin without taxable-	

equivalent  
increments.....  
4.41% - -----  
-----  
Year Ended December 31 2000 -  
-----  
----- Yields  
(Dollars in Millions) Balance  
Interest and Rates ASSETS  
Money market  
investments..... \$ 931 \$  
53.9 5.79% Trading account  
securities..... 779 57.6  
7.39 Taxable  
securities.....  
14,567 1,008.3 6.92 Non-  
taxable securities.....  
2,744 203.1 7.40 Loans held  
for sale..... 1,303  
102.1 7.84 Loans  
Commercial.....  
50,062 4,257.2 8.50  
Commercial real estate.....  
26,040 2,305.5 8.85  
Residential mortgages.....  
9,578 723.4 7.55  
Retail.....  
32,637 3,295.4 10.10 -----  
----- Total  
loans..... 118,317  
10,581.5 8.94 ----- Other  
earning assets.....  
1,965 151.4 7.70 Allowance  
for credit losses... 1,781 --  
----- Total  
earning  
assets(a).....  
140,606 12,157.9 8.65 Other  
assets.....  
19,656 ----- Total  
assets..... \$158,481 -  
----- LIABILITIES AND  
SHAREHOLDERS' EQUITY  
Noninterest-bearing  
deposits..... \$ 23,820  
Interest-bearing deposits  
Interest  
checking..... 13,035  
270.4 2.07 Money market  
accounts..... 22,774  
1,000.0 4.39 Savings  
accounts..... 5,027  
74.0 1.47 Time certificates  
of deposit less than  
\$100,000..... 25,861  
1,458.3 5.64 Time deposits  
greater than  
\$100,000.....  
12,909 816.1 6.32 -----  
----- Total interest-  
bearing  
deposits.....  
79,606 3,618.8 4.55 Short-  
term borrowings.....  
12,586 781.7 6.21 Long-term  
debt.....  
22,410 1,510.4 6.74 Company-  
obligated mandatorily  
redeemable preferred  
securities.....  
1,400 112.0 8.00 -----  
----- Total interest-  
bearing  
liabilities.....  
116,002 6,022.9 5.19 Other  
liabilities.....  
4,294 Shareholders'  
equity..... 14,365 --  
----- Total liabilities and  
shareholders' equity...  
\$158,481 ----- Net  
interest income.....  
\$ 6,135.0 ----- Gross  
interest margin.....  
3.46% ----- Gross  
interest margin without  
taxable-equivalent  
increments.....  
3.40% ----- PERCENT  
OF EARNING ASSETS Interest  
income.....  
8.65% Interest  
expense..... 4.29  
----- Net interest  
margin..... 4.36 ---  
----- Net interest  
margin without taxable-  
equivalent

increments.....  
4.30% - -----  
-----  
-----

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.

(a) Before deducting the allowance for credit losses and excluding the unrealized gain (loss) on available-for-sale securities.





8.41  
20,458  
1,784.1  
8.72 .2  
12,680  
953.7  
7.52  
15,160  
1,170.5  
7.72  
(28.3)  
30,554  
2,963.4  
9.70  
27,850  
2,782.5  
9.99  
7.7 ---  
-----  
-----  
-----  
---  
109,638  
9,145.7  
8.34  
102,451  
8,847.5  
8.64  
(.1) --  
-----  
-----  
- 1,686  
113.0  
6.70  
1,311  
88.2  
6.73  
(14.6)  
1,709  
1,688  
11.1 --  
-----  
-----  
-----  
-----  
133,757  
10,723.0  
8.02  
127,738  
10,535.9  
8.25  
3.2  
18,119  
16,837  
15.8 --  
-----  
-----  
-  
\$150,167  
\$142,887  
4.7 ---  
-----  
-----  
\$  
23,556  
\$  
23,011  
5.4  
12,898  
231.0  
1.79  
12,263  
230.9  
1.88  
7.1  
22,534  
842.2  
3.74  
20,337  
825.1  
4.06  
9.5  
5,961  
111.9  
1.88  
6,504  
146.7  
2.26  
(9.1)  
26,296  
1,322.6  
5.03  
29,583  
1,622.7  
5.49  
(9.8)  
8,675  
462.3

5.33  
7,242  
409.3  
5.65  
1.1 ---  
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-----  
-----  
76,364  
2,970.0  
3.89  
75,929  
3,234.7  
4.26 .3  
11,707  
582.4  
4.97  
11,102  
594.7  
5.36  
3.1  
20,248  
1,126.9  
5.57  
15,732  
926.5  
5.89  
9.8  
1,400  
111.0  
7.93  
1,314  
103.8  
7.90  
39.6 --  
-----  
-----  
-----  
-----  
109,719  
4,790.3  
4.37  
104,077  
4,859.7  
4.67  
2.9  
3,671  
3,416  
22.1  
13,221  
12,383  
12.8 --  
-----  
-----  
-\$150,167  
\$142,887  
4.7% --  
-----  
-----  
-----  
-----  
\$5,932.7  
\$5,676.2  
-----  
-----  
3.65%  
3.58% -  
-----  
-----  
3.57%  
3.49% -  
-----  
-----  
8.02%  
8.25%  
3.58  
3.81 --  
-----  
-----  
-- 4.44  
4.44 --  
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-----  
4.36%  
4.36% -  
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U.S. Bancorp  
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Quarterly Consolidated Financial Data

2001	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
-----				
----- First Second Third Fourth				
(Dollars in Millions, Except Per Share Data)				
Quarter Quarter Quarter Quarter - -----				
-----				
----- INTEREST INCOME				
Loans.....	\$2,660.9	\$2,437.9	\$2,285.6	\$2,071.0
held for sale.....	25.9	53.9	50.5	16.6
Investment securities				
Taxable.....	253.3	287.8	321.2	343.8
Non-taxable.....	27.8	15.9	14.6	31.2
Money market				
investments.....	8.9	7.4	6.3	6.3
Trading				
securities.....	14.1	11.2	16.3	15.9
Other interest				
income.....	32.0	26.1	26.1	26.1
24.3	19.2	19.2	19.2	19.2
----- Total interest				
income.....	3,018.8	2,827.0	2,827.0	2,827.0
2,718.4	2,519.4	2,519.4	2,519.4	2,519.4
----- INTEREST EXPENSE				
Deposits.....	883.7	783.0	670.0	491.4
Short-term				
borrowings.....	124.4	122.9	100.6	186.2
Long-term				
debt.....	315.0	276.7	205.3	365.7
Company-obligated				
mandatorily redeemable preferred				
securities.....	39.7	47.2	27.6	35.4
265.8	265.8	265.8	265.8	265.8
----- Total interest				
expense.....	1,463.2	1,257.8	1,257.8	1,257.8
1,109.3	844.5	844.5	844.5	844.5
----- Net interest				
income.....	1,555.6	1,569.2	1,609.1	1,674.9
Provision for credit				
losses.....	532.4	441.3	441.3	1,289.3
265.8	265.8	265.8	265.8	265.8
----- Net interest income after				
provision for credit				
losses.....	1,127.9	319.8	1,409.1	1,023.2
1,127.9	319.8	1,409.1	1,023.2	1,023.2
----- NONINTEREST INCOME				
Credit card fee				
revenue.....	191.7	192.2	192.2	198.2
Merchant and ATM processing				
revenue.....	58.0	62.4	138.5	169.9
Trust and investment management				
fees.....	225.0	228.0	226.2	215.2
Deposit service				
charges.....	168.7	168.7	146.5	176.7
Cash management				
fees.....	95.9	76.8	84.9	89.7
Mortgage banking				
revenue.....	48.2	57.0	60.3	60.3
Trading account profits and				
commissions.....	71.9	55.8	43.6	50.3
Investment products fees and				
commissions.....	125.7	114.2	108.0	112.2
Investment banking				
revenue.....	60.2	71.1	56.9	56.9
Commercial product				
revenue.....	76.1	93.8	96.2	96.2
Securities gains (losses),				
net.....	216.0	31.3	59.8	22.0
216.0	31.3	59.8	22.0	22.0
Merger and restructuring-related				
gains.....	--	62.2	--	--
104.8	91.0	68.2	38.9	38.9
104.8	91.0	68.2	38.9	38.9
----- Total				
noninterest income.....	1,400.9	1,326.6	1,308.3	1,323.6
1,326.6	1,308.3	1,323.6	1,323.6	1,323.6
----- NONINTEREST EXPENSE				
Salaries.....	590.5	570.5	580.3	605.8
Employee				
benefits.....	90.7	85.4	82.0	108.1
Net				
occupancy.....	110.1	101.4	102.5	103.9
Furniture and				
equipment.....	74.9	78.8	76.9	74.9
74.9	78.8	76.9	74.9	74.9
Communication.....	38.7	50.3	49.4	43.0
38.7	50.3	49.4	43.0	43.0
Postage.....	46.9	43.8	44.7	44.4
46.9	43.8	44.7	44.4	44.4
Goodwill.....	67.8	58.6	62.3	62.4
Other intangible				
assets.....	93.0	404.2	252.8	148.8
Merger and restructuring-related				
charges.....	404.2	252.8	148.8	140.6
404.2	252.8	148.8	140.6	140.6
Other.....	308.7	297.7	334.4	390.6
308.7	297.7	334.4	390.6	390.6
----- Total				



33.6 33.8 35.7 35.7

Postage.....

44.6 42.6 43.1 44.2

Goodwill.....

56.5 57.8 58.5 62.2 Other intangible

assets..... 39.3 39.0 39.2

39.8 Merger and restructuring-related

charges..... 65.0 81.9 117.7 84.1

Other.....

268.2 282.9 286.0 293.6 -----

Total

noninterest expense..... 1,422.6

1,411.1 1,451.4 1,431.9 -----

Income before

income taxes..... 1,065.2

1,096.4 1,081.2 1,145.0 Applicable income

taxes..... 378.4 386.6

370.9 376.3 -----

Net

income..... \$

686.8 \$ 709.8 \$ 710.3 \$ 768.7 -----

Earnings per

share..... \$ .36 \$ .37

\$ .37 \$ .41 Diluted earnings per

share..... \$ .36 \$ .37 \$ .37 \$

.40 -----

-----

Supplemental Financial Data

EARNINGS PER SHARE SUMMARY 2001 2000					
1999	1998	1997	-----		
-----					
-----					
----- Earnings per					
share.....					
\$89	\$1.51	\$1.25	\$1.12	\$0.86	Diluted
earnings per					
share.....					.88
1.50	1.23	1.10	.85	-	-----
-----					
----- RATIOS -----					
-----					
----- Return on average					
assets.....					
1.03%	1.81%	1.59%	1.49%	1.24%	Return on
average					
equity.....					
10.5	20.0	18.0	17.2	14.7	Average total
equity to average assets.....					
9.8	9.1	8.8	8.7	8.4	Dividends per share
to net income per share.....					
43.0	36.8	29.5	31.4	-	84.3
-----					
----- OTHER					
STATISTICS (Shares in Millions) -----					
-----					
-----					
--- Common shares outstanding -- year					
end(a).....					
1,928.5	1,903.5	1,864.0			Average common
shares outstanding and common stock					
equivalents Earnings per					
share.....					
1,927.9	1,906.0	1,907.8	1,898.8	1,841.0	Diluted earnings per
share.....					
1,918.5	1,930.0	1,930.5	1,872.2		Number
of shareholders -- year					
end(b).....					
45,966	17,523	12,010			Common dividends
declared (millions).....					
\$1,446.5	\$1,267.0	\$1,090.8	\$977.6	\$801.9	
-----					
-----					

- (a) Defined as total common shares less common stock held in treasury.
- (b) Based on number of common stock shareholders of record.

STOCK PRICE RANGE AND DIVIDENDS

2001	2000	-----			
-----					
-----					
----- Sales					
Price	Sales	Price	-----		
----- Dividends					
-----					
Dividends	High	Low	Declared	-----	
High	Low	Declared	-----		
-----					
-----					
----- First					
quarter.....					
\$26.06	\$18.49	\$.1875	\$24.88		
\$16.38 \$.1625 Second					
quarter.....					
23.60	20.71	.1875	28.00		
20.88 .1625 Third					
quarter.....					
25.24	18.25	.1875	25.00		
19.25 .1625 Fourth					
quarter.....					
22.95	16.50	.1875	24.31		
15.38 .1625 Closing price -					
- December 31 20.93 23.25 -					
-----					
-----					
-----					

The common stock of U.S. Bancorp is traded on the New York Stock Exchange, under



the ticker symbol "USB."

U.S. Bancorp  
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Securities and Exchange Commission  
Washington, D.C. 20549

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2001

Commission File Number 1-6880

U.S. BANCORP  
Incorporated in the State of Delaware  
IRS Employer Identification #41-0255900  
Address: 225 South Sixth Street  
Minneapolis, Minnesota 55402-4302  
Telephone: (612) 973-1111

Securities registered pursuant to Section 12(b) of the Act (and listed on the New York Stock Exchange): Common Stock, Par Value \$.01. Prior to the merger of U.S. Bancorp with Firststar Corporation, the par value of U.S. Bancorp common stock was \$1.25.

Securities registered pursuant to section 12(g) of the Act: None.

As of January 31, 2002, U.S. Bancorp had 1,918,425,072 shares of common stock outstanding. The aggregate market value of common stock held by non-affiliates as of January 31, 2002, was approximately \$39.0 billion.

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

Disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is contained in the registrant's definitive proxy statement incorporated by reference in Part III of this Form 10-K and any amendment to this Form 10-K.

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

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\*U.S. Bancorp's definitive proxy statement for the 2002 Annual Meeting of Shareholders is incorporated herein by reference, other than the sections entitled "Report of the Compensation and Human Resources Committee on Executive Compensation" and "Comparative Stock Performance."

GENERAL U.S. Bancorp is a multi-state financial services holding company headquartered in Minneapolis, Minnesota and was created by the acquisition by Firststar Corporation of the former U.S. Bancorp of Minneapolis, Minnesota. The merger was completed on February 27, 2001, and the combined company retained the U.S. Bancorp name. U.S. Bancorp was incorporated in Delaware in 1929 and operates as a financial holding company and a bank holding company under the Bank Holding Company Act of 1956. U.S. Bancorp provides a full range of financial services, including lending and depository services, cash management, foreign exchange and trust and investment management services. It also engages in credit card services, merchant and automated teller machine ("ATM") processing, mortgage banking, insurance, brokerage, leasing and investment banking.

U.S. Bancorp's banking subsidiaries are engaged in the general banking business, principally in domestic markets. The subsidiaries range in size from \$312 million to \$108 billion in deposits and provide a wide range of products and services to individuals, businesses, institutional organizations, governmental entities and other financial institutions. Commercial and consumer lending services are principally offered to customers within the Company's domestic markets, to domestic customers with foreign operations and within certain niche national venues. Lending services include traditional credit products as well as credit card services, financing and import/export trade, asset-backed lending, agricultural finance and other products. Leasing products are offered through non-bank subsidiaries. Depository services include checking accounts, savings accounts and time certificate contracts. Ancillary services such as foreign exchange, treasury management and receivable lock-box collection are provided to corporate customers. U.S. Bancorp's bank and trust subsidiaries provide a full range of fiduciary services for individuals, estates, foundations, business corporations and charitable organizations.

Banking and investment services are provided through a network of 2,147 banking offices principally operating in 24 states in the Midwest and West. The Company operates a network of 4,904 branded ATMs and provides 24-hour, seven days-a-week telephone customer service. Mortgage banking services are provided through banking offices and loan production offices throughout the Company's markets.

The Company is one of the largest providers of Visa(R) corporate and purchasing card services and corporate trust services in the United States. Its wholly owned subsidiary Nova Information Systems, Inc. provides merchant processing services directly to merchants and through a network of banking affiliations.

U.S. Bancorp's other non-banking subsidiaries offer a variety of products and services to the Company's customers. Its wholly-owned subsidiary U.S. Bancorp Piper Jaffray Inc. engages in equity and fixed income trading activities and offers investment banking and underwriting services to corporate and public sector customers. This non-bank subsidiary also provides brokerage products, including securities, mutual funds and annuities, and insurance products to consumers and regionally based businesses through a network of 123 brokerage offices.

On a full-time equivalent basis, employment during 2001 averaged a total of 50,461 employees.

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

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

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

Under the Act, a financial holding company may engage in banking, managing or controlling banks, furnishing or performing services for banks it controls, and conducting other financial activities. U.S. Bancorp must obtain the prior approval of the Board before acquiring more than 5 percent of the outstanding shares of another bank or bank holding company, and must provide notice to, and in some situations obtain the prior approval of, the Board in connection with engaging in, or acquiring more than 5 percent of the outstanding shares of a company engaged in, a new financial activity.

Under the Act, as amended by the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 (the "Interstate Act"), U.S. Bancorp may acquire banks throughout the United States, subject only to state or

federal deposit caps and state minimum age requirements. The Interstate Act authorizes interstate branching by acquisition and consolidations in those states that have not opted out of interstate branching.

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

PROPERTIES U.S. Bancorp and its significant subsidiaries occupy their headquarter offices under long-term leases and are located in Minneapolis, Minnesota and Cincinnati, Ohio. The Company also leases seven principal freestanding operations centers in St. Paul, Portland, Nashville and Denver, and owns five principal freestanding operations centers in Cincinnati, Kansas City, St. Louis, Fargo and Milwaukee. At December 31, 2001, U.S. Bancorp's subsidiaries owned and operated a total of 1,383 facilities and leased an additional 1,388 facilities, all of which are well maintained. The Company believes its current facilities are adequate to meet its needs. Additional information with respect to premises and equipment is presented in Notes 9 and 22 of the Notes to Consolidated Financial Statements.

#### EXHIBITS

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

During the three months ended December 31, 2001, the Company filed the following Current Reports on Form 8-K:

Form 8-K filed October 17, 2001, relating to third quarter 2001 and anticipated full year 2001 earnings;

Form 8-K filed October 31, 2001, announcing commencement of an underwritten offering of trust preferred securities;

Form 8-K filed December 6, 2001, announcing commencement of an underwritten offering of trust preferred securities.

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

(1)3.1	Restated Certificate of Incorporation, as amended. Filed as Exhibit 3.1 to Form 10-K for the year ended December 31, 2000.
3.2	Restated bylaws, as amended.
4.1	[Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, copies of instruments defining the rights of holders of long-term debt are not filed. U.S. Bancorp agrees to furnish a copy thereof to the Securities and Exchange Commission upon request.]
(1)4.2	Warrant Agreement, dated as of October 2, 1995, between U.S. Bancorp and First Chicago Trust Company of New York, as Warrant Agent and Form of Warrant. Filed as Exhibits 4.18 and 4.19 to Registration Statement on Form S-3, File No. 33-61667.
(2)10.1	U.S. Bancorp 2001 Stock Incentive Plan.
(2)10.2	U.S. Bancorp Executive Incentive Plan.
(1)(2)10.3	U.S. Bancorp Executive Deferral Plan, as amended. Filed as Exhibit 10.7 to Form 10-K for the year ended December 31, 1999.
(2)10.4	Summary of Nonqualified Supplemental Executive Retirement Plan, as amended, of the former U.S. Bancorp.
(1)(2)10.5	1991 Performance and Equity Incentive Plan of the former U.S. Bancorp. Filed as Exhibit 10.13 to Form 10-K for the year ended December 31, 1997.
(1)(2)10.6	Description of Retirement Benefits of Joshua Green III. Filed as Exhibit 10.14 to Form 10-K for the year ended December 31, 1997.
(1)(2)10.7	Form of Director Indemnification Agreement

entered into with former directors of the former U.S. Bancorp. Filed as Exhibit 10.15 to Form 10-K for the year ended December 31, 1997.

(1)(2)10.8

U.S. Bancorp Independent Director Retirement and Death Benefit Plan, as amended. Filed as Exhibit 10.17 to Form 10-K for the year ended December 31, 1999.

(1)(2)10.9

U.S. Bancorp Deferred Compensation Plan for Directors, as amended. Filed as Exhibit 10.18 to Form 10-K for the year ended December 31, 1999.

- (2)10.10 Summary of U.S. Bancorp Supplemental Executive Retirement Plan.
- (2)10.11 U.S. Bancorp Deferred Compensation Plan.
- (2)10.12 Form of Change in Control Agreement, effective November 16, 2001, between U.S. Bancorp and certain executive officers of U.S. Bancorp.
- (2)10.13 Employment Agreement with Jerry A. Grundhofer.
- (2)10.14 Employment Agreement with John F. Grundhofer.  
12 Statement re: Computation of Ratio of Earnings to Fixed Charges.  
21 Subsidiaries of the Registrant.  
23 Consent of PricewaterhouseCoopers LLP.

(1) Exhibit has previously been filed with the Securities and Exchange Commission and is incorporated herein as an exhibit by reference.

(2) Management contracts or compensatory plans or arrangements required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K.

#### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on February 28, 2002, on its behalf by the undersigned thereunto duly authorized.

U.S. Bancorp

By: Jerry A. Grundhofer

President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on February 28, 2002, by the following persons on behalf of the registrant and in the capacities indicated.

JERRY A. GRUNDHOFER  
President, Chief Executive Officer and Director  
(principal executive officer)

DAVID M. MOFFETT  
Vice Chairman and Chief Financial Officer  
(principal financial officer)

TERRANCE R. DOLAN  
Executive Vice President and Controller  
(principal accounting officer)

JOHN F. GRUNDHOFER  
Chairman

LINDA L. AHLERS  
Director

VICTORIA BUYNISKI GLUCKMAN  
Director

ARTHUR D. COLLINS, JR.  
Director

PETER H. COORS  
Director

JOHN C. DANNEMILLER  
Director

JOSHUA GREEN III  
Director

J.P. HAYDEN, JR.  
Director

ROGER L. HOWE  
Director

THOMAS H. JACOBSEN  
Director

DELBERT W. JOHNSON  
Director

JOEL W. JOHNSON  
Director

JERRY W. LEVIN  
Director

SHELDON B. LUBAR  
Director

FRANK LYON, JR.  
Director

DANIEL F. MCKEITHAN, JR.  
Director

DAVID B. O'MALEY  
Director

O'DELL M. OWENS, M.D., M.P.H.  
Director

THOMAS E. PETRY  
Director

RICHARD G. REITEN  
Director

S. WALTER RICHEY  
Director

WARREN R. STALEY  
Director

PATRICK T. STOKES  
Director

JOHN J. STOLLENWERK  
Director

U.S. Bancorp  
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## EXECUTIVE OFFICERS

### JERRY A. GRUNDHOFER

Mr. Grundhofer, 57, has served as President and Chief Executive Officer of U.S. Bancorp and Chairman, President and Chief Executive Officer of U.S. Bank National Association since the merger of Firststar Corporation and U.S. Bancorp in February 2001. Prior to the merger, Mr. Grundhofer was President and Chief Executive Officer of Firststar Corporation, having served as Chairman, President and Chief Executive Officer of Star Banc Corporation from 1993 until its merger with Firststar Corporation in 1998.

### JENNIE P. CARLSON

Ms. Carlson, 41, has served as Executive Vice President, Human Resources since January 2002. Until that time, she served as Executive Vice President, Deputy General Counsel and Corporate Secretary of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. From 1995 until the merger, she was General Counsel and Secretary of Firststar Corporation and Star Banc Corporation, a predecessor company, as well as Senior Vice President from 1994 to 1999 and Executive Vice President from 1999 to 2001.

### ANDREW CECERE

Mr. Cecere, 41, has served as Vice Chairman of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. He assumed responsibility for Private Client and Trust Services in February 2001 and U.S. Bancorp Asset Management in November 2001. Previously, he had served as Chief Financial Officer of U.S. Bancorp from May 2000 through February 2001. Additionally, he served as Vice Chairman of U.S. Bank with responsibility for Commercial Services from 1999 to 2001, having been a Senior Vice President of Finance since 1992.

### WILLIAM L. CHENEVICH

Mr. Chenevich, 58, has served as Vice Chairman of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001, when he assumed responsibility for Technology and Operations Services. Previously, he had served as Vice Chairman of Technology and Operations Services of Firststar Corporation from 1999 to 2001. Prior to joining Firststar he was Group Executive Vice President at Visa International from 1994 to 1999.

### RICHARD K. DAVIS

Mr. Davis, 44, has served as Vice Chairman of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001, when he assumed responsibility for Consumer Banking and Payment Services. Previously, he had been Vice Chairman of Consumer Banking of Firststar Corporation from 1998 until 2001 and Executive Vice President, Consumer Banking of Star Banc Corporation from 1993 until its merger with Firststar Corporation in 1998.

### ANDREW S. DUFF

Mr. Duff, 44, has served as Vice Chairman of U.S. Bancorp, responsible for Private Advisory Services, Equity Capital Markets and Fixed Income Capital Markets, since November 2001, and until that time as Vice Chairman responsible for Wealth Management and Capital Markets since 1999. He has served as President and Chief Executive Officer of U.S. Bancorp Piper Jaffray since January 2000. Prior to that time, he had served as President of Piper Jaffray Inc., the broker-dealer subsidiary of Piper Jaffray Companies, since January 1996.

U.S. Bancorp



EDWARD GRZEDZINSKI

Mr. Grzedzinski, 46, has served as Vice Chairman of U.S. Bancorp since July 2001. He is President and Chief Executive Officer of NOVA Information Systems, which he co-founded in 1991 and which became a wholly owned subsidiary of U.S. Bancorp in connection with the acquisition of NOVA Corporation in July 2001. Mr. Grzedzinski served as Chairman of NOVA Corporation from 1995 until July 2001.

JOSEPH E. HASTEN

Mr. Hasten, 50, has served as Vice Chairman of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001, when he assumed responsibility for Corporate Banking. Previously, he had been Vice Chairman of Wholesale Banking of Firststar Corporation, after joining Mercantile Bancorporation, a predecessor company, as President of its St. Louis bank and of Corporate Banking in 1995.

J. ROBERT HOFFMANN

Mr. Hoffman, 56, has served as Executive Vice President and Chief Credit Officer of U.S. Bancorp since 1990.

LEE R. MITAU

Mr. Mitau, 53, has served as Executive Vice President and General Counsel of U.S. Bancorp since 1995. Mr. Mitau also serves as Corporate Secretary. Prior to 1995 he was a partner at the law firm of Dorsey & Whitney LLP.

DAVID M. MOFFETT

Mr. Moffett, 50, has served as Vice Chairman and Chief Financial Officer of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. Prior to the merger, he was Vice Chairman and Chief Financial Officer of Firststar Corporation, and had served as Chief Financial Officer of Star Banc Corporation from 1993 until its merger with Firststar Corporation in 1998.

DANIEL M. QUINN

Mr. Quinn, 45, Vice Chairman of U.S. Bancorp, assumed responsibility for Commercial Banking in April 1999 and for Regional Commercial Real Estate in August 1999. Previously, he had been President of U.S. Bank in Colorado (formerly Colorado National Bank) since 1996.

STEPHEN E. SMITH

Mr. Smith, 54, has served as Executive Vice President and Director of Human Resources of U.S. Bancorp since the merger of Firststar Corporation and U.S. Bancorp in February 2001. Prior to the merger, he was Executive Vice President and Corporate Director of Human Resources of Firststar Corporation and Star Banc Corporation, a predecessor company, since 1995, having served as Director of Human Resources of Star Banc Corporation since 1993.

DIRECTORS

JOHN F. GRUNDHOFER(1)  
Chairman  
U.S. Bancorp

JERRY A. GRUNDHOFER(1)  
President and Chief Executive Officer  
U.S. Bancorp

LINDA L. AHLERS(3,4)  
President  
Marshall Field's  
Minneapolis, Minnesota

VICTORIA BUYNISKI GLUCKMAN(3,4)  
President and Chief Executive Officer  
United Medical Resources, Inc.  
Cincinnati, Ohio

ARTHUR D. COLLINS, JR.(1,2,5)  
President and Chief Executive Officer  
Medtronic, Inc.  
Minneapolis, Minnesota

PETER H. COORS(2,4,5)  
Chairman  
Coors Brewing Company  
Golden, Colorado

JOHN C. DANNEMILLER(4,5)  
Retired Chairman  
Applied Industrial Technologies  
Cleveland, Ohio

JOSHUA GREEN III(3,4)  
Chairman and Chief Executive Officer  
Joshua Green Corporation  
Seattle, Washington

J.P. HAYDEN, JR.(1,2,5)  
Chairman of the Executive Committee  
The Midland Company  
Amelia, Ohio

ROGER L. HOWE(1,2,3)  
Chairman Emeritus  
U.S. Precision Lens, Inc.  
Cincinnati, Ohio

THOMAS H. JACOBSEN(4)  
Former Chairman  
Firststar Corporation  
Milwaukee, Wisconsin

DELBERT W. JOHNSON(1,3,4)  
Vice President  
Safeguard Scientifics, Inc.  
Wayne, Pennsylvania

JOEL W. JOHNSON(4,5)  
Chairman, President and  
Chief Executive Officer  
Hormel Foods Corporation  
Austin, Minnesota

JERRY W. LEVIN(2,5)  
Chairman and Chief Executive Officer  
Sunbeam Corporation  
Boca Raton, Florida

SHELDON B. LUBAR(1,5)  
Chairman  
Lubar & Company  
Milwaukee, Wisconsin

FRANK LYON, JR.(2,4)  
President  
Wingmead Farms  
North Little Rock, Arkansas

DANIEL F. MCKEITHAN, JR.(1,3,5)  
President and Chief Executive Officer  
Tamarack Petroleum Company, Inc.  
Milwaukee, Wisconsin

DAVID B. O'MALEY(1,2)  
Chairman, President and  
Chief Executive Officer  
Ohio National Financial Services  
Cincinnati, Ohio

O'DELL M. OWENS, M.D., M.P.H.(3,4)  
Medical Director  
United Healthcare  
Cincinnati, Ohio

THOMAS E. PETRY(1,2,3)  
Retired Chairman and  
Chief Executive Officer  
Eagle-Picher Industries, Inc.  
Cincinnati, Ohio

RICHARD G. REITEN(1,2,3)  
Chairman and Chief Executive Officer  
Northwest Natural Gas Company  
Portland, Oregon

S. WALTER RICHEY(1,2)  
Former Chairman and  
Chief Executive Officer  
Meritex, Inc.  
Roseville, Minnesota

WARREN R. STALEY(1,3)  
Chairman and Chief Executive Officer  
Cargill, Inc.  
Minneapolis, Minnesota

PATRICK T. STOKES(1,5)  
President and Chief Executive Officer  
Anheuser-Busch, Inc.  
St. Louis, Missouri

JOHN J. STOLLENWERK(2,3,4)  
President and Chief Executive Officer  
Allen-Edmonds Shoe Corporation  
Port Washington, Wisconsin

1. Executive Committee
2. Compensation Committee
3. Audit Committee
4. Community Outreach and Fair Lending Committee
5. Governance Committee

U.S. Bancorp  
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## Corporate Information

### EXECUTIVE OFFICES

U.S. Bancorp  
225 South Sixth Street  
Minneapolis, Minnesota 55402

After June 2002  
800 Nicollet Mall  
Minneapolis, Minnesota 55402

### COMMON STOCK TRANSFER AGENT AND REGISTRAR

U.S. Bank National Association, a subsidiary of U.S. Bancorp, acts as our transfer agent and registrar, dividend paying agent and dividend reinvestment plan agent, and maintains all shareholder records, stock transfers, changes of ownership, changes of address and dividend payment should be sent to the transfer agent at the following address:

U.S. Bank National Association  
1555 North River Center Drive, Suite 301  
Milwaukee, Wisconsin 53212  
Phone: 800-637-7549  
Fax: 414-905-5049  
Internet: [www.investorservice.usbank.com](http://www.investorservice.usbank.com)

### INDEPENDENT ACCOUNTANTS

PricewaterhouseCoopers LLP serves as the independent accountants of U.S. Bancorp.

### 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 AND DIVIDEND REINVESTMENT PLAN

U.S. Bancorp currently pays quarterly dividends on our common stock on or about the 15th day of January, April, July and October, subject to prior approval by our Board of Directors. U.S. Bancorp shareholders can choose to participate in a plan that provides automatic reinvestment of dividends and/or optional cash purchase of additional shares of U.S. Bancorp common stock. For more information, please contact:

U.S. Bank National Association  
Dividend Reinvestment Department  
1555 North River Center Drive, Suite 301  
Milwaukee, Wisconsin 53212  
Phone: 800-637-7549

### INVESTMENT COMMUNITY CONTACTS

Howell D. McCullough  
Senior Vice President, Investor Relations  
[howell.mccullough@usbank.com](mailto:howell.mccullough@usbank.com)  
Phone: 612-973-2261

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

### FINANCIAL INFORMATION

U.S. Bancorp news and financial results are available through our Web site and by mail.

WEB SITE. For information about U.S. Bancorp, including news and financial results and online annual reports, access our home page on the Internet at [www.usbank.com](http://www.usbank.com).

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

U.S. Bancorp Investor Relations  
225 South Sixth Street  
Minneapolis, Minnesota 55402  
Phone: 612-973-2263  
[corporaterelations@usbank.com](mailto:corporaterelations@usbank.com)

### MEDIA REQUESTS

Steve Dale  
Senior Vice President, Media Relations  
Phone: 612-973-0898

### OTHER BUSINESS INFORMATION

For product and service information, branch office and ATM locations, information about lines of business, account access, employment opportunities and more, visit [www.usbank.com](http://www.usbank.com) or [www.firststar.com](http://www.firststar.com).

### DIVERSITY

U.S. Bancorp and our subsidiaries are committed to developing and maintaining a workplace that reflects the diversity of the communities we serve. We support a work environment where individual differences are valued and respected and where each individual who shares the fundamental values of the company has an opportunity to contribute and grow based on individual merit.

EQUAL EMPLOYMENT OPPORTUNITY/AFFIRMATIVE ACTION

U.S. Bancorp and our subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this commitment, employment decisions are made based upon performance, skill and abilities, rather than race, color, religion, nation origin or ancestry, sex, age, disability, veteran status, sexual orientation or any other factors protected by law. The corporation complies with municipal, state and federal fair employment laws, including regulations applying to federal contractors.

U.S. Bancorp, including each of our subsidiaries, is an Equal Opportunity Employer and a Drug-Free Workplace.

[LOGO]

Equal U.S. Bank and Firststar Bank  
Housing Members FDIC  
LENDER

[RECYCLING LOGO] This report is printed on recycled paper containing a minimum 10 percent post-consumer recycled waste.

[GRAPHIC] Corporate Profile

U.S. Bancorp is a multi-state financial holding company with headquarters in Minneapolis, Minnesota. The merger of Firststar Corporation and the former U.S. Bancorp closed on February 27, 2001, making the new U.S. Bancorp the 8TH LARGEST financial holding company in the United States, with total assets exceeding \$171 BILLION. We place NO. 41 in The Super 100, a Forbes magazine composite ranking based on sales, profits, assets and market value.

Through U.S. Bank, First Bank and other subsidiaries, U.S. Bancorp serves more than 10 MILLION CUSTOMERS principally through 2,147 full-service branch offices in 24 STATES, additional specialized offices across the country and in several foreign countries, 4,904 ATMs, and Internet and telephone banking.

U.S. Bancorp and our subsidiaries provide a comprehensive selection of premium financial products and services to individuals, businesses, nonprofit organizations, institutions and government entities.

U.S. Bancorp, our subsidiary full-service banks and other subsidiaries operate the following major lines of business: Consumer Banking, Wholesale Banking, Payment Services, and Private Client, Trust and Asset Management. U.S. Bancorp Piper Jaffray offers full securities brokerage, equity capital, fixed income capital and individual investment services.

U.S. Bancorp is home of the exclusive FIVE STAR SERVICE GUARANTEE, which assures customers of certain key banking standards.

usbancorp(R)  
Five Star Service Guaranteed [GRAPHIC]

U.S. Bancorp  
225 South Sixth Street  
Minneapolis, Minnesota 55402

[www.usbank.com](http://www.usbank.com)  
[www.firststar.com](http://www.firststar.com)

RESTATED  
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 less than (i) with respect to an annual meeting of stockholders, 120 days in advance of the date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, such notice must be so received a reasonable time before the solicitation is made, 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 understandings



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.

#### Section 8. Business at Annual Meeting.

At an annual meeting of the stockholders, only such business shall be conducted as shall have been properly brought before the meeting. To be properly brought before an annual meeting, business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors; (b) otherwise properly brought before the meeting by or at the direction of the Board of Directors; (c) in the case of a nomination for Director, properly brought in accordance with the procedures set forth in Section 7 of Article II hereof; or (d) otherwise properly brought before the meeting by a stockholder entitled to vote at such meeting. For business other than a nomination for Director to be properly brought before an annual meeting by a stockholder, the stockholder must have given written notice to the Secretary of the Corporation so as to be received at the principal executive offices of the Corporation not less than 120 days in advance of the date of the Corporation's proxy statement released to stockholders in connection with the previous year's annual meeting of stockholders, except that if no annual meeting was held in the previous year or the date of the annual meeting has been changed by more than 30 days from the date contemplated at the time of the previous year's proxy statement, such notice must be so received a reasonable time before the solicitation is made. Each such notice shall set forth as to each matter the stockholder proposes to bring before the annual meeting (v) a brief description of the business desired to be brought before the annual meeting and the reasons for conducting such business at the annual meeting; (w) the name and address of the stockholder proposing such business; (x) the class and number of shares of the Corporation which are beneficially owned by the stockholder; (y) any material interest of the stockholder in such business; and (z) such other information regarding such business as would be required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had the matter been proposed by the Board of Directors. Notwithstanding anything in these Bylaws to the contrary, no business shall be considered properly brought before an annual meeting by a stockholder unless it is brought in accordance with the procedures set forth in this Section 8 of Article II.

### 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) appoint any member of the Executive Committee; or (d) 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. General.

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 (but, in

the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), 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, employee benefit plan 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; provided, however, that except as provided in Section 4 of this Article VI, the Corporation shall indemnify any such person seeking indemnification in connection with a proceeding (or part thereof) initiated by such person only if such proceeding (or part thereof) was authorized by the Board of Directors.

#### Section 2. Advancement of Expenses.

The right to indemnification conferred in this Article VI shall be a contract right and shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition, such advances to be paid by the Corporation within 20 days after the receipt by the Corporation of a statement or statements from the claimant requesting such advance or advances from time to time; provided, however, that if the General Corporation Law of the State of Delaware requires, the payment of such expenses incurred by a director, advisory director or officer in his or her capacity as a director, advisory director or officer (and not in any other capacity in which service was or is rendered by such person while a director, advisory director or officer, including, without limitation, service to an employee benefit plan) in advance of the final disposition of a proceeding, shall be made only upon delivery to the Corporation of an undertaking by or on behalf of such director, advisory director or officer, to repay all amounts so advanced if it shall ultimately be determined that such director, advisory director or officer is not entitled to be indemnified under this Article VI or otherwise.

#### Section 3. Procedure for Indemnification.

To obtain indemnification under this Article VI, a claimant shall submit to the Corporation a written request, including therein or therewith such documentation and information as is reasonably available to the claimant and is reasonably necessary to determine whether and to what extent the claimant is entitled to indemnification. Upon written request by a claimant for indemnification pursuant to the first sentence of this Section 3, a determination, if required by applicable law, with respect to the claimant's entitlement thereto shall be made as follows: (1) if requested by the claimant, by Independent Counsel (as hereinafter defined), or (2) if no request is made by the claimant for a determination by Independent Counsel, (i) by a majority vote of the Disinterested Directors (as hereinafter defined), even though less than a quorum, or by a majority vote of a committee of Disinterested Directors designated by a majority vote of Disinterested Directors, even though less than a quorum, or (ii) if there are no Disinterested Directors or if the Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board of Directors, a copy of which shall be delivered to the claimant, or (iii) if the Disinterested Directors so direct, by the stockholders of the Corporation. In the event

the determination of entitlement to indemnification is to be made by Independent Counsel at the request of the claimant, the Independent Counsel shall be selected by the Board of Directors unless there shall have occurred within two years prior to the date of the commencement to the action, suit or proceeding for which indemnification is claimed a "Change of Control of the Corporation" as defined in the Firststar Corporation 1998 Executive Stock Incentive Plan, in which case the Independent Counsel shall be selected by the claimant unless the claimant shall request that such selection be made by the Board of Directors. If it is so determined that the claimant is entitled to indemnification, payment to the claimant shall be made within 10 days after such determination.

#### Section 4. Certain Remedies.

If a claim under Section 1 of this Article VI is not paid in full by the Corporation within thirty days after a written claim pursuant to Section 3 of this Article VI has been received by the Corporation, the claimant may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim and, if successful in whole or in part, the claimant shall be entitled to be paid also the expense of prosecuting such claim. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any is required, has been tendered to the Corporation) that the claimant has not met the standard of conduct which makes it permissible under the General Corporation Law of the State of Delaware for the Corporation to indemnify the claimant for the amount claimed, but the burden of proving such defense shall be on the Corporation. Neither the failure of the Corporation (including its Board of Directors, Independent Counsel or stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he or she has met the applicable standard of conduct set forth in the General Corporation Law of the State of Delaware, nor an actual determination by the Corporation (including its Board of Directors, Independent Counsel or stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that the claimant has not met the applicable standard of conduct.

#### Section 5. Binding Effect.

If a determination shall have been made pursuant to Section 3 of this Article VI that the claimant is entitled to indemnification, the Corporation shall be bound by such determination in any judicial proceeding commenced pursuant to Section 4 of this Article VI.

#### Section 6. Validity of this Article VI.

The Corporation shall be precluded from asserting in any judicial proceeding commenced pursuant to Section 4 of this Article VI that the procedures and presumptions of this Article VI are not valid, binding and enforceable and shall stipulate in such proceeding that the Corporation is bound by all the provisions of this Article VI.

#### Section 7. Nonexclusivity, etc.

The right to indemnification and the payment of expenses incurred in defending a proceeding in advance of its final disposition conferred in this Article VI shall not be exclusive

of any other right which any person may have or hereafter acquire under any statute, provision of the Certificate of Incorporation, By-Laws, agreement, vote of stockholders or Disinterested Directors or otherwise. No repeal or modification of this Article VI shall in any way diminish or adversely affect the rights of any present or former director, advisory director, officer, employee or agent of the Corporation or any predecessor thereof hereunder in respect of any occurrence or matter arising prior to any such repeal or modification.

#### Section 8. Insurance.

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. To the extent that the Corporation maintains any policy or policies providing such insurance, each such director or officer, and each such agent or employee to whom rights to indemnification have been granted as provided in Section 9 of this Article VI, shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage thereunder for any such director, officer, employee or agent.

#### Section 9. Indemnification of Other Persons.

The Corporation may grant rights to indemnification, and rights to be paid by the Corporation the expenses incurred in defending any proceeding in advance of its final disposition, to any present or former employee or agent of the Corporation or any predecessor of the Corporation to the fullest extent of the provisions of this Article VI with respect to the indemnification and advancement of expenses of directors, advisory directors and officers of the Corporation.

#### Section 10. Severability.

If any provision or provisions of this Article VI shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (1) the validity, legality and enforceability of the remaining provisions of this Article VI (including, without limitation, each portion of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (2) to the fullest extent possible, the provisions of this Article VI (including, without limitation, each such portion of any paragraph of this Article VI containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

#### Section 11. Certain Definitions.

For purposes of this Article VI:

(1) "Disinterested Director" means a director of the Corporation who is not and was not a party to the matter in respect of which indemnification is sought by the claimant.



(2) "Independent Counsel" means a law firm, a member of a law firm, or an independent practitioner that is experienced in matters of corporation law and shall include any such person who, under the applicable standards of professional conduct then prevailing, would not have a conflict of interest in representing either the Corporation or the claimant in an action to determine the claimant's rights under this Article VI.

#### Section 12. Notices.

Any notice, request or other communication required or permitted to be given to the Corporation under this Article VI shall be in writing and either delivered in person or sent by telecopy, telex, telegram, overnight mail or courier service, or certified or registered mail, postage prepaid, return receipt requested, to the Secretary of the Corporation and shall be effective only upon receipt by the Secretary.

### 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 a 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.

U.S. BANCORP  
2001 STOCK INCENTIVE PLAN

## SECTION 1. PURPOSE; ADOPTION.

(a) Purpose. The purpose of the U.S. Bancorp 2001 Stock Incentive Plan (the "Plan") is to aid in attracting and retaining employees, management personnel and other personnel and members of the Board of Directors who are not also employees ("Non-Employee Directors") of U.S. Bancorp (the "Company") capable of assuring the future success of the Company, to offer such personnel and Non-Employee Directors incentives to put forth maximum efforts for the success of the Company's business and to afford such personnel and Non-Employee Directors an opportunity to acquire a proprietary interest in the Company.

(b) Adoption. The Company hereby adopts the Plan, subject to approval by the stockholders of the Company. As so established and approved, the Plan shall be known as the 2001 Stock Incentive Plan.

## SECTION 2. DEFINITIONS.

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

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

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

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

(d) "Change in Control" shall have the meaning ascribed to such term in any Award Agreement, and shall include phrases of similar meaning such as, by way of example but not limitation, "Full Change in Control" and "Partial Change in Control."

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

(f) "Committee" shall mean a committee of the Board of Directors of the Company designated by such Board to administer the Plan and composed of not less than two directors.

(g) "Eligible Person" shall mean any employee, officer, director (including any Non-Employee Director), consultant (including, without limitation, any member of a regional advisory board of the Company or any Affiliate) or independent contractor providing services to the Company or any Affiliate who the Committee determines to be an Eligible Person.

(h) "Fair Market Value" shall mean, with respect to any property (including, without limitation, any Shares or other securities), the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

Notwithstanding the foregoing, for purposes of the Plan, the Fair Market Value of Shares on a given date shall be, if the Shares are then traded on the New York Stock Exchange, the closing price of the Shares as reported on the New York Stock Exchange on such date or, if the New York Stock Exchange is not open for trading on that date, on the most recent preceding date when the New York Stock Exchange was open for trading.

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

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

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

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

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

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

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

(p) "Qualifying Termination" shall mean a termination of employment under circumstances that, in the judgment of the Committee, warrant acceleration of the exercisability of Options or the lapse of restrictions relating to Restricted Stock or Restricted Stock Units. Without limiting the generality of the foregoing, a Qualifying Termination may apply to large-scale terminations of employment relating to the disposition or divestiture of businesses or legal entities or similar circumstances.

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

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

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

(t) "Shares" shall mean shares of Common Stock, \$.01 par value, of the Company or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 7(c) of the Plan.

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

### SECTION 3. ADMINISTRATION.

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

(b) Delegation. The Committee may delegate to one or more officers of the Company or any Affiliate or a committee of such officers, but only to the extent such officer or officers are also members of the Board of Directors of the Company, the authority, subject to such terms and limitations as the Committee shall determine, to grant Awards to Eligible Persons who are not officers or directors of the Company for purposes of Section 16 of the Securities Exchange Act of 1934, as amended. The Committee shall not delegate its powers and duties under the Plan in any manner that would cause the Plan not to comply with the requirements of Section 162(m) of the Code.

#### SECTION 4. SHARES AVAILABLE FOR AWARDS.

(a) Shares Available. Subject to adjustment as provided in Section 7(c), the total number of Shares available for granting Awards under the Plan shall be 100,000,000. Not more than 10,000,000 of such Shares, subject to adjustment as provided in Section 7 (c) of the Plan, will be available for granting any types of Awards other than Awards of Options or Stock Appreciation Rights; provided, however, that any Shares covered by an Award that is not an Option or Stock Appreciation Rights that are forfeited shall again be available for purposes of the foregoing limitation. If any Shares covered by an Award or to which an Award relates are not purchased or are forfeited, or if an Award otherwise terminates without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture or termination, shall again be available for granting Awards under the Plan. In addition, if any Shares are used by a Participant as full or partial payment to the Company of the purchase price relating to an Award, whether by actual delivery or attestation, or in connection with satisfaction of tax obligations relating to an Award, whether by actual delivery, attestation or having shares withheld from the Award, only the number of Shares issued net of the Shares tendered or withheld shall be deemed delivered for purposes of determining the maximum number of Shares available for granting of Awards under the Plan.

(b) Accounting for Awards. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan. Such Shares may again become available for granting Awards under the Plan pursuant to the provisions of Section 4(a) of the Plan, subject to the limitations set forth in Section 4(c) of the Plan.

(c) Incentive Stock Options. Notwithstanding the foregoing, the number of Shares available for granting Incentive Stock Options under the Plan shall not exceed 100,000,000, subject to adjustment as provided in Section 7(c) of the Plan and Section 422 or 424 of the Code or any successor provisions.

(d) Award Limitations Under the Plan. No Eligible Person may be granted any Award or Awards, the value of which Awards are based solely on an increase in the value of the Shares after the date of grant of such Awards, for more than 5,000,000 Shares (subject to adjustment as provided in Section 7(c) of the Plan), in the aggregate, in any calendar year beginning with the year commencing January 1, 2001. The foregoing limitation specifically includes the grant of any "qualified performance-based" Awards within the meaning of Section 162(m) of the Code.

#### SECTION 5. ELIGIBILITY.

Any Eligible Person, including any Eligible Person who is an officer or director of the Company or any Affiliate, shall be eligible to be designated a Participant; provided, however, that an Incentive Stock Option may be granted only to full-time or part-time employees (which term as used herein includes, without limitation, officers and directors who are also employees), and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless the



Affiliate is also a "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code or any successor provision.

SECTION 6. AWARDS.

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

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

(ii) Option Term. The term of each Option shall be fixed by the Committee at the time of grant but in no event shall any Option have a term of more than 10 years.

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

(iv) Reload Options. The Committee may grant "reload" Options, separately or together with another Option, pursuant to which, subject to the terms and conditions established by the Committee and any applicable requirements of Rule 16b-3 or any other applicable law, the Participant would be granted a new Option when the payment of the exercise price of a previously granted Option is made by the delivery of shares of the Company's Common Stock owned by the Participant pursuant to Section 6(a)(iii) hereof or the relevant provisions of another plan of the Company, and/or when shares of the Company's Common Stock are tendered or forfeited as payment of the amount to be withheld under applicable tax laws in connection with the exercise of an option, which new Option would be an option to purchase the number of Shares not exceeding the sum of (A) the number of shares of the Company's Common Stock provided as consideration upon the exercise of the previously granted Option to which such "reload" Option relates and (B) the number of shares of the Company's Common Stock tendered or forfeited as payment of the amount to be withheld under applicable tax laws in connection with the exercise of the Option to which such "reload" Option relates. "Reload" Options may be granted with respect to Options granted under this Plan or any other stock option plan of the Company or any of its Affiliates (which shall explicitly include plans assumed by the Company in connection with mergers, combinations and similar transactions). Such "reload" Options shall have a term that shall not extend beyond the term of the previously granted Option to which the "reload" Option relates and shall have a per share exercise price equal to the Fair Market Value as of the date of grant of the new Option. Any such

"reload" Options shall be subject to the availability of sufficient shares for grant under the Plan.

(v) Elective Deferral. The Committee may from time to time establish procedures pursuant to which a Participant may elect to defer, until a time or times later than the exercise of an Option, receipt of all or a portion of the Shares subject to such Option, all on such terms and conditions as the Committee shall determine. If any such deferrals are permitted, then a Participant who elects such deferral shall not have any rights as a stockholder with respect to such deferred Shares unless and until Shares actually are delivered to the Participant with respect thereto, except to the extent otherwise determined by the Committee.

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

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

(i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. Except as otherwise provided herein, Awards of Restricted Stock and Restricted Stock Units shall contain restrictions that lapse no sooner than three years following the date of grant or, in the case of Awards with performance-based vesting provisions, no sooner than one year following the date of grant; provided, however, that restrictions may lapse sooner than such dates as to portions of such Awards so long as restrictions as to the total number of Shares covered by such Awards do not lapse sooner than such dates; and provided, further, that such limitations shall not apply to Awards granted to new employees as part of initial terms of employment or Awards granted to new or existing employees in connection with the acquisition of businesses or assets by the Company.

(ii) Forfeiture; Delivery of Shares. Except as otherwise determined by the Committee, upon termination of employment (as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units at such time subject to restriction shall be forfeited and reacquired by the Company; provided, however, that the Committee may, when it finds that a waiver would be in the best interest of the Company, including, without limitation, in connection with Changes in Control, Qualifying Terminations, death or disability, waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units. In the case of Restricted Stock, Shares shall be issued at the time such Awards are granted and may be certificated or uncertificated. Shares representing Restricted Stock that is no longer subject to restrictions shall be delivered to the holder thereof promptly after the applicable restrictions lapse or are waived. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holders of the Restricted Stock Units.

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

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

(f) General.

(i) Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as may be determined by the Committee or required by applicable law.

(ii) Awards May Be Granted Separately or Together. Awards may, in the discretion of the Committee, be granted either alone or in addition to, in tandem with or in substitution for any other Award or any award granted under any plan of the Company or any Affiliate other than the Plan. Awards granted in addition to or in tandem with other Awards or in addition to or in tandem with awards granted under any such other plan of the Company or any Affiliate may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

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

(iv) Limits on Transfer of Awards. No Award and no right under any such Award shall be transferable by a Participant otherwise than by will or by the laws of descent and distribution; provided, however, that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary or beneficiaries to exercise the rights of the Participant and receive any property distributable with respect to any Award upon the death of the Participant; and provided, further, that except in the case of an Incentive Stock Option, Awards may be transferable as specifically provided in any applicable Award Agreement or amendment thereto pursuant to terms determined by the Committee. Except as otherwise provided in any applicable Award Agreement or amendment thereto (other than an Award Agreement relating to an Incentive Stock Option), pursuant to terms determined by the Committee, each Award or right under any Award shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. Except as otherwise provided in any applicable Award Agreement or amendment thereto (other than an Award Agreement relating to an Incentive Stock Option), no Award or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate.

(v) Term of Awards. The term of each Award shall be for such period as may be determined by the Committee at the time of grant but in no event shall any Award have a term of more than 10 years.

(vi) Restrictions; Securities Exchange Listing. All certificates for Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations and other requirements of the Securities and Exchange Commission and any applicable federal or state securities laws,

and the Committee may cause a legend or legends to be placed on any such certificates to make appropriate reference to such restrictions. If the Shares or other securities are traded on a securities exchange, the Company shall not be required to deliver any Shares or other securities covered by an Award unless and until such Shares or other securities have been admitted for trading on such securities exchange.

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

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

(a) Amendments to the Plan. The Board of Directors of the Company may amend, alter, suspend, discontinue or terminate the Plan at any time and from time to time; provided, however, that, notwithstanding any other provision of the Plan or any Award Agreement, without the approval of the stockholders of the Company, no such amendment, alteration, suspension, discontinuation or termination shall be made that, absent such approval, would violate any rules or regulations of the New York Stock Exchange, any other securities exchange or the National Association of Securities Dealers, Inc. that are applicable to the Company.

(b) Amendments to Awards. Except as otherwise explicitly provided herein, the Committee may waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively. The Committee may not amend, alter, suspend, discontinue or terminate any outstanding Award, prospectively or retroactively, without the consent of the Participant or holder or beneficiary thereof, except as otherwise herein provided. Except as provided in Section 7(c) hereof, no Option may be amended to reduce its initial exercise price and no Option shall be canceled and replaced with an Option or Options having a lower exercise price without the approval of the stockholders of the Company.

(c) Adjustments. In the event that any dividend or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company or other similar corporate transaction or event affecting the Shares would be reasonably likely to result in the diminution or enlargement of any of the benefits or potential benefits intended to be made available under the Plan or under an Award (including, without limitation, the benefits or potential benefits of provisions relating to the term, vesting or exercisability of any Option, the availability of any Tandem Stock Appreciation rights or "reload" Option rights, if any, contained in any Option Award, and any Change in Control or similar provisions of any Award), the Committee shall, in such manner as it shall deem equitable or appropriate in order to prevent such diminution or enlargement of any such benefits or potential benefits, adjust any or all of (i) the number and type of Shares (or other securities or other property) which thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards and (iii) the purchase or exercise price with

respect to any Award; provided, however, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number.

(d) Correction of Defects, Omissions and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry the Plan into effect.

#### SECTION 8. INCOME TAX WITHHOLDING.

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

#### SECTION 9. GENERAL PROVISIONS.

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

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

(c) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(d) No Right to Employment, etc. The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ, or as giving a Non-Employee Director the right to continue as a director, of the Company or any Affiliate. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment, or terminate the term of a

Non-Employee Director, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement.

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

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

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

(h) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Shares or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

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

(j) Section 16 Compliance. The Plan is intended to comply in all respects with Rule 16b-3 or any successor provision, as in effect from time to time, and in all events the Plan shall be construed in accordance with the requirements of Rule 16b-3. If any Plan provision does not comply with Rule 16b-3 as hereafter amended or interpreted, the provision shall be deemed inoperative. The Board of Directors, in its absolute discretion, may bifurcate the Plan so as to restrict, limit or condition the use of any provision of the Plan with respect to persons who are officers or directors subject to Section 16 of the Securities and Exchange Act of 1934, as amended, without so restricting, limiting or conditioning the Plan with respect to other Participants.

#### SECTION 10. EFFECTIVE DATE OF THE PLAN.

The Plan shall be effective as of the date of approval by the stockholders of the Company in accordance with applicable law.

SECTION 11. TERM OF THE PLAN.

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



## U.S. BANCORP

## EXECUTIVE INCENTIVE PLAN

1. Establishment. On February 27, 2001, the Board of Directors of U.S. BANCORP, upon recommendation by the Compensation Committee of the Board of Directors, approved an executive incentive plan for executives as described herein, which plan shall be known as the "U.S. BANCORP EXECUTIVE INCENTIVE PLAN." This Plan shall be submitted for approval by the stockholders of U.S. Bancorp at the 2001 Annual Meeting of Stockholders. This Plan shall be effective as of January 1, 2001, subject to its approval by the stockholders, and no benefits shall be issued pursuant thereto until after this Plan has been approved by the stockholders.

2. Purpose. The purpose of this Plan is to advance the interests of U.S. Bancorp and its stockholders by attracting and retaining key employees, and by stimulating the efforts of such employees to contribute to the continued success and growth of the business of the Company.

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

3.1. Base Salary. A Participant's annualized base salary, as determined by the Committee, as of the last day of a Performance Period.

3.2. Code. The Internal Revenue Code of 1986, as it may be amended from time to time, and any proposed, temporary or final Treasury Regulations promulgated thereunder.

3.3. Committee. The Compensation Committee of the Board of Directors of the Company designated by such Board to administer the Plan which shall consist of members appointed from time to time by the Board of Directors. Each member of the Committee shall be an "outside director" within the meaning of Section 162(m) of the Code.

3.4. Company. U.S. Bancorp, a Delaware corporation, and any of its subsidiaries or affiliates, whether now or hereafter established.

3.5. Earnings per Share or EPS. The Company's Earnings per Share shall be computed in accordance with generally accepted accounting principles, as in effect from time to time, as reported in the Company's consolidated financial statements for the applicable

Performance Period, adjusted in the same fashion that Operating Earnings are to be adjusted as provided in Section 3.7 hereof.

3.6. Maximum Award. A dollar amount equal to two-tenths of one percent (0.20%) of the Company's Operating Earnings for the Performance Period.

3.7. Operating Earnings. The Company's net income computed in accordance with generally accepted accounting principles as reported in the Company's consolidated financial statements for the applicable Performance Period, adjusted to eliminate (1) the cumulative effect of changes in generally accepted accounting principles; (2) gains and losses from discontinued operations; (3) extraordinary gains or losses; and (4) any other unusual or nonrecurring gains or losses which are separately identified and quantified in the Company's financial statements, including merger related charges.

3.8. Participant. Any executive officer of the Company who is also an "officer" within the meaning of Section 16(a) of the Securities Exchange Act of 1934 and who is designated by the Committee, as provided for herein, to participate with respect to a Performance Period as a Participant in this Plan. Directors of the Company who are not also employees of the Company are not eligible to participate in the Plan.

3.9. Performance Threshold. The pre-established, objective performance goals selected by the Committee with respect to each Performance Period and which shall be based solely on Earnings Per Share.

3.10. Performance Period. Each consecutive twelve-month period commencing on January 1 of each year during the term of this Plan and coinciding with the Company's fiscal year.

3.11. Plan. This U.S. BANCORP EXECUTIVE INCENTIVE PLAN.

3.12. Target Award. A percentage, which may be greater or less than 100%, as determined by the Committee with respect to each Performance Period.

#### 4. Administration.

4.1. Power and Authority of Committee. The Plan shall be administered by the Committee. The Committee shall have full power

and authority, subject to all the applicable provisions of the Plan and applicable law, to (a) establish, amend, suspend or waive such rules and regulations and appoint such agents as it deems necessary or advisable for the proper administration of the Plan, (b) construe, interpret and administer the plan and any instrument or agreement relating to the Plan, and (c) make all other determinations and take all other actions necessary or advisable for the administration of the Plan. Unless otherwise expressly provided in the Plan, each determination made and each action taken by the Committee pursuant to the Plan or any instrument or agreement relating to the Plan (x) shall be within the sole discretion of the Committee, (y) may be made at any time and (z) shall be final, binding and conclusive for all purposes on all persons, including, but not limited to, Participants and their legal representatives and beneficiaries, and employees of the Company.

4.2. Determinations made prior to each Performance Period. At any time ending on or before the 90th day of each Performance Period, the Committee shall:

- (a) designate all Participants and their Target Awards for such Performance Period; and
- (b) establish one or more Performance Thresholds (including a minimum level of achievement), based solely on EPS.

4.3. Certification. Following the close of each Performance Period and prior to payment of any amount of any Participant under the Plan, the Committee must certify in writing the Company's Operating Earnings and EPS for that Performance Period and certify as to the attainment of all other factors upon which any payments to a Participant for that Performance Period are to be based.

4.4. Stockholder Approval. The material terms of this Plan shall be disclosed to and approved by stockholders of the Company in accordance with Section 162(m) of the Code. No amount shall be paid to any Participant under this Plan unless such stockholder approval has been obtained.

5. Incentive Payment.

5.1. Formula. Each Participant shall receive a bonus payment for each Performance Period in an amount not greater than:

- (a) the Participant's Base Pay for the Performance Period, multiplied by
- (b) the Participant's Target Award for the Performance Period;

provided, however, that in the event that the Company's EPS for a Performance Period is equal to or in excess of a designated Performance Threshold for that Performance Period, then each Participant shall be entitled to a bonus payment for that Performance Period which is not greater than the Maximum Award for that Performance Period.

#### 5.2. Limitations.

(a) Minimum EPS Achievement. In no event shall any Participant receive any payment hereunder unless the Company's EPS for a Performance Period is at least equal to a minimum EPS as determined by the Committee for that Performance Period.

(b) Discretionary Reduction. The Committee shall retain sole and full discretion to reduce by any amount the incentive payment otherwise payable to any Participant under this Plan.

(c) Continued Employment. Except as otherwise provided by the Committee, no incentive payment under this Plan with respect to a Performance Period shall be paid or owed to a Participant whose employment terminates prior to the last day of such Performance Period.

(d) Maximum Payments. No Participant shall receive a payment under this Plan for any Performance Period in excess of the Maximum Award for that Performance Period.

#### 6. Benefit Payments.

6.1. Time and Form of Payments. Subject to any deferred compensation election pursuant to any such plans of the Company applicable hereto, benefits shall be paid to the Participant in cash and/or common stock of the Company as soon as administratively feasible upon the completion of a Performance Period, after the Committee has certified that the Company Performance Threshold has been attained, determined

the Maximum Award for that Performance Period and made the other certifications provided for in Section 4.3 hereof.

6.2. Nontransferability. Participants and beneficiaries shall not have the right to assign, encumber or otherwise anticipate the payments to be made under this Plan, and the benefits provided hereunder shall not be subject to seizure for payment of any debts or judgments against any Participant or any beneficiary.

6.3. Tax Withholding. In order to comply with all applicable federal or state income, social security, payroll, withholding or other tax laws or regulations, the Committee may establish such policy or policies as it deems appropriate with respect to such laws and regulations, including without limitation, the establishment of policies to ensure that all applicable federal or state income, social security, payroll, withholding or other taxes, which are the sole and absolute responsibility of the Participant, are withheld or collected from such Participant.

7. Amendment and Termination; Adjustments. Except to the extent prohibited by applicable law and unless otherwise expressly provided in the Plan:

(a) Amendments to the Plan. The Committee may amend this Plan prospectively at any time and for any reason deemed sufficient by it without notice to any person affected by this Plan and may likewise terminate or curtail the benefits of this Plan both with regard to persons expecting to receive benefits hereunder in the future and persons already receiving benefits at the time of such action.

(b) Correction of Defects, Omissions and Inconsistencies. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it shall deem desirable to carry the Plan into effect.

8. Miscellaneous.

8.1. Effective Date. This Plan shall be deemed effective, subject to stockholder approval, as of January 1, 2001.

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

8.3. Applicability to Successors. This Plan shall be binding upon and inure to the benefit of the Company and each Participant, the successors and assigns of the Company, and the beneficiaries, personal representatives and heirs of each Participant. If the Company becomes a party to any merger, consolidation or reorganization, this Plan shall remain in full force and effect as an obligation of the Company or its successors in interest.

8.4. Employment Rights and other Benefit Programs. The provisions of this Plan shall not give any Participant any right to be retained in the employment of the Company. In the absence of any specific agreement to the contrary, this Plan shall not affect any right of the Company, or of any affiliate of the Company, to terminate, with or without cause, any Participant's employment at any time. This Plan shall not replace any contract of employment, whether oral or written, between the Company and any Participant, but shall be considered a supplement thereto. This Plan is in addition to, and not in lieu of, any other employee benefit plan or program in which any Participant may be or become eligible to participate by reason of employment with the Company. No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation under any compensation-based retirement, disability, or similar plan of the Company unless required by law or otherwise provided by such other plan.

8.5. No Trust or Fund Created. This Plan shall not create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any affiliate and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Company or any affiliate pursuant to this Plan, such right shall be no greater than the right of any unsecured general creditor of the Company or of any affiliate.

8.6. Governing Law. The validity, construction and effect of the Plan or any incentive payment payable under the Plan shall be determined in accordance with the laws of the State of Minnesota.

8.7. Severability. If any provision of the Plan is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent

of the Plan, such provision shall be stricken as to such jurisdiction, and the remainder of the Plan shall remain in full force and effect.

8.8. Qualified Performance-Based Compensation. All of the terms and conditions of the Plan shall be interpreted in such a fashion as to qualify all compensation paid hereunder as "qualified performance-based compensation" within the meaning of Section 162(m) of the Code.

SUMMARY OF  
NONQUALIFIED SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN, AS AMENDED,  
OF THE FORMER U.S. BANCORP

U.S. Bancorp's Supplemental Executive Retirement Plan ("SERP") provides additional pension benefits to certain executives who were employees of the former U.S. Bancorp who have not less than five years of service at the time of their termination of employment or death. The five years of service requirement does not apply, however, under certain circumstances involving a change in control of U.S. Bancorp, including termination of employment entitling the executive to receive severance payments related to a change in control pursuant to the change-in-control provisions of an employment contract, an individual change-in-control severance agreement or the U.S. Bancorp Senior Management Change in Control Severance Pay Plan.

Participation in the SERP after September 30, 2001 is limited to persons who qualified under the terms of the SERP in effect as of that date. The SERP generally provides retirement benefits at age 65 equal to 55% of an executive's "Final Average Compensation." Final Average Compensation is the average base salary and annual incentive award during the executive's last three years of employment. Executives receive credit of an additional five years of service at age 60 and may receive retirement benefits after age 60 that are equal to the actuarial equivalent present value of the retirement benefit that would be payable at age 65. Payments under the SERP are reduced by other sources of retirement income, including (i) tax-qualified pension benefits, (ii) nonqualified retirement benefits that replace amounts that cannot be provided by tax-qualified plans due to legislated limits on the compensation that may be taken into account and on the maximum benefit, (iii) a portion of Social Security benefits and (iv) estimated benefits provided by other employers. Lesser benefits are available in the event of termination prior to age 65.

The SERP provides for payment of benefits in the form of a single lump sum or an annuity. Under certain circumstances in connection with a change in control, a participant who has not yet begun to receive payment of benefits under the SERP may elect to receive a distribution of the entire SERP benefit, subject to a 5% forfeiture of benefits. After December 31, 2001, the benefits payable under the SERP have been frozen for all but five participants. The benefits payable to participants with frozen benefits will be the actuarial equivalent of the benefit payable at age 65 that they had earned as of December 31, 2001. (Pay and service after that date will not affect the amount of their benefit.)



## SUMMARY OF THE U.S. BANCORP SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

U.S. Bancorp maintains a non-contributory, non-qualified retirement plan that pays the additional pension benefits that would have been payable under our current and prior qualified defined benefit pension plans if federal limitations on defined benefit pension plan payments were not in effect.

Some of U.S. Bancorp's executive officers are eligible for an additional benefit that augments benefits under the U.S. Bancorp Pension Plan, the replacement benefits under this non-qualified retirement plan and certain other prior employer plans. The additional benefit ensures that eligible executives receive upon retirement a guaranteed total retirement benefit based on a percentage of the executive's final average compensation. For purposes of this additional benefit, final average compensation includes annual base salary, annual bonuses, and other compensation awards as determined by the Compensation Committee of U.S. Bancorp's Board of Directors. Eligibility for these additional benefits is determined by the Compensation Committee based on individual performance and level of responsibility.

The additional benefits paid to executive officers are reduced by the amount of the benefits payable under U.S. Bancorp's qualified defined benefit pension plans and the replacement benefits payable under this non-qualified retirement plan. The additional benefits will be calculated as an annuity commencing at age 65. The additional benefits also are subject to offsets for Social Security benefits.

FIRSTAR CORPORATION

DEFERRED COMPENSATION PLAN

(AS AMENDED AND RESTATED THROUGH DECEMBER 1, 1999)

FIRSTAR CORPORATION

DEFERRED COMPENSATION PLAN

(as amended and restated through December 1, 1999)

Effective as of December 1, 1999, FIRSTAR CORPORATION (the "Corporation") amends and completely restates the Firststar Corporation Deferred Compensation Plan (formerly the Star Banc Corporation Deferred Compensation Plan which was originally established in 1987). This Plan is maintained for the benefit of the eligible officers, employees and Directors of the Corporation and its affiliates.

Section 1. Administration. The Administrator of the Plan shall be the Compensation Committee of the Board of Directors of the Corporation, or such officer(s), Director(s), or other Committee of the Corporation as may be designated from time to time by the Compensation Committee. The Plan Administrator shall have full power to administer the Plan; and all determinations and actions of the Plan Administrator shall be binding and conclusive on all parties unless arbitrary or capricious.

Section 2. Participation. Any Director of the Corporation, any Director (to include Advisory Board Member) of an affiliate who is designated by the Plan Administrator, and any officer or employee of the Corporation or an affiliate

who is designated by the Plan Administrator, shall be eligible to elect to become a Participant in the Plan; except that at any time and for any period the Plan Administrator may exclude any such individual from participating in this Plan (other than with respect to amounts already credited or elected to be credited to his Deferred Compensation Account). A participant shall become a former Participant upon separation from service (or termination as a Director) with the Corporation or the affiliate and receipt of the benefits to which he is entitled under the terms of this Plan.

Section 3. Shares Subject to Plan. The shares which may be distributed in accordance with this Plan are shares of the Corporation's authorized and issued common stock, \$0.01 par value. The aggregate number of such shares which may be so distributed shall not exceed Nine Million (9,000,000) shares; provided, however, that in the event of any changes in the Corporation's common shares resulting from stock splits, stock dividends, combinations or exchanges of shares or other similar capital adjustments, proportionate adjustments shall automatically be deemed to have been made in the number of common shares available for distribution under this Plan.

Section 4. Annual Election. On or before December 31 preceding each calendar year for which this Plan is in effect, each eligible officer, employee and Director may elect, in writing, to become a Participant and defer payment to him

of any percentage of annual salary, Director's fees or incentive compensation payments from the Corporation or the affiliate that will be earned by him in the following calendar year (the "Service Year") (with respect to any Service Year, the subsequent year is a "Accumulation Year"); provided, however, that the minimum allowable deferral amount for any Participant for any year shall be \$1,000.00. Such election shall be irrevocable; and the deferred portion of the salary, fees or incentive compensation payments will not be paid to the Participant until the time or times prescribed in Section 11 below. At the time of making any such election, the Participant may further elect, in accordance with procedures adopted by the Plan Administrator, to have the amount of such deferral used to purchase common shares of the Corporation (a "Share Election"), to be deemed invested in selected mutual funds (a "Mutual Funds Election") or to be deemed invested with interest ("Cash Portion"). The Corporation or the affiliate shall give notice of any Share Election made by each Participant annually to Firststar Bank, N.A. (hereafter the "Trustee") as Trustee under a Grantor Trust with the Corporation (hereafter the "Grantor Trust") used to facilitate tracking investments under this Plan.

Section 5. Remission of Funds to the Trustee for Share Elections. At such time and from time to time as a Participant who has made a Share Election is paid compensation by the Corporation or the affiliate, it shall remit the Share Election deferral amount in cash to the Trustee who shall hold such funds and

invest them in common shares of the Corporation in accordance with the Grantor Trust. All such common shares acquired by the Trustee shall be so acquired at a price equal to 100% of the fair market value of the Corporation's shares on the date of acquisition as determined by the Trustee consistent with its fiduciary duties.

Section 6. Cash Portion Accounts. The amount deferred for a Service Year which is to be credited to the "Cash Portion" of an individual Deferred Compensation Account shall be established within the books and records of the Corporation or the affiliate and reflect such amounts deferred by the Participant under the Plan. "Interest" shall be credited thereto for the period of the Service Year on and after the "Date of Deferral" (i.e., the date such amounts would have been paid out for the deferral). "Interest" shall also be credited to the Cash Portion of a Participant's Deferred Compensation Account for each Accumulation Year on the Cash Portion amount in the account at the beginning of such year. No transfers of funds to the Trustee shall be made with respect to such Cash Portion. The Plan Administrator may cause such "interest" additions to be made on a proportionate basis during the Year with respect to the account of a Participant whose participation in the Plan is then terminating. The annual rate of "interest" for Service Years and Accumulation Years shall be the rate equal to one-quarter of one percent (1/4%) over the average bond equivalent yield to maturity on one-year United States Treasury Bills in effect for the first

five business days in the November immediately preceding such Years (as published in the Wall Street Journal), unless an alternate rate is set by the Plan Administrator for such "interest" for that Year at least thirty days before the beginning of the Year.

Section 7. Mutual Funds Accounts. The amount deferred for a Service Year which is to be credited to the "Mutual Funds" Portion of an individual Deferred Compensation Account shall be established within the books and records of the Corporation or the affiliate and reflect such amounts deferred by the Participant under the Plan. The Plan Administrator shall designate one or more mutual funds from the mutual fund families known as Firststar Stellar Funds, Firststar Funds and/or Mercantile Funds (or their successors) as the investment vehicle(s) that may be used to determine the growth or loss to be credited to the Mutual Funds Portion of an individual's Deferred Compensation Account and may change such designations from time to time. "Growth/Loss" shall be credited thereto for the period of the Service Year on and after the "Date of Deferral" (i.e., the date such amounts would have been paid out for the deferral), and for subsequent Accumulation Years. No transfers for funds to the Trustee shall be made with respect to such Mutual Funds Portion.

Section 8. Dividends and Capital Changes on Share Election Accounts.

(a) Amounts equal to dividends which would be paid by the Corporation with

respect to its shares held in a Share Election Account (but which are not paid because such shares are treated as Treasury shares) shall, unless the Participant directs otherwise as provided in (b) below, be paid over to the Trustee which shall use such "dividends" to purchase additional shares of the Corporation's common stock in accordance with the Grantor Trust. Shares held in a Share Election Account shall be appropriately adjusted for all stock dividends, stock splits or other capital changes.

(b) A Participant may direct that cash dividends on common shares of the Corporation allocated to his Share Election Account should be credited to the Mutual Funds Portion or the Cash Portion of his Deferred Compensation Account, and may change such election from time to time. The Plan Administrator shall establish appropriate procedures relating to the timing of elections, and changes or revocations thereof under this subsection.

Section 9. Election to Convert to or from Common Shares. The Plan Administrator may establish procedures under the Plan permitting a Participant (upon satisfying such age and other requirements set by the Plan Administrator) to elect to convert the Cash and/or Mutual Funds Portions (or parts thereof) of his Deferred Compensation Account to common shares of the Corporation, and/or to convert shares held in a Share Election Account to the Mutual Funds Portion or the Cash Portion. In the case of a transfer into a Share Election



Account, the Corporation or the affiliate shall transfer to the Trustee the appropriate amount of funds to purchase shares of the Corporation's common stock in accordance with the Grantor Trust. In the case of a transfer out of a Share Election Account, the Trustee may be directed to remit the proceeds of the sale of such shares to the Corporation or the affiliate.

Section 10. Election to Transfer Funds. The Plan Administrator shall establish procedures under the Plan permitting a Participant (upon satisfying such age and other requirements set by the Plan Administrator) to elect to transfer deferrals within the Mutual Funds Portion and between the Mutual Funds Portion and the Cash Portion of his Deferred Compensation Account.

Section 11. Distributions. (a) A Participant shall receive payment of the amounts (cash and/or shares) credited to his Deferred Compensation Account following his termination of service with the Corporation or the affiliate (or its Board of Directors) and his attainment of at least age 55 (early retirement age); except that if the service of a Participant with the Corporation or the affiliate (or its Board of Directors) terminates before his 55th birthday, and if either the Participant elects (with or without the consent of the Plan Administrator) to receive the lump sum payment described in this sentence or the Plan Administrator, in its sole discretion, determines that such lump-sum payment shall be made to the Participant with or without his consent, then within thirty

(30) days after such election or determination there shall be paid in a lump sum to the Participant, in full satisfaction of his rights under the Plan, the amount (combined Cash Portion, Mutual Funds Portion and Share Portion) credited to his Deferred Compensation Account, minus all "interest," "growth/loss" and "dividend" additions thereto for the one-year period immediately preceding the date of such lump sum payment, provided, however, that the Plan Administrator in its sole discretion may waive all or part of such penalty in such cases as it deems appropriate.

(b) Other than for the lump sum payment with penalty as described in (a) above, or the hardship distribution permitted in (e) below, all payments under this Plan shall be on account of the Participant's retirement, and the form of payment shall be in lump sum (if consented to by the Participant), or annual installments over five-year, ten-year, fifteen-year or twenty-year periods, as determined by the Plan Administrator in its sole and absolute discretion. If an installment method is selected, "interest," "growth/loss" and/or "dividend" additions shall continue to be made to the unpaid portion of the Participant's Deferred Compensation Account until such payment is completed.

(c) Payments under this Plan shall be made in kind, consisting of the shares of the Corporation's common stock to be distributed by the Trustee (except that cash shall be distributed in lieu of fractional shares based upon the

fair market value of the Corporation's common stock on the date of distribution), cash held by the Trustee pending investment and cash for the Cash and/or Mutual Funds Portions in a Participant's Deferred Compensation Account.

(d) In the event a Participant dies before his Deferred Compensation Account has been fully distributed, any undistributed portion of his Deferred Compensation Account shall be paid to the beneficiary and in the manner he has designated under this Plan on a form provided by, and delivered to, the Plan Administrator, or if such beneficiary has not been properly designated or for any reason payment cannot be made to such beneficiary, then payment shall be made to the person or persons entitled to remaining benefits or other death benefits which are or would have been payable with respect to him under the Firststar Employee's Pension Plan. The determination of the Plan Administrator as to who is a proper payee of benefits hereunder shall be conclusive on all persons claiming under or through any Participant.

(e) In the event a Participant, a former Participant, or a beneficiary of a deceased Participant demonstrates to the satisfaction of the Plan Administrator the existence of a serious financial hardship, the Plan Administrator, in its sole and absolute discretion, may direct an immediate payment of deferred amounts to such individual, with appropriate adjustment (without penalty) being made to

the Participant's or former or deceased Participant's Deferred Compensation Account.

(f) The corporation or the affiliate shall withhold from any payments under this Plan the amount of any taxes required to be withheld under federal, state or local law, and shall withhold from the Participant's non-deferred compensation such payroll taxes as may be due at the time the deferred compensation was earned.

Section 12. No Assignment. To the extent permitted by law, none of the benefits payable hereunder shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge shall be void; nor shall benefits be subject to the claims of creditors or others, nor to legal process.

Section 13. Amendment and Termination. The Corporation reserves the right, through action of its Board of Directors, from time to time to amend, supplement, or terminate this Plan in any manner it chooses, except that no amendment, supplement, or termination without the consent of a Participant shall affect the payment to him of any amount credited to his Deferred Compensation Account (or elected by him to be so credited) prior to the time he is given written notice by the Plan Administrator of the adoption of such

amendment, supplement, or termination; and in the event the Plan is terminated, amounts credited to Deferred Compensation Accounts under the Plan will be distributed as provided in Section 11 until the last Participant has received distribution in full.

IN WITNESS WHEREOF, FIRSTAR CORPORATION has caused this instrument to be executed this 1st day of December 1999.

ATTEST: FIRSTAR CORPORATION  
By /s/ Stephen E. Smith  
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## EXECUTIVE SEVERANCE AGREEMENT

This Executive Severance Agreement (the "Agreement"), made as of the \_\_\_ day of \_\_\_\_\_, 200\_, between U.S. Bancorp, a Delaware corporation ("USB") and its Subsidiaries (individually and collectively the "Company"), and \_\_\_\_\_ (the "Executive").

## WITNESSETH:

WHEREAS, the Company considers the recruitment and maintenance of sound and vital management to be essential to protecting and enhancing its best interests and those of its shareholders; and

WHEREAS, the Company recognizes that it is in an industry where there is a strong potential for a change in control and that the potential for a change in control may make it difficult to hire and retain strong management personnel; and

WHEREAS, the Company recognizes that the possibility of a change in control of USB may exist and that, in the event negotiations are commenced to bring about such a change in control, uncertainty and questions may arise among management that could result in the distraction or departure of management personnel to the detriment of the Company and the shareholders; and

WHEREAS, the Company has determined that appropriate steps should be taken to reinforce and encourage the Executive's continued attention and dedication as an executive officer to his or her assigned duties without distraction in the face of potentially disruptive circumstances arising from the possibility of a change in control of USB;

NOW THEREFORE, the Company and the Executive agree as follows:

## 1. Definitions

The following words and terms used in this Agreement shall have the following meanings:

1.1 "Change in Control." For the purpose of this Agreement, a "Change in Control" shall mean:

(a) The acquisition by any Person (as defined in Sections 13(d)(3) and 14(d)2 of the Exchange Act) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (I) the then outstanding shares of Common Stock (the "Outstanding Company Common Stock") or (II) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities");

provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by a subsidiary of the Company or any employee benefit plan (or related trust) sponsored or maintained by the Company or a subsidiary of the Company (a "Company Entity") or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (1), (2) or (3) of this subsection (a); or

(b) Individuals who, as of this date, constitute the Company's Board of Directors (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors (except as a result of the death, retirement or disability of one or more members of the Incumbent Board); provided, however, that any individual becoming a director subsequent to the date of this Agreement whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, (I) any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Incumbent Board, (II) any director designated by or on behalf of a Person who has entered into an agreement with the Company (or which is contemplating entering into an agreement) to effect a Business Combination (as defined in Section 1.1 subsection (c)) with one or more entities that are not Company Entities or (III) any director who 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 Business Combination; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (I) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock or the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (II) no Person (excluding any Company Entity or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent

that such ownership existed prior to the Business Combination and (III) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

1.2 "Cause" means conviction for the commission of a felony or removal from office by order of the Comptroller of the Currency, Federal Reserve Board, or other appropriate agency.

1.3 "Date of Termination" means the date the Executive's employment is terminated under this Agreement whether by the Company or by the Executive.

1.4 "Disability" means leaving active employment and qualifying for and receiving disability benefits under the Company's long-term disability programs as in effect from time to time.

1.5 "Effective Date" means the first date after the date of this Agreement on which a Change in Control occurs.

1.6 "Employment Agreement" means an employment agreement, if any, between the Company and the Executive.

1.7 "Good Reason" means:

(a) A reduction by the Company in the Executive's base salary as in effect immediately prior to the Change in Control or as the same may be increased from time-to-time following the Change in Control (unless such reduction is part of an across-the-board uniformly applied reduction affecting all senior executives of the Company); or

(b) A significant diminution in the Executive's position, authority, duties or responsibilities as in effect immediately prior to the Change of Control (excluding an isolated, insubstantial or inadvertent action not taken in bad faith that is remedied promptly by the Company after receiving notice); provided, however, that a change of the individual to whom the executive reports, in and of itself, would not constitute diminution; and further provided, anything in this Agreement to the contrary notwithstanding, if the Company's Chief Executive Officer ("CEO") immediately prior to the Change in Control remains CEO of the Company during the Protected Period following the Change in Control, and if 50% or more of the Company's Board of Directors during the Protected Period following the Change in Control were members of the Board of Directors



immediately prior to the Change in Control, the Executive shall not be able to terminate employment for Good Reason based solely on the events described under this Section 1.7(b) until at least one (1) year following the Change in Control (although at such time a termination of employment by the Executive for Good Reason under this Section 1.7(b) may be based on events that occurred during the first year of the Protected Period and any such events shall not be deemed to have been agreed to or waived by the Executive); or

(c) A failure by the Company (I) to continue any cash bonus or other incentive compensation plans in substantially the same form and with the same opportunity levels as in effect immediately prior to the Change in Control, or (II) to continue the Executive as a participant in such plans on at least the same basis as the Executive participated in accordance with the plans immediately prior to the Change in Control; or

(d) A requirement by the Company that the Executive relocate from his/her personal place of residence immediately prior to the Change in Control or, if the Executive is not required to relocate, a change of the Executive's principal work location from that immediately prior to the Change in Control which is 50 or more miles further away from his/her personal place of residence (other than if the Company's CEO immediately prior to the Change in Control remains CEO of the Company during the Protected Period following the Change in Control, and if 50% or more of the Company's Board of Directors during the Protected Period following the Change in Control were members of the Board of Directors immediately prior to the Change in Control); or

(e) A significant reduction in the Executive's aggregate level of coverage under the Company's welfare, retirement and other employee benefit plans, as in effect immediately prior to the Change in Control; or the Company's failure to provide the Executive with the number of paid vacation days annually to which he/she was entitled immediately prior to the Change in Control; or

(f) An agreement between the Board of Directors of USB and the Executive that employment should be terminated.

For purposes of this Section 1.7, a reasonable and good faith determination of "Good Reason" made by the Executive shall be conclusive.

1.8 "Protected Period" means the twenty-four (24) month period immediately following each and every Change in Control.

1.9 "Termination Benefits" means those benefits described in Section 2 of the Agreement.

1.10 "Subsidiaries" means any and all companies at least fifty percent (50%) owned, directly or indirectly, by USB.

## 2. Benefits Upon Termination of Employment.

2.1 General. If, during the Protected Period following each Change in Control, the Executive's employment is terminated either (i) by the Company (other than for Cause or Disability), or (ii) by the Executive for Good Reason, then the Executive (or his estate or personal representative), shall be entitled to the Termination Benefits provided in this Section 2.

2.2 Base Salary and Bonus Through Date of Termination. The Company shall promptly pay the Executive his or her full base salary through the Date of Termination at the rate in effect at the time notice of termination is given. In addition, the Company shall promptly pay the amount of any bonus or incentive for the year in which the Date of Termination occurs (based on the target bonus for the Executive for the year) prorated to the Date of Termination (without application of any denial provisions based on unsatisfactory personal performance or any other reason). The Company shall also pay the Executive for any vacation earned but not taken with such payment being equal to the Executive's calculated daily base salary rate times the applicable days of such vacation.

2.3 Severance Payment. The Company shall pay the Executive a severance payment equal to three (3) times the sum of: (a) the Executive's highest base salary, on an annualized basis, established by the Company during the last five years plus (b) the highest bonus earned by the Executive, with respect to any single year, over the last five (5) years. The severance payment shall be made in a lump-sum within thirty (30) days of the Date of Termination.

2.4 Termination Which Does Not Require Payment Of Termination Benefits. No Termination Benefits need to be provided by the Company to the Executive under this Section 2 if the Executive's employment is terminated:

- (a) By the Executive for any reason other than for Good Reason;
- (b) By the Company for Cause or Disability; or
- (c) By death.

## 3. New Employment; Reduction of Termination Benefits.

The Termination Benefits provided under Section 2 shall not be treated as damages, but rather shall be treated as severance compensation to which the Executive is entitled. The Executive shall not be required to mitigate the amount of any Termination Benefit provided under Section 2 by seeking other employment or otherwise.

4. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 4) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties are incurred by the Executive 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 the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes and any benefits that result from the deductibility by the Executive of such taxes (including, in each case, any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed on them) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 4(c), all determinations required to be made under this Section 4, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the Company's independent accounting firm or such other certified nationally recognized public accounting firm as may be designated by the Company (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 4, shall be paid by the Company to or for the benefit of the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. Notwithstanding any other provision of this Section 4, the Company may withhold and pay over to the Internal Revenue Service, for the benefit of the Executive, all or any portion of the Gross-Up Payment that it determines in good faith it is required to withhold. Executive consents to such withholding. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made. In the event that the Company exhausts its remedies pursuant to Section 4(c) and the Executive is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 4(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control

of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 4(a) or 4(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 4(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 4(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset the amount of Gross-Up Payment required to be paid.

#### 5. Notice of Termination.

Any purported termination by the Company of the Executive's employment for Cause or Disability or by the Executive for Good Reason shall be communicated by notice of termination to the other party. A notice of termination shall include the specific reason for termination relied upon and shall set forth in reasonable detail, the facts and circumstances claimed to provide a basis for termination of employment.

Any dispute by a party hereto regarding a notice of termination delivered to such party must be conveyed to the other party within thirty (30) days after the notice of termination is given. If the particulars of the dispute are not conveyed within the thirty (30) day period, then the disputing party's claims regarding the termination shall be deemed forever waived.

#### 6. Successor; Binding Agreement.

USB will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of USB expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place (the assumption shall be by agreement in form and substance satisfactory to the Executive). Failure of USB to obtain such agreement prior to the effectiveness of any such succession shall be a breach of this Agreement and shall entitle the Executive, at his election, to Termination Benefits from the Company in the same amount and on the same terms as the Executive would be entitled to if he terminated his employment for Good Reason, except that for purposes of implementing the foregoing, the date on which any such election becomes effective shall be deemed the Date of Termination. As used

in this Agreement, "Company" shall mean the Company and any successor to its business and/or assets as described above or which otherwise becomes bound by all the terms and provision of this Agreement by operation of law.

In addition, as used in this Agreement, "USB" shall mean USB and any successor to its business and/or assets as described above or which otherwise becomes bound by all the terms and provision of this Agreement by operation of law.

This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to him hereunder if he had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to his designee or, if there is no such designee, to his estate.

#### 7. Miscellaneous.

7.1 Notice. All notices, elections, waivers and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States certified mail, return receipt requested, postage prepaid, to such address as either party may have furnished to the other in writing in accordance herewith, except that notices of change of address shall be effective only upon receipt.

7.2 No Waiver. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing signed by the Executive and the Chief Executive Officer of the Company. No waiver by either party at any time of any breach by the other party of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not set forth expressly in this Agreement.

7.3 Indemnification. If litigation shall be brought to enforce or interpret any provision in this Agreement, the Company agrees to indemnify the Executive for his attorney's fees and disbursement incurred in such litigation, and agrees to pay prejudgment interest on any money judgment obtained by the Executive, calculated at the prime interest rate announced as such by the Wall Street Journal from time-to-time, from the earliest date that payment(s) to him should have been made under this Agreement. If the Wall Street Journal announces two or more rates as the prime rate, then the highest rate shall be used.

7.4 Payment Obligations Absolute. The Company's obligation to pay the Executive the compensation and to make the arrangements provided shall be absolute and unconditional and shall not be affected by any circumstances, including, without limitation, any set-off,

counterclaim, recoupment, defense or other right which the Company may have against the Executive or any third party. All amounts payable by the Company shall be paid without notice or demand. Each and every payment made by the Company shall be final and the Company will not seek, nor permit its subsidiaries, affiliates, successors or assigns to seek, to recover all or any part of such payment for any reason.

7.5 Term of Agreement. The term of this Agreement shall continue for an initial period of three (3) years from the date of this Agreement. On each anniversary of this Agreement, the term shall be extended for an additional year unless prior to an anniversary date USB's Board of Directors cause a notice of nonrenewal to be sent to the Executive. Any Termination Benefits due pursuant to this Agreement shall continue to be an obligation of the Company and enforceable by the Executive until paid in full.

7.6 Controlling Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota.

7.7 Interpretation of Agreement. In the event of any ambiguity, vagueness or other matter involving the interpretation or meaning of this Agreement, this Agreement shall be construed liberally so as to provide to the Executive the full benefits described in this Agreement.

7.8 Severability. Each section, subsection or paragraph of this Agreement shall be deemed severable and if for any reason any portion of this Agreement is unenforceable, invalid or contrary to any existing or future law, such unenforceability or invalidity shall not affect the applicability or validity of any other portion of this Agreement.

7.9 U.S. Dollars. All payments required to be made under this Agreement shall be made in United States Dollars.

7.10 Employment Agreement. Any benefits provided to the Executive under this Agreement will, unless specifically stated otherwise in this Agreement, be in addition to and not in lieu of any benefits that may be provided the Executive under an Employment Agreement, if any, with the Company.

Nothing in this Agreement is to be deemed to give the Company the right to take any action or engage in any omission with respect to the Executive at any time when any such action or omission is not permissible and proper under any Employment Agreement if then in force. Similarly, except as provided otherwise in this Agreement, nothing in this Agreement is to be deemed to give the Executive the right to take any action or engage in any omission with respect to the Company at any time when any such act or omission is not permissible and proper under any Employment Agreement if then in force.

This Agreement shall continue in force so long as the Executive remains employed by the Company and shall not be affected by any termination of any Employment Agreement.

7.11 Title and Captions. All section, subsection or paragraph titles or captions contained in this Agreement are for convenience only and shall not be deemed part of the text of this Agreement.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first above written.

U.S. BANCORP, on  
behalf of itself and each Subsidiary

\_\_\_\_\_  
Stephen E. Smith  
Executive Vice President - Human Resources

EXECUTIVE:

\_\_\_\_\_  
Name

\_\_\_\_\_  
Attest: By:



## EMPLOYMENT AGREEMENT

AGREEMENT by and between U.S. Bancorp, a Delaware corporation (the "Company") and Jerry A. Grundhofer (the "Executive"), is effective as of October 16, 2001.

1. Certain Definitions. The "Effective Date" shall mean the first date after the date hereof on which a Change of Control (as defined in Section 2) occurs. Anything in this Agreement to the contrary notwithstanding, if a Change of Control occurs and if the Executive's employment with the Company is terminated prior to the date on which the Change of Control occurs, and if it is reasonably demonstrated by the Executive that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change of Control or (ii) otherwise arose in connection with or anticipation of a Change of Control, then for all purposes of this Agreement the "Effective Date" shall mean the date immediately prior to the date of such termination of employment.

2. Change of Control. For the purpose of this Agreement, a "Change of Control" shall mean:

(a) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of either (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control: (i) any acquisition directly from the Company, (ii) any acquisition by the Company, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i), (ii) and (iii) of subsection (c) of this Section 2; or

(b) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, or nomination for election by the Company's shareholders, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(c) Consummation of a reorganization, merger or consolidation or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), in each case, unless, following such Business Combination, (i) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more

than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (ii) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 35% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination and (iii) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(d) Approval by the shareholders of the Company of a complete liquidation or dissolution of the Company.

3. Employment Period. The Company hereby agrees to continue the Executive in its employ, and the Executive hereby agrees to remain in the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the date hereof and ending on December 31, 2006 (the "Employment Period").

4. Terms of Employment.

(a) Position and Duties. (i) During the Employment Period, the Executive shall be President and Chief Executive Officer of the Company and, in such capacity, the Executive shall be responsible for the strategic direction and operations of the Company, and shall serve on the Company's Board of Directors and shall have such other duties, responsibilities and authorities as shall be consistent therewith. The Executive shall also be Chairman, President and Chief Executive Officer of U.S. Bank, N.A. and shall serve on its Board of Directors. In addition to the above, the Executive shall be elected Chairman of the Board of Directors of the Company effective upon the earlier of the retirement of the current Chairman or December 31, 2002.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote full attention and time during normal business hours to the business and affairs of the Company and to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood

and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto) subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") of \$975,000 until adjusted following any review of the Annual Base Salary as hereinafter provided. The Annual Base Salary shall be paid in equal semi-monthly installments. During the Employment Period, the Annual Base Salary shall be reviewed by the Compensation Committee of the Company's Board of Directors (the "Committee") at least every 12 months. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced below \$975,000 or after any such increase, and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased.

(ii) Annual Bonus. In addition to Annual Base Salary, the Executive shall be awarded, for each fiscal year ending during the Employment Period, an annual bonus (the "Annual Bonus") pursuant to the U.S. Bancorp Executive Incentive Plan (or successor to such plan), pro rated in the case of a bonus for any year during which the Executive was employed for less than 12 months; provided, however, after the Effective Date, the Annual Bonus shall be no less than 175% of the Executive's Annual Base Salary ("Minimum Bonus"). Each such Annual Bonus shall be paid no later than the end of the third month of the fiscal year next following the fiscal year for which the Annual Bonus is awarded, unless the Executive shall elect to defer the receipt of such Annual Bonus. For each fiscal year during the Employment Period, the Executive's target bonus opportunity for achieving target performance levels with respect to corporate and individual objectives established by the Committee under the Company's then-applicable annual incentive plan shall be at least 175% of his then-current Annual Base Salary. During the Employment Period, the target Annual Bonus levels shall be reviewed at least every 12 months. Any increase in such level shall not serve to limit or reduce any other obligation to the Executive under this Agreement, and the target Annual Bonus levels shall not be lowered after any such increase and shall not be less than 175% of the Executive's Annual Base Salary.

(iii) Restricted Stock Units. On or before January 2, 2002, the Company shall grant the Executive an award of restricted stock units pursuant to the U.S. Bancorp 2001 Stock Incentive Plan ("Stock Plan") corresponding to such number of shares of common stock of the Company (the "Restricted Stock Units") as equals the quotient of (x) \$5,600,000 divided by (y) the average New York Stock Exchange closing price of common stock of the Company during the sixty (60) trading day period ending on the day prior to such award date. To the extent that dividends are paid on common stock of the Company after the effective date of this Agreement (as first set forth above) and prior to the Distribution Date, the Executive shall be entitled to receive additional Restricted Stock Units on each dividend payment date of the Company (including any dividend declared prior to the Distribution Date and payable after such date, which shall be deemed paid on the Distribution Date) having a fair market value (based on the

closing price of the Company's common stock on such payment date) equal to the amount of dividends paid on common stock of the Company represented by the Restricted Stock Units, which additional Restricted Stock Units shall vest on the same basis as the award of Restricted Stock Units above. Such award shall vest on December 31, 2006, provided that the Executive is still employed by the Company on such date, and once vested shall be distributable in common stock of the Company on January 15 (the "Distribution Date") of the calendar year following the calendar year in which the Executive's employment with the Company and all affiliates shall terminate. The foregoing provisions of this Section 4(b)(iii) to the contrary notwithstanding, the Executive shall be allowed to elect, in writing, delivered to the Committee no later than the October 1 immediately preceding the Distribution Date, to surrender all or fewer than all of the Restricted Stock Units, if vested, effective on the Distribution Date in exchange for an additional benefit under the NQRP (as defined in Section 4(b)(v) below) commencing at age 62 (or earlier on an actuarially reduced basis to the extent so provided under the NQRP). The present value of such additional benefit on the Distribution Date shall be equal to the greater of (1) the product of (A) the number of Restricted Stock Units surrendered, multiplied by (B) the average closing price of the Company's common stock over the thirty (30) trading day period immediately preceding the Distribution Date or (2) such product determined by substituting the average closing price of the Company's common stock over the thirty (30) trading day period immediately preceding such October 1 (such greater product is the "Conversion Value"). The Conversion Value shall be converted to the normal form of annuity under the NQRP, using actuarial assumptions based on the FAS 87 interest rate and mortality assumptions in effect on such October 1, and the annuity so converted from the Conversion Value shall be added to any benefit payable to the Executive under the NQRP (as further provided at Section 4(b)(v) below) at retirement.

(iv) Long-Term Incentive Plans. The Executive shall be eligible to participate throughout the Employment Period in such long-term incentive plans and programs of the Company ("Long Term Incentive Programs") as may be in effect from time to time. The Executive's level of incentive opportunity in such Long Term Incentive Programs shall be established by the Committee annually and shall be at a level and on terms and conditions consistent with participation by other peer executives of the Company.

(v) Incentive, Savings and Retirement Plans.

A. During the Employment Period, the Executive shall be eligible to participate in all incentive, savings and retirement plans, practices, policies and programs applicable generally to other peer executives of the Company and its affiliated companies. The Executive shall participate in, and shall be fully vested in his benefit under the Firststar Corporation Non-Qualified Retirement Plan (or successor to such plan, the "NQRP") under which the Executive shall be given service credit for his service with Firststar Corporation, BankAmerica Corporation, Security Pacific Corporation and Wells Fargo N.A. (together, the "Prior Employers"), provided that the Company's obligation under the NQRP shall be offset by all other pension benefits of the Company to which the Executive may be or may become entitled (other than the additional benefit

provided at Section 4(b)(iii) above) and all pension benefits to which the Executive is entitled from the Prior Employers (including, but not limited to, Firststar Corporation's noncontributory defined benefit pension plan); provided further that after the Effective Date in no event shall such plans, practices, policies and programs provide the Executive with incentive opportunities (measured with respect to both regular and special incentive opportunities, to the extent, if any, that such distinction is applicable), savings opportunities and retirement benefit opportunities, in each case, less favorable, in the aggregate, than the most favorable of those provided by the Company and its affiliated companies for the Executive under such plans, practices, policies and programs as in effect at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies, after taking into account the difference in age between the Executive and the peer executives.

B. The provisions of the NQRP to the contrary notwithstanding, the Executive's benefit under the NQRP shall take into account the following:

a. The formula for determining the Executive's supplemental benefit under Appendix B-3 of the NQRP shall be modified by adding one-twelfth of the Grant Date Value to each month of the calendar year immediately preceding the Distribution Date for the purpose of determining Executive's Monthly Earnings thereunder, provided that the Executive remains continuously employed by the Company through December 31, 2006 unless the termination of the Executive's employment prior to December 31, 2006 is by the Company without Cause or due to the Executive's Disability or is by the Executive for Good Reason or due to his death. The "Grant Date Value" shall be \$5,600,000;

b. For purposes of determining the Executive's supplemental pension benefit under the NQRP, the amount of the Annual Bonus used in computing his Final Average Monthly Earnings under such plan shall be the greater of (i) the average during the applicable five year period of 175% of the Executive's Annual Base Salary, or (ii) the average Annual Bonus actually earned by the Executive during the applicable five year period; provided that, if the Executive shall terminate employment with the Company prior to December 31, 2006 for any reason, other than (1) a termination by the Company without Cause, (2) due to his Disability, (3) a termination by the Executive for Good Reason or (4) due to his death, then the amount determined under clause (i) shall be the average during the applicable five year period of 175% of the Executive's Annual Base Salary per year for the calendar years commencing 2002 through the date of such termination and 100% of the Executive's Annual Base Salary per year for calendar years prior to 2002; and

c. In the event that the Executive receives severance benefits pursuant to Section 6(a)(i)(C), the Executive shall not be entitled to commence his receipt of any supplemental pension benefit hereunder until after the expiration of the Severance Period (as defined in Section 6(a)(i)(C)) and determined without regard for any payment of such severance in a lump sum; provided, that if such Severance Period shall expire prior to the date that the Executive attains age 62, then, the third sentence of Section 4(b)(iii) to the contrary notwithstanding, such supplemental pension benefit may begin immediately following the last day of such Severance Period without the actuarial reduction otherwise applicable under the NQRP for the commencement of such benefit prior to age 62.

(vi) Welfare Benefit Plans. During the Employment Period, the Executive and/or the Executive's family, as the case may be, shall be eligible for participation in and shall receive all benefits under welfare benefit plans, practices, policies and programs provided by the Company and its affiliated companies including, without limitation, medical, prescription, dental, disability, salary continuance, employee life, group life, accidental death and travel accident insurance plans and programs) to the extent applicable generally to other peer executives of the Company and its affiliated companies, provided that after the Effective Date in no event shall such plans, practices, policies and programs provide the Executive with benefits which are less favorable, in the aggregate, than the most favorable of such plans, practices, policies and programs in effect for the Executive at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive, those provided generally at any time after the Effective Date to other peer executives of the Company and its affiliated companies. For purposes of determining eligibility for retiree medical benefits provided by the Company, the Executive shall be treated as though he is at least age 55 and has at least 10 years of service with the Company.

(vii) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable business expenses incurred by the Executive.

(viii) Fringe Benefits. During the Employment Period, the Executive shall be entitled to fringe benefits, including, without limitation, tax and financial planning services, payment of club dues, and a monthly car allowance of \$1,000, net to the Executive after giving effect to (x) all income taxes payable by Executive that are attributable to such allowance, and (y) any benefits that result from the deductibility by the Executive of any such taxes.

(ix) Vacation. During the Employment Period, the Executive shall be entitled to four weeks of paid vacation annually.

#### 5. Termination of Employment.

(a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company

determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 12(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for substantial performance is delivered to the Executive by the Board which specifically identifies the manner in which the Board believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of a majority of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i) or (ii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean:

(i) the assignment to the Executive of any duties inconsistent with the Executive's position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 4(a) of this Agreement, or any other action by the Company which results in a diminution in such position,

authority, duties or responsibilities; provided, however, that (subject to the election of the Executive as Chairman as provided at Section 4(a)(i) hereof) any change in the Executive's position (including status, duties and titles), authority, duties or responsibilities, in accordance with normal succession planning by the Company's Board of Directors shall not constitute Good Reason if made with the Executive's consent;

(ii) any failure by the Company to comply with any of the provisions of Section 4(b) of this Agreement;

(iii) the Company's requiring the Executive to be based at any office or location after the Effective Date other than where the Executive was located immediately prior to the Effective Date other than in connection with a change of the Company's headquarters if the Executive is relocated to such headquarters, or, after the Effective Date, the Company's requiring the Executive to travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 11(c) of this Agreement.

Notwithstanding the above, "Good Reason" shall exclude an isolated, insubstantial and inadvertent action or failure to act not taken or occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive.

For purposes of this Section 5(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or



Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

6. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period or on or after the Effective Date, the Company shall terminate the Executive's employment other than for Cause or Disability or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, (2) the product of (x) the higher of (I) the Minimum Bonus and (II) the Annual Bonus paid or payable, including any bonus or portion thereof which has been earned but deferred (and annualized for any fiscal year consisting of less than twelve full months or during which the Executive was employed for less than twelve full months), for the most recently completed fiscal year during the Employment Period, if any (such higher amount being referred to as the "Highest Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365 and (3) any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1), (2), and (3) shall be hereinafter referred to as the "Accrued Obligations");

B. if the Date of Termination is on or after the Effective Date, an amount equal to the difference between (a) the actuarial equivalent of the benefit (utilizing actuarial assumptions no less favorable to the Executive than those in effect under the Company's qualified defined benefit retirement plan (the "Retirement Plan") immediately prior to the Effective Date) under the Retirement Plan and NQRP combined which the Executive would receive if the Executive's employment continued for three years after the Date of Termination assuming for this purpose that all accrued benefits are fully vested, and, assuming that the Executive's compensation in each of the three years is that required by Section 4(b)(i) and Section 4(b)(ii), and (b) the actuarial equivalent of the Executive's actual benefit (paid or payable), if any, under the Retirement Plan and the NQRP combined as of the Date of Termination; and

C. an amount equal to the product of (a) 1/12, multiplied by (b) the sum of (1) the Executive's Annual Base Salary and (2) the Highest Annual Bonus, multiplied by (c) the number of months remaining in the Employment Period (including fractions thereof) but not more than thirty-six (36) months ("Severance Period");

(ii) all stock options, restricted stock and other stock-based compensation (including, without limitation, the Restricted Stock Units) shall become immediately exercisable or vested, as the case may be;

(iii) for the number of months (including fractions thereof) remaining in the Employment Period, after the Executive's Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue benefits to the Executive and/or the Executive's family at least equal to those which would have been provided to them in accordance with the plans, programs, practices and policies described in Section 4(b)(vi) of this Agreement if the Executive's employment had not been terminated or, if more favorable to the Executive, as in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and their families; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive medical or other welfare benefits under another employer provided plan, the medical and other welfare benefits described herein shall be secondary to those provided under such other plan during such applicable period of eligibility. For purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits pursuant to such plans, practices, programs and policies, the Executive shall be considered to have remained employed until the last day of the Employment Period and to have retired on the last day of the Employment Period;

(iv) the Company shall, at its sole expense as incurred, provide the Executive with outplacement services the scope and provider of which shall be selected by the Executive in his sole discretion; and

(v) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is entitled to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Death. If the Executive's employment is terminated by reason of the Executive's death during the Employment Period, this Agreement shall terminate without further obligations to the Executive's legal representatives under this Agreement, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive's estate or beneficiary, as applicable, in a lump sum in cash within 30 days of the Date of Termination. In addition, the Restricted Stock Units shall become immediately vested and the Executive's beneficiary under the NQRP shall have all rights of Executive to surrender Restricted Stock Units for an additional benefit under the NQRP as set forth at Section 4(b)(iii) hereof; provided, the thirtieth (30th) day after Executive's death shall be substituted for "October 1" thereunder and the "Distribution Date" shall be the ninetieth (90th) day after Executive's death. With respect to the provision of Other Benefits after the Effective Date, the term Other Benefits as utilized in this Section 6(b) shall include, without limitation, and the Executive's estate and/or beneficiaries shall be entitled to receive, benefits at least equal to the most favorable benefits provided by the Company and affiliated companies to the estates and beneficiaries of peer executives of the Company and such affiliated companies under such plans, programs, practices and policies relating to death benefits, if any, as in effect

with respect to other peer executives and their beneficiaries at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive's estate and/or the Executive's beneficiaries, as in effect on the date of the Executive's death with respect to other peer executives of the Company and its affiliated companies and their beneficiaries.

(c) Disability. If the Executive's employment is terminated by reason of the Executive's Disability during the Employment Period, this Agreement shall terminate without further obligations to the Executive, other than for payment of Accrued Obligations and the timely payment or provision of Other Benefits. Accrued Obligations shall be paid to the Executive in a lump sum in cash within 30 days of the Date of Termination. In addition, the Restricted Stock Units shall become immediately vested. On the Disability Effective Date, the Executive shall be deemed to have retired (as a Normal Retirement if occurring on or after his Normal Retirement Date or as an Early Retirement if occurring on or after his Early Retirement Date and prior to his Normal Retirement Date, as the case may be (as such terms apply under the NQRP)) for all purposes under the NQRP and the provision of any additional supplemental retirement benefits under this Agreement; provided, (x) such benefits, other than any additional benefits set forth at Section 4(b)(iii) hereof, shall be reduced by any benefit payable to Executive from workers compensation, any long-term disability plan sponsored by the Company and any other disability benefit provided to Executive under this Agreement, and (y) if the Executive recovers from his Disability prior to his Normal Retirement Date all such benefits under the NQRP and under this Agreement, other than any additional benefits set forth at Section 4(b)(iii) hereof, shall cease and shall thereafter recommence in accordance with the applicable provisions of the NQRP (including, without limitation, recommencement of such benefits upon Executive's early retirement thereunder), except that the amount of such benefit shall be the greater of the amount payable to Executive on the Disability Effective Date under such form of benefit as may be elected by the Executive on the Disability Effective Date (without regard for any reduction hereunder for workers compensation and disability benefits) or the amount payable under such form of benefit at such subsequent retirement date. With respect to the provision of Other Benefits after the Effective Date, the term Other Benefits as utilized in this Section 6(c) shall include, and the Executive shall be entitled after the Disability Effective Date to receive, disability and other benefits at least equal to the most favorable of those generally provided by the Company and its affiliated companies to disabled executives and/or their families in accordance with such plans, programs, practices and policies relating to disability, if any, as in effect generally with respect to other peer executives and their families at any time during the 120-day period immediately preceding the Effective Date or, if more favorable to the Executive and/or the Executive's family, as in effect at any time thereafter generally with respect to other peer executives of the Company and its affiliated companies and their families.

(d) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (x) his Annual Base Salary through the Date of Termination, (y) the amount of any compensation previously deferred by the Executive, and (z) Other Benefits, in each case to the extent theretofore unpaid. If the Executive voluntarily terminates employment during the Employment Period, excluding a termination for Good Reason, this Agreement shall terminate without further obligations to the Executive, other than for Accrued Obligations and the timely payment or provision of Other Benefits. In such case, all Accrued Obligations shall be paid to the Executive

in a lump sum in cash within 30 days of the Date of Termination. Upon a termination of the Executive's employment for Cause by the Company or by the Executive without Good Reason, the Executive shall forfeit all stock options, Restricted Stock Units, and other stock-based compensation that are not vested on the Date of Termination.

7. Non-exclusivity of Rights. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify nor shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

8. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code of 1986, as amended (the "Code"); provided that the Company shall have no such obligation if it is determined by a court that the Company was not in breach of the Agreement and that the Executive's claims were not made in good faith.

9. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 9) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes and any benefits that result from the deductibility by the Executive of such taxes (including, in each case, any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect

thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 9(c), all determinations required to be made under this Section 9, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by KPMG Peat Marwick or such other certified public accounting firm as may be designated by the Executive (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change of Control, the Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 9, shall be paid by the Company to the Executive within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 9(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim; provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 9(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(a) or 9(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 9(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 9(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

#### 10. Confidential Information; Covenant Not to Compete.

(a) Confidential Information. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without

the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. Except as provided at Section 10(c), in no event shall an asserted violation of the provisions of this Section 10 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Covenant Not to Compete.

A. Executive agrees that during the Employment Period and for a period of three (3) years following his termination of employment with the Company for any reason, he will not in any way engage in conduct which is detrimental to the Company or engage in, represent, furnish consulting services to, be employed by, or have any interest in any "Financial Services Company" (as hereinafter defined) within the United States; provided, the Executive shall be permitted to continue to serve as a member of the boards of directors of The Midland Company and Ohio National Life Insurance Company. Further, Executive shall not during the Employment Period and for a period of three (3) years following his termination of employment with the Company for any reason (1) induce or attempt to induce any person or entity which is a customer of the Company or any of its affiliates as of the date of termination of Executive's employment to cease or reduce doing business with the Company or any of its affiliates, or (2) solicit or endeavor to cause any employee of the Company or its affiliates to leave the employ of the Company or any of its affiliates. Notwithstanding the foregoing, the Executive shall not be prevented from owning up to three percent (3%) of the outstanding stock of any publicly traded company which is a Financial Services Company.

B. As used herein, the term "Financial Services Company" means any national or state chartered bank; any bank holding company; any other institution that engages as its principal activity in taking deposits or making loans; any entity that engages in commercial or consumer secured and unsecured lending, transaction processing, insurance, investment services, security brokerage, or trust services; or any affiliates of any such institutions.

C. Executive agrees that this covenant is reasonable with respect to its duration, geographic area and scope, and acknowledges that compliance with Section 10(b) is necessary to protect the business and goodwill of the Company.

(c) Consequences of Violation. In the event that the Executive violates either Section 10(a) or (b) above, the Executive agrees that he shall:

(i) forfeit all vested but undistributed Restricted Stock Units;

(ii) assign and tender to the Company, free and clear of all liens and encumbrances, that number of shares of common stock of the Company then owned directly or beneficially by the Executive equal to the number of such shares distributed to the Executive pursuant to the award of Restricted Stock Units;

(iii) pay cash to the Company an amount equal to the gross proceeds realized by the Executive upon the sale through the New York Stock Exchange, or if sold or otherwise disposed in any other manner (including, without limitation, a disposition without receipt of consideration such as by gift) the value (such value to be equal to the product of such number of shares multiplied by the average of the highest and lowest sale prices of the Company's common stock on the day of such sale or disposition (or if not traded on such day then the immediately preceding trading day)), of the difference between (A) all shares of common stock of the Company directly or beneficially owned by the Executive not to exceed the number of shares distributed to the Executive pursuant to the award of Restricted Stock Units, minus (B) the number of shares tendered to the Company pursuant to Section 10(c)(ii), such sale or other disposition occurring during the one-year period immediately prior to the occurrence of the Executive's conduct which constitutes such violation; and

(iv) forfeit any unpaid enhanced supplemental retirement benefits provided to the Executive and shall pay cash to the Company in an amount equal to the sum of the supplemental retirement benefits paid to the Executive relating to the enhancements, in either or both cases:

A. pursuant to the surrender of Restricted Stock Units in consideration for an additional benefit under the NQRP under Section 4(b)(iii), and

B. under Section 4(b)(v)(B) of this Agreement.

All payments, assignments and tenders provided under this Section 10(c) shall be paid by the Executive to the Company within 60 days following notice of such violation from the Company.

11. Successors. (a) This Agreement is personal to the Executive and, without the prior written consent of the Company, shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. This Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

12. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Minnesota, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no



force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by registered or certified mail, return receipt requested, postage prepaid, or by reputable overnight courier, addressed as follows:

If to the Executive:

Jerry A. Grundhofer  
c/o Wachtell, Lipton, Rosen & Katz  
51 W. 52 Street  
New York, New York 10019  
Attention: Adam D. Chinn, Esq.

If to the Company:

U.S. Bancorp  
601 Second Avenue South  
Minneapolis, Minnesota 55402-4302  
Attention: Director-Human Resources

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) If any provision of this Agreement conflicts with any other agreement, policy, plan, practice or other Company document, the provisions of this Agreement will control. This Agreement supersedes any prior agreement between the Executive and the Company (or its predecessor) with respect to the subject matter contained herein and may be amended only by a writing signed by the Executive and the Company.

(d) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(e) The Company may withhold from any amounts payable under this Agreement such federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(f) The Executive's or the Company's failure to insist upon strict compliance with any provision hereof or any other provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 5(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

13. No Prohibited Payments. Notwithstanding anything in this Agreement to the contrary, the Company shall not make any payment to the Executive which, according to the opinion of the Company's outside counsel, would violate Section 2523(k) of the Comprehensive Thrift and Bank Fraud Prosecution and Taxpayer Recovery Act of 1990 (codified at 12 U.S.C. 1828(k)), or any rules or regulations promulgated thereunder.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

JERRY A. GRUNDHOFER

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Date:

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U.S. BANCORP

Date:

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By:

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Thomas E. Petry  
Chairman, Compensation Committee

Date:

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By:

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Stephen E. Smith  
Executive Vice President  
Human Resources

Date:

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## EMPLOYMENT AGREEMENT

AGREEMENT by and between Firststar Corporation, a Wisconsin corporation (the "Company") and John F. Grundhofer (the "Executive") dated as of the 3rd day of October, 2000.

The Company has determined that it is in the best interests of the Company and its shareholders to assure that U.S. Bancorp, a Delaware corporation ("USB") will have the continued dedication of the Executive pending the merger of the Company and USB (the "Merger") pursuant to the Agreement and Plan of Merger dated as of October 3, 2000 and to provide the surviving corporation after the Merger with continuity of management. Therefore, in order to accomplish these objectives, the Board of Directors of the Company (the "Board") has caused the Company to enter into this Agreement.

NOW, THEREFORE, IT IS HEREBY AGREED AS FOLLOWS:

1. Effective Date. The "Effective Date" shall mean the effective date of the Merger.

2. Employment Period. The Company hereby agrees to employ the Executive, and the Executive hereby agrees to enter into the employ of the Company subject to the terms and conditions of this Agreement, for the period commencing on the Effective Date and ending on December 31, 2002 (the "Employment Period").

3. Terms of Employment. (a) Position and Duties. (i) (A) During the Employment Period, the Executive shall serve as Chairman of the Company and Co-Chairman of the Executive Committee of the Board with such authority, duties and responsibilities as are commensurate with such position and as may be consistent with such position and (B) the Executive's services shall be performed in Minneapolis, Minnesota. The Executive shall serve on the Board until the first annual stockholders' meeting following his 65th birthday.

(ii) During the Employment Period, and excluding any periods of vacation and sick leave to which the Executive is entitled, the Executive agrees to devote substantially all of his attention and time during normal business hours to the business and affairs of the Company and, to the extent necessary to discharge the responsibilities assigned to the Executive hereunder, to use the Executive's reasonable best efforts to perform faithfully and efficiently such responsibilities. During the Employment Period it shall not be a violation of this Agreement for the Executive to (A) serve on corporate, civic or charitable boards or committees, (B) deliver lectures, fulfill speaking engagements or teach at educational institutions and (C) manage personal investments, so long as such activities do not significantly interfere with the performance of the Executive's responsibilities as an employee of the Company in accordance with this Agreement. It is expressly understood and agreed that to the extent that any such activities have been conducted by the Executive prior to the Effective Date, the continued conduct of such activities (or the conduct of activities similar in nature and scope thereto)

subsequent to the Effective Date shall not thereafter be deemed to interfere with the performance of the Executive's responsibilities to the Company.

(b) Compensation. (i) Base Salary. During the Employment Period, the Executive shall receive an annual base salary ("Annual Base Salary") of no less than the annual base salary of the Chief Executive Officer of the Company but in no event less than his current annual base salary. During the Employment Period, the Annual Base Salary shall be reviewed no more than 12 months after the last salary increase awarded to the Executive prior to the Effective Date and thereafter at least annually. Any increase in Annual Base Salary shall not serve to limit or reduce any other obligation to the Executive under this Agreement. Annual Base Salary shall not be reduced after any such increase and the term Annual Base Salary as utilized in this Agreement shall refer to Annual Base Salary as so increased. As used in this Agreement, the terms "affiliated companies" and "affiliate" shall include any company controlled by, controlling or under common control with the Company.

(ii) Annual Bonus. During the Employment Period, the Executive shall receive an annual cash bonus ("Annual Bonus") in an amount such that the sum of his Annual Base Salary and the Annual Bonus is equal to the sum of the annual base salary and annual bonus of the Chief Executive Officer of the Company with respect to the year in question, pro rated in the case of any partial years during the Employment Period.

(iii) Incentive Awards. On the Effective Date, the Company shall grant the Executive 100,000 shares of restricted stock (the "Restricted Stock") and an option to acquire 2,400,000 shares of the Company's common stock (the "Option") pursuant to the terms of the Company's stock incentive plan. The Option will have an exercise price equal to the fair market value of the stock subject thereto on the date of grant and shall remain exercisable for a term of ten years, whether or not the Executive remains employed by the Company. Except as otherwise provided herein, the Option and the Restricted Stock shall vest in four equal installments on each of the first four anniversaries of the Effective Date or, if earlier, upon a change of control of the Company (as defined in the Company's stock incentive plan); provided, however, that, if earlier, the Option and the Restricted Stock shall vest upon the Executive's retirement but in no event earlier than the end of the Employment Period.

(iv) Retirement Benefits. Commencing upon the expiration of the Employment Period, the Executive shall be paid an annual retirement benefit of \$2,920,000 for his life less any benefit payable pursuant to the Company's qualified or nonqualified retirement plans or any such plans of USB (the "Retirement Benefit"). Upon the Executive's death, his current spouse, should she survive the Executive, shall be paid an annual benefit of 50% of the Retirement Benefit for her life. For purposes of Section 3(b)(iii) of this Agreement, the Executive shall be considered to have retired upon the commencement of the Retirement Benefit.

(v) Other Employee Benefit Plans. During the Employment Period, except as otherwise expressly provided herein, the Executive shall be entitled to participate in all employee benefit, welfare and other plans, practices, policies and programs generally applicable to senior executives of the Company on a basis no less favorable than that provided to such

senior executives. The Company shall continue to provide the Executive with the long-term disability benefits as set forth in Section 4.05 of the Amended and Restated Employment Agreement between USB and the Executive dated as of May 8, 2000 (the "Existing Agreement") and the life insurance set forth in Section 4.06 of the Existing Agreement and the payments provided pursuant to Section 4.12 of the Existing Agreement. The Executive shall be provided with perquisites (including security and use of corporate aircraft) on a basis no less favorable than provided to him immediately prior to the Effective Date.

(vi) Expenses. During the Employment Period, the Executive shall be entitled to receive prompt reimbursement for all reasonable expenses incurred by the Executive in accordance with the Company's policies.

(vii) Office and Support Staff. During the Employment Period and for as long as he shall serve on the Company's Board of Directors, the Executive shall be entitled to an office or offices of a size and with furnishings and other appointments as provided generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies and shall be provided with secretarial and administrative assistance and security on the same basis as provided to him immediately prior to the Effective Date.

(viii) Vacation. During the Employment Period, the Executive shall be entitled to paid vacation in accordance with the plans, policies, programs and practices of the Company and its affiliated companies as in effect with respect to the senior executives of the Company.

4. Termination of Employment. (a) Death or Disability. The Executive's employment shall terminate automatically upon the Executive's death during the Employment Period. If the Company determines in good faith that the Disability of the Executive has occurred during the Employment Period (pursuant to the definition of Disability set forth below), it may give to the Executive written notice in accordance with Section 11(b) of this Agreement of its intention to terminate the Executive's employment. In such event, the Executive's employment with the Company shall terminate effective on the 30th day after receipt of such notice by the Executive (the "Disability Effective Date"), provided that, within the 30 days after such receipt, the Executive shall not have returned to full-time performance of the Executive's duties. For purposes of this Agreement, "Disability" shall mean the absence of the Executive from the Executive's duties with the Company on a full-time basis for 180 consecutive business days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

(b) Cause. The Company may terminate the Executive's employment during the Employment Period for Cause. For purposes of this Agreement, "Cause" shall mean:

(i) the willful and continued failure of the Executive to perform substantially the Executive's duties with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), after a written demand for

substantial performance is delivered to the Executive by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or Chief Executive Officer believes that the Executive has not substantially performed the Executive's duties, or

(ii) the willful engaging by the Executive in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company, or

(iii) conviction of a felony or guilty or nolo contendere plea by the Executive with respect thereto which impairs his ability substantially to perform his duties with the Company.

For purposes of this provision, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or without reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for Cause unless and until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than two-thirds of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of the conduct described in subparagraph (i), (ii) or (iii) above, and specifying the particulars thereof in detail.

(c) Good Reason. The Executive's employment may be terminated by the Executive for Good Reason. For purposes of the Agreement, "Good Reason" shall mean in the absence of a written consent of the Executive:

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, officers, titles and reporting requirements), authority, duties or responsibilities as contemplated by Section 3(a) of this Agreement, or any other action by the Company which, in the Executive's reasonable judgment, results in a diminution in such position, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of section 3(b) of this agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location more than 35 miles from that provided in Section 3(a)(i)(B) hereof;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; or

(v) any failure by the Company to comply with and satisfy Section 10(c) of this Agreement.

For purposes of this Section 4(c), any good faith determination of "Good Reason" made by the Executive shall be conclusive.

(d) Notice of Termination. Any termination by the Company for Cause, or by the Executive for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 11(b) of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the Date of Termination (as defined below) is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than thirty days after the giving of such notice). The failure by the Executive or the Company set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(e) Date of Termination. "Date of Termination" means (i) if the Executive's employment is terminated by the Company for Cause, or by the Executive for Good Reason, the date of receipt of the Notice of Termination or any later date specified therein within 30 days of such notice, as the case may be, (ii) if the Executive's employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the date on which the Company notifies the Executive of such termination and (iii) if the Executive's employment is terminated by reason of death or Disability, the Date of Termination shall be the date of death of the Executive or the Disability Effective Date, as the case may be.

5. Obligations of the Company upon Termination. (a) Good Reason; Other Than for Cause, Death or Disability. If, during the Employment Period, the Company shall terminate the Executive's employment other than for Cause (including by reason of the Executive's death or Disability) or the Executive shall terminate employment for Good Reason:

(i) the Company shall pay to the Executive in a lump sum in cash within 30 days after the Date of Termination the aggregate of the following amounts:

A. the sum of (1) the Executive's Annual Base Salary through the Date of Termination to the extent not theretofore paid, and (2) the product of (x) the highest annual bonus paid to the Executive for any of the three years prior to the Date of Termination (the "Recent Annual Bonus") and (y) a fraction, the numerator of which is the number of days in the fiscal year in which the Date of Termination occurs through the Date of Termination, and the denominator of which is 365, in each case to the extent not theretofore paid (the sum of the amounts described in clauses (1) and (2), shall be hereinafter referred to as the "Accrued Obligations"); and

B. the amount equal to the product of (1) the number of months and portions thereof from the Date of Termination until the end of the Employment Period, divided by twelve and (2) the sum of (x) the Executive's Annual Base Salary and (y) the Recent Annual Bonus; and

(ii) for the remainder of the Executive's life and that of his current spouse, the Company shall continue to provide medical and dental benefits to the Executive and his current spouse on the same basis such benefits were provided to the Executive immediately prior to the Date of Termination (collectively "Medical Benefits");

(iii) the Options and the Restricted Stock shall vest immediately; and

(iv) to the extent not theretofore paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive under any plan, program, policy or practice or contract or agreement of the Company and its affiliated companies through the Date of Termination, including without limitation the benefits provided under the Existing Agreement pursuant to Section 3(b)(v) of this Agreement (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits").

(b) Cause; Other than for Good Reason. If the Executive's employment shall be terminated for Cause or the Executive terminates his employment without Good Reason during the Employment Period, this Agreement shall terminate without further obligations to the Executive other than the obligation to pay to the Executive (w) his Annual Base Salary through the Date of Termination, (x) payment of the Retirement Benefit, (y) provision of Medical Benefits to the Executive and his spouse, and (z) Other Benefits, in each case to the extent theretofore unpaid.

6. Non-exclusivity of Rights. Except as specifically provided, nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any plan, program, policy or practice provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor, subject to Section 11(f), shall anything herein limit or otherwise affect such rights as the Executive may have under any contract or agreement with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan, policy, practice or program of or any contract or agreement with the Company or any of its affiliated companies at or subsequent to the



Date of Termination shall be payable in accordance with such plan, policy, practice or program or contract or agreement except as explicitly modified by this Agreement.

7. Full Settlement. The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and, such amounts shall not be reduced whether or not the Executive obtains other employment. The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which the Executive may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Executive or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive about the amount of any payment pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal revenue Code of 1986, as amended (the "Code").

8. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding and except as set forth below, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 8) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments. Notwithstanding the foregoing provisions of this Section 8(a), if it shall be determined that the Executive is entitled to a Gross-Up Payment, but that the Payments do not exceed 110% of the greatest amount (the "Reduced Amount") that could be paid to the Executive such that the receipt of Payments would not give rise to any Excise Tax, then no Gross-Up Payment shall be made to the Executive and the Payments, in the aggregate, shall be reduced to the Reduced Amount.

(b) Subject to the provisions of Section 8(c), all determinations required to be made under this Section 8, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse Coopers LLP or such other certified public accounting firm reasonably acceptable to the Company as may be designated by the Executive

(the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment, or such earlier time as is requested by the Company. All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 8, shall be paid by the Company to the Executive within five days of the later of (i) the due date for the payment of any Excise Tax, and (ii) the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to Section 8(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after the Executive is informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which it gives such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such

representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 8(c), the Company shall control all proceedings take in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 8(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 8(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

9. Confidential Information; Noncompetition; Nonsolicitation.

(a) The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be or become public knowledge (other than by acts by the Executive or representatives of the Executive in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company or as may otherwise be required by law or legal process, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it.

(b) The Executive agrees that, during the actual term of the Executive's employment hereunder and for a period of three (3) years following the date on which the Executive's employment hereunder is actually terminated, the Executive will not, without the written consent of the Company, engage in any business of, or enter the employ of, or have any interest in, directly or indirectly, any other person, firm, corporation or other entity engaged in commercial banking or other principal business of the Company (with the exception of any investment banking, investment management, underwriting or equity and fixed income trading activities of the Company) with an office of facility in any state in which the Company does business. Nothing herein shall restrict the Executive from owning 5% or less of the outstanding securities of any corporation or other entity whose securities are listed on any national securities exchange or traded over-the-counter, if the Executive has no other connection or relationship with the issuer of such securities.

(c) Upon termination of the Executive's employment for any reason whatsoever, the Executive will not, for the remainder of the Employment Period, if no termination had occurred (or, if longer, for the three year period following such termination), (i) solicit or aid in soliciting as a customer or client of banking or related financial services (including, without limitation, trust, credit card and investment management services) any person, firm, corporation, association or other entity (A) that was a customer or client of the Company or any affiliate of the Company, and for which the Executive or anyone under the Executive's direct supervision performed any services or with which substantial business relations were maintained by the Company or any affiliate of the company at any time during the five years prior to the termination of the Employment Period (B) whose identity or particular needs the Executive otherwise discovered as a result of his employment with the Company, or (ii) solicit or aid in soliciting any employees of the Company or any affiliate of the Company to leave their employment.

(d) In the event of a breach or threatened breach of this Section 9, the Executive agrees that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, the Executive acknowledges that damages would be inadequate and insufficient.

(e) Any termination of the Executive's employment or of this Agreement shall have no effect on the continuing operation of this Section 9. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

10. Successors. (a) This Agreement is personal to the Executive and without the prior written consent of the Company shall not be assignable by the Executive otherwise than by will or the laws of descent and distribution. The Agreement shall inure to the benefit of and be enforceable by the Executive's legal representatives.

(b) This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns.

(c) The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this agreement, "Company" shall mean the company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law, or otherwise.

11. Miscellaneous. (a) This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without reference to principles of conflict of laws. The captions of this Agreement are not part of the provisions hereof and shall have no force or effect. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective successors and legal representatives.

(b) all notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

If to the Executive:

At the most recent address on file for the Executive at the Company

If to the Company:

777 East Wisconsin Avenue  
Milwaukee, Wisconsin 53202

Attention: General Counsel

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and communications shall be effective when actually received by the addressee.

(c) The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(d) The Company may withhold from any amounts payable under this Agreement such Federal, state, local or foreign taxes as shall be required to be withheld pursuant to any applicable law or regulation.

(e) The Executive's or the Company's failure to insist upon strict compliance with any provision of this Agreement or the failure to assert any right the Executive or the Company may have hereunder, including, without limitation, the right of the Executive to terminate employment for Good Reason pursuant to Section 4(c)(i)-(v) of this Agreement, shall not be deemed to be a waiver of such provision or right or any other provision or right of this Agreement.

(f) From and after the Effective Date this Agreement shall supersede any other employment, severance or change of control agreement between the parties with respect to the subject matter hereof, including, without limitation, the Existing Agreement, except as expressly provided herein.

IN WITNESS WHEREOF, the Executive has hereunto set the Executive's hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

/s/ John F. Grundhofer

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JOHN F. GRUNDHOFER

FIRSTAR CORPORATION

By /s/ Stephen E. Smith

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Stephen E. Smith  
Executive Vice President  
Human Resources

COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Year Ended December 31 (Dollars in Millions)	2001	2000
1999 1998 1997	-	-
----- EARNINGS 1. Net		
income.....	\$1,706.5	\$1,599.3
Applicable income taxes.....	\$2,875.6	\$2,132.9
927.7	1,512.2	950.6
----- 3. Income before		
taxes (1 + 2).....	\$2,634.2	\$2,549.9
\$4,387.8	\$3,774.0	\$3,300.3
=====		
4. Fixed charges: a. Interest expense excluding interest on deposits... \$1,846.7 \$2,404.1 \$1,820.3	\$1,846.7	\$1,820.3
\$1,625.0 \$1,305.6 b. Portion of rents representative of interest and amortization of debt expense..... 89.0 86.7 78.9 73.3 68.0	\$1,305.6	\$1,305.6
-----		
- c. Fixed charges excluding interest on deposits (4a + 4b).....	1,935.7	1,373.6
1,935.7 2,490.8 1,899.2 1,698.3 1,373.6 d. Interest on deposits..... 2,828.1 3,618.8	2,490.8	2,828.1
2,970.0 3,234.7 3,084.2	3,234.7	3,084.2
-----		
e. Fixed charges including interest on deposits (4c + 4d).....	\$4,763.8	\$4,457.8
\$4,763.8 \$6,109.6 \$4,869.2 \$4,933.0 \$4,457.8	\$6,109.6	\$4,933.0
=====		
5. Amortization of interest capitalized..... \$ -- \$ -- \$ -- \$ -- \$ --	\$ --	\$ --
6. Earnings excluding interest on deposits (3 + 4c + 5).....	4,569.9	3,923.5
4,569.9 6,878.6 5,673.2 4,998.6 3,923.5 7. Earnings including interest on deposits (3 + 4e + 5).....	6,878.6	3,923.5
7,398.0 10,497.4 8,643.2 8,233.3 7,007.7 8. Fixed charges excluding interest on deposits (4c).... 1,935.7	10,497.4	7,007.7
2,490.8 1,899.2 1,698.3 1,373.6 9. Fixed charges including interest on deposits (4e).... 4,763.8 6,109.6	1,899.2	1,698.3
4,869.2 4,933.0 4,457.8	4,933.0	4,457.8
RATIO OF EARNINGS TO FIXED CHARGES		
10. Excluding interest on deposits (line 6/line 8)..... 2.36 2.76 2.99 2.94 2.86	2.36	2.86
11. Including interest on deposits (line 7/line 9)..... 1.55 1.72	1.55	1.72
1.78 1.67 1.57	1.67	1.57
-----		

SUBSIDIARIES OF U.S. BANCORP  
(JURISDICTIONS OF ORGANIZATION SHOWN IN PARENTHESES)

U.S. Bank National Association (a nationally chartered banking association) -- also conducts business under the name of Firststar Bank, National Association.

U.S. Bank Trust National Association (a nationally chartered banking association)

U.S. Bank Trust National Association (a nationally chartered banking association)

U.S. Bank National Association ND (a nationally chartered banking association)

U.S. Bank Trust Company, National Association (a nationally chartered banking association)

U.S. Bank Trust National Association SD (a nationally chartered banking association)

Elan Life Insurance Company (Arizona)

FBS Insurance Montana, Inc. (Montana)

Miami Valley Insurance Company (Arizona)

Mississippi Valley Life Insurance Company (Missouri)

U.S. Bancorp Insurance Company, Inc. (Vermont)

U.S. Bancorp Insurance Services, Inc. (Delaware)

U.S. Bancorp Insurance Services, LLC (Wisconsin)

U.S. Bancorp



CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (Nos. 333-32701; 333-67465; 333-32572; 333-65358; 333-72626 and 333-76322) and Form S-8 (Nos. 33-52835; 333-01421; 333-02623; 333-02621; 333-21291; 333-32653; 333-32635; 333-51627; 333-51635; 333-51641; 333-76887; 333-82691; 333-38846; 333-47968; 333-61667; 333-48532; 333-65774; 333-68450 and 333-74036) of U.S. Bancorp of our report dated January 15, 2002, relating to the financial statements, which appears in this Annual Report on Form 10-K.

PricewaterhouseCoopers LLP

Minneapolis, Minnesota  
February 28, 2002