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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
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FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2001

OR

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

FOR THE TRANSITION PERIOD FROM (NOT APPLICABLE)

COMMISSION FILE NUMBER 1-6880

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

DELAWARE  
(State or other jurisdiction of incorporation or  
organization)

41-0255900  
(I.R.S. Employer  
Identification Number)

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

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

(NOT APPLICABLE)  
(Former name, former address and former fiscal year,  
if changed since last report)  
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Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding twelve months and (2) has been subject to such filing  
requirements for the past 90 days.

YES X NO \_\_\_\_\_

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

Class	Outstanding as of October 31, 2001
Common Stock, \$.01 Par Value	1,950,887,907 shares

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## FORWARD-LOOKING STATEMENTS

This Form 10-Q contains forward-looking statements. Statements that are not historical or current facts, including statements about beliefs and expectations, are forward-looking statements. These forward-looking statements cover, among other things, projected earnings growth, anticipated future expenses and revenues, and the future prospects of the Company. 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) changes in the domestic interest rate environment could reduce net interest income and could increase credit losses; (iii) the conditions of the securities markets could change, adversely affecting revenues from capital markets businesses, the value or credit quality of the Company's on-balance sheet and off-balance sheet assets, or the availability and terms of funding necessary to meet the Company's liquidity needs; (iv) changes in the extensive laws, regulations and policies governing financial services companies could alter the Company's business environment or affect operations; (v) 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; (vi) 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 such as the Internet, or bank regulatory reform; and (vii) acquisitions may not produce revenue enhancements or cost savings at levels or within time frames originally anticipated, or may result in unforeseen integration difficulties. 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.

## FINANCIAL SUMMARY

Three Months Ended Nine Months Ended September 30,  
September 30, -----  
(Dollars in Millions, Except Per Share Data) 2001 2000 2001  
2000 -----

Operating				
earnings*	.....	\$ 149.7		
\$ 788.8	\$1,765.6	\$2,282.7	Merger and restructuring-related	
items (after-tax)	.....	(111.0)	(78.5)	(754.5)
			(175.8)	
----- Net				
income	.....	\$		
		38.7	\$ 710.3	\$1,011.1
		\$2,106.9		
===== PER COMMON				
SHARE Basic earnings per				
share	.....	\$ .02	\$ .37	\$ .53
		\$ 1.10	Diluted earnings per	
share	.....	.02	.37	.52
		1.10		
Dividends				
declared**	.....	.1875		
		.1625	.5625	.4875
Book value per				
share	.....	8.54	7.58	
Market value per				
share	.....	22.18	22.38	
===== FINANCIAL				
RATIOS Return on average				
assets	.....	.09%	1.77%	.82%
		1.79%	Return on average	
equity	.....	.9	19.6	8.4
		19.7		
Net interest margin (taxable-equivalent				
basis)	.....	4.42	4.32	4.40
Efficiency				
ratio	.....	54.6	52.5	
		58.3	52.3	
=====				
FINANCIAL RATIOS EXCLUDING MERGER AND RESTRUCTURING-RELATED				
ITEMS* Return on average				
assets	.....	.35%	1.97%	1.43%
		1.94%	Return on average	
equity	.....	3.5	21.8	14.7
		21.4	Efficiency	
ratio	.....	49.5	48.2	
		49.2	49.1	Banking efficiency
ratio***	.....	45.7	42.8	44.7
		44.1		
===== AVERAGE				
BALANCE SHEET DATA				
Loans	.....			
		\$117,414	\$119,390	\$119,535
Earning				
assets	.....			
		145,828	141,684	145,001
139,470				
Assets	.....			
		167,451	159,252	165,148
157,129				
Deposits	.....			
		105,231	104,050	105,663
Total shareholders'				
equity	.....	16,945	14,408	
		16,012	14,257	
=====				

September 30, December 31, 2001 2000 ----- PERIOD END				
Loans	.....	\$114,567	\$122,365	Allowance for credit
losses	.....	2,458	1,787	Assets
167,830	164,921	Deposits	.....	103,805
109,535	Total shareholders'			
equity	.....	16,817	15,168	Tangible common equity ratio
		5.9%	6.3%	Tier 1 capital ratio
		7.2	7.2	Total risk-based capital
ratio	.....	11.5	10.6	Leverage ratio
		7.4	7.4	
=====				

\*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.

\*\*Dividends per share have not been restated for the Company's 2001 merger with the former U.S. Bancorp ("USBM").

\*\*\*Without investment banking and brokerage activity.

## OVERVIEW

**EARNINGS SUMMARY** U.S. Bancorp (the "Company") reported net income of \$38.7 million in the third quarter of 2001, or \$.02 per diluted share, compared with \$710.3 million, or \$.37 per diluted share, in the third quarter of 2000. Return on average assets and return on average common equity were .09 percent and .9 percent in the third quarter of 2001, compared with 1.77 percent and 19.6 percent for the same period of 2000. Net income includes after-tax merger and restructuring-related charges of \$111.0 million (\$163.1 million on a pretax basis) in the third quarter of 2001 compared with \$78.5 million (\$117.7 on a pre-tax basis) in the third quarter of 2000. Merger and restructuring-related items, on a pre-tax basis, included \$125.6 million of noninterest expenses and \$14.3 million of provision for credit losses associated with the merger of Firststar Corporation ("Firststar") and the former U.S. Bancorp ("USBM"). Merger and restructuring-related items also included \$17.6 million of expense for restructuring operations of U.S. Bancorp Piper Jaffray, and \$5.6 million related to the acquisition of NOVA Corporation ("NOVA") and other recent acquisitions.

The Company reported operating earnings (net income excluding merger and restructuring-related charges) of \$149.7 million for the third quarter of 2001, compared with \$788.8 million for the third quarter of 2000. Operating earnings of \$.08 per diluted share in the third quarter of 2001 were \$.33, or 80.5 percent, lower than the same period of 2000. Return on average common equity and return on average assets, excluding merger and restructuring-related charges, were 3.5 percent and .35 percent, respectively, in the third quarter of 2001, compared with returns of 21.8 percent and 1.97 percent in the third quarter of 2000. Excluding merger and restructuring-related charges, the efficiency ratio (the ratio of expenses to revenues) was 49.5 percent in the third quarter of 2001, compared with 48.2 percent in the third quarter of 2000. The banking efficiency ratio (the efficiency ratio without the impact of investment banking and brokerage activity) before merger and restructuring-related charges was 45.7 percent in third quarter of 2001 compared with 42.8 percent for the same period in 2000.

Net income and operating earnings for third quarter of 2001 included a number of significant items (summarized in Table 2). The Company's third quarter results included an incremental provision for credit losses of \$1,025 million, or approximately \$655 million after tax. Results for the third quarter of 2001 also reflect the impact of a \$36.0 million impairment of commercial and retail leasing residuals, recognition of \$24.7 million of mortgage servicing rights ("MSR") impairment, and approximately \$14.0 million of writedowns of commercial leasing partnerships and repossessed tractor/trailer property, partially offset by gains on the sale of securities of \$59.8 million. In addition, the Company's level of third quarter earnings was less than expected due to a slowdown in capital markets activity and payment processing volumes during the last three weeks of September 2001.

Total net revenue on a taxable-equivalent basis was \$2.9 billion for the third quarter of 2001 compared with \$2.8 billion in the third quarter of 2000, an \$160.3 million (5.8 percent) increase from a year ago. The increase reflected a 5.6 percent growth in net interest income and a 6.1 percent increase in fee-based revenues. Excluding securities gains of \$59.8 million, total net revenue on a taxable-equivalent basis for the third quarter of 2001 grew by \$101.6 million, or 3.7 percent, over the third quarter of 2000. Revenue growth, relative to the third quarter of 2000, continued to be adversely impacted by economic conditions affecting the capital markets. Total noninterest expense was \$1.6 billion in the third quarter of 2001 compared with \$1.5 billion in the third quarter of 2000. Total noninterest expense, excluding merger and restructuring-related charges of \$148.8 million, was \$1.4 billion, an increase over the third quarter of 2000 of \$85.0 million, or 6.4 percent. The increase primarily reflects acquisitions, mortgage servicing rights impairment, and the write-down of commercial lease assets, partially offset by a reduction in compensation expense related to capital markets activity and cost savings from the integration of recent acquisitions. Refer to "Acquisition and Divestiture Activity" for further information on the timing of acquisitions and "Noninterest Expenses" for further discussion of merger and restructuring-related charges. Provision for credit losses was \$1,289.3 million in the third quarter of 2001 compared with \$214.0 million in the third quarter of 2000. The provision for credit losses included a \$14.3 million merger-related charge due to the release of certain credit quality indemnifications in connection with restructuring a co-branding relationship. Provision for credit losses,

excluding merger and restructuring-related items, for the third quarter of 2001 was \$1,275.0 million, an increase of \$1,061.0 million over the third quarter of 2000. The change reflects an increase in charge-offs quarter over quarter and a \$712 million net addition to the allowance for credit losses. The increase to the allowance recognized the impact of recent world events and the increasing probability that the current economic slowdown will accelerate or be more prolonged as a result of these events. Refer to "Corporate Risk Profile" for further information on provision for credit losses, net charge-offs, nonperforming assets and factors considered by the Company in assessing the credit quality of the loan portfolio and establishing the allowance for credit losses.

Net income for the first nine months of 2001 was \$1,011.1 million, or \$.52 per diluted share, compared with \$2,106.9 million, or \$1.10 per diluted share, for the first nine months of 2000. Return on average common equity and return on average assets were 8.4 percent and .82 percent, respectively, for the first nine months of 2001, compared with returns of 19.7 percent and 1.79 percent, for the same period of 2000. Net income reflected merger and restructuring-related items of \$754.5 million (\$1,125.8 million on a pre-tax basis) in the first nine months of 2001, compared with \$175.8 million (\$264.6 million on pre-tax basis) in the first nine months of 2000. Operating earnings for the first nine months of 2001 were \$1,765.6 million compared with \$2,282.7 million for the first nine months of 2000. On a diluted per share basis, operating earnings were \$.91 for the first nine months of 2001, compared with \$1.19 for the first nine months of 2000. Year-to-date return on average common equity and return on average assets, excluding merger and restructuring-related charges, were 14.7 percent and 1.43 percent, respectively, compared with returns of 21.4 percent and 1.94 percent, respectively, in the first nine months of 2000. Excluding merger and restructuring-related items, the efficiency ratio (the ratio of expenses to revenues) was 49.2 percent for the first nine months of 2001, compared with 49.1 percent for the first nine months of 2000. The banking efficiency ratio (the efficiency ratio without the impact of investment banking and brokerage activity) before merger and restructuring-related items was 44.7 percent for the first nine months of 2001, compared with 44.1 percent for the same period in 2000.

Net income and operating earnings for the first nine months of 2001 included a number of significant items (summarized in Table 2). The Company's results for the nine months ended September 30, 2001, included \$1.2 billion of provision for credit losses representing the incremental third quarter provision of \$1,025 million and a \$160.0 million increase in the first quarter of 2001 in connection with the acceleration of certain workout strategies. Results for the first nine months of 2001 also reflect \$34.5 million of MSR impairments, \$36.0 million of leasing residual impairments, \$40.2 million of writedowns of commercial leasing partnerships and \$22.2 million of asset writedowns of tractor/trailer inventory and other items. These losses were offset somewhat by \$307.1 million of gains on the sale of securities.

Total net revenue on a taxable-equivalent basis was \$8.8 billion for the nine months ended September 30, 2001 compared with \$8.2 billion in the same period of 2000, a 6.9 percent increase from a year ago. Total net revenue, excluding merger and restructuring-related items, on a taxable-equivalent basis for the nine months ended September 30, 2001 was \$8,753.5 million compared with \$8,191.1 million, a 6.1 percent increase from a year ago. The increase reflected core business growth, the impact of acquisitions and securities gains of \$307.1 million in 2001 compared with approximately \$46.9 million of unusual gains in 2000 including gains on the disposal of two office buildings. These net gains are somewhat offset by adverse capital markets conditions during the first nine months of 2001 relative to the same period of a year ago. As a result of these conditions, capital markets revenues and trust and asset management-related revenues declined approximately \$127 million from a year ago. Total noninterest expense was \$5.0 billion in the first nine months of 2001 compared with \$4.3 billion in the same period of 2000. Total noninterest expense, excluding merger and restructuring-related charges of \$805.8 million, was \$4.2 billion, an increase over the same period of 2000 of \$134.4 million, or 3.3 percent. The increase in noninterest expense was primarily the result of core business growth and approximately \$85 million related to recent acquisitions, including NOVA, Scripps Financial Corporation, Lyon Financial Services, Inc. and 41 branches in Tennessee, MSR impairment related to the declining rate environment, and asset write-downs including lease residuals of commercial leasing partnerships and repossessed tractor/trailer property, partially offset by cost savings related to merger integration and restructuring activities and a reduction in expense related to capital markets activity. Provision for credit losses was \$2,263.0 million in the first nine months of 2001 compared with \$598.5 million in the same period of 2000. Provision for credit losses, excluding merger and restructuring-related items of \$382.2 million, for the first nine months of 2001 was \$1,880.8, an increase of \$1,282.3 million over the same

TABLE 1  
SUMMARY OF CONSOLIDATED INCOME

Three Months Ended		Nine Months Ended		September 30, 2001		September 30, 2000		(Taxable-Equivalent Basis; ----- Dollars in Millions, Except Per Share Data) 2001 2000 2001 2000 - -----	
CONDENSED									
INCOME STATEMENT		Interest income.....		\$2,729.1		\$3,114.8		\$8,610.2	
\$8,978.2		Interest expense.....		1,109.3		1,580.6		3,830.3	
		Net interest income.....				1,619.8			
1,534.2		4,779.9		4,572.8		Securities gains, net.....		59.8	
						1.1		307.1	
Noninterest income.....				1,248.5		1,232.5		3,666.5	
						3,617.2			
		Net revenue.....				2,928.1		2,767.8	
8,753.5		8,191.1		Noninterest expense.....		1,418.7		1,333.7	
						4,154.9			
4,020.5		Provision for credit losses.....		1,275.0		214.0		1,880.8	
						598.5			
		Income before taxes and merger and restructuring-related items.....		234.4		1,220.1		2,717.8	
		adjustment.....		10.7		21.2		46.0	
taxes.....				74.0		410.1		906.2	
		Operating earnings*.....				149.7		788.8	
Merger and restructuring-related items (after-tax).....				(111.0)		(78.5)		(754.5)	
		Net income in accordance with GAAP.....				\$ 38.7		\$ 710.3	
\$1,011.1		\$2,106.9		=====		PER COMMON SHARE Basic earnings per share.....		\$ .02	
						.37		.53	
						1.10		Diluted earnings per share.....	
						.02		.37	
						.52		1.10	
						.1875		.1625	
						.5625		.4875	
		=====		FINANCIAL RATIOS		Return on average assets.....		.09%	
						1.77%		.82%	
						1.79%		Return on average equity.....	
						.9		19.6	
						8.4		19.7	
						Net interest margin (taxable-equivalent basis).....		4.42	
						4.32		4.40	
						4.38		Efficiency ratio.....	
						52.5		58.3	
						52.3		=====	
						FINANCIAL RATIOS EXCLUDING MERGER AND RESTRUCTURING-RELATED ITEMS*		Return on average assets.....	
						.35%		1.97%	
						1.43%		1.94%	
						Return on average equity.....		3.5	
						21.8		14.7	
						21.4		Efficiency ratio.....	
						49.5		48.2	
						49.2		49.1	
						Banking efficiency ratio***.....		45.7	
						42.8		44.7	
						44.1		=====	
						RECONCILIATION OF OPERATING EARNINGS* TO NET INCOME IN ACCORDANCE WITH GAAP		Operating earnings.....	
						\$ 149.7		\$ 788.8	
						\$1,765.6		\$2,282.7	
						Merger and restructuring-related items		Merger and restructuring-related gains.....	
						--		--	
						62.2		--	
						Merger and restructuring-related charges.....		(148.8)	
						(117.7)		(805.8)	
						(264.6)		Provision for credit losses.....	
						(14.3)		--	
						Applicable tax benefit.....		52.1	
						39.2		371.3	
						88.8			
						\$ 38.7		\$ 710.3	
						\$1,011.1		\$2,106.9	
						- Net income in accordance with GAAP.....			

TABLE 2  
SIGNIFICANT ITEMS IN OPERATING EARNINGS\*

Three Months Ended	Nine Months Ended	September 30,	September 30,	
-- (Dollars in Millions)	2001	2000	2001	2000
-----				
				Securities gains, net..... \$
53.1	\$ 1.1	\$ 292.7	\$ 1.1	Sale of principal-only residuals..... 6.7 -- 14.4 -- Disposal
				of office buildings..... -- -- 45.8 -----
---				Total significant gains..... \$ 59.8 \$ 1.1 \$ 307.1 \$ 46.9 -----
-----				
				Credit provision and portfolio realignment**..... \$ 1,025.0 \$ -- \$ 1,185.0
				\$ -- Mortgage servicing rights impairment..... 24.7 -- 34.5 -- Leasing residual
				impairment..... 36.0 -- 36.0 -- Tractor/trailer
				inventory..... 10.6 -- 10.6 -- Partnership and equity investment
				losses..... 3.4 -- 40.2 -- Other, net..... -- --
11.6	--			Total significant losses.....
				\$ 1,099.7 \$ -- \$ 1,317.9 \$ --
=====				

\*Table 2 is provided as supplemental information to enhance the reader's understanding of, and highlight trends in, the Company's financial results. The presentation of these items should not be construed as a representation of their recurring or non-recurring nature.

\*\*Represents an amount of provision in excess of management's best estimate of a baseline level of net charge-offs or losses related to specific events or realignment actions.

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.

**ACQUISITION AND DIVESTITURE ACTIVITY** The Company is the organization created by the merger of Firststar Corporation of Milwaukee, Wisconsin and the former U.S. Bancorp of Minneapolis, Minnesota. The merger was completed on February 27, 2001, as a pooling-of-interests transaction and accordingly all financial information has been restated to include the historical information of both companies.

Operating results for the first nine months of 2001 reflect the following transactions accounted for as purchases in 2000. On October 13, 2000, the Company acquired Scripps Financial Corporation of San Diego, California, 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 Services, Inc. specializes in small-ticket lease transactions and had \$1.3 billion in assets. On April 7, 2000, the Company acquired Oliver-Allen Corporation, a privately held information technology leasing company with total assets of \$280 million. On January 14, 2000, the Company acquired Peninsula Bank of San Diego, California, 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 \$1.78 billion in deposits.

On May 7, 2001, the Company announced an agreement to acquire NOVA in a stock and cash transaction valued at approximately \$2.1 billion. The transaction was completed on July 24, 2001 and was accounted for as a purchase. On June 5, 2001, the Company announced an agreement to purchase 20 branches in southern California from Pacific Century Bank in a cash transaction. The acquisition, accounted for as a purchase, included approximately \$712 million in deposits, and \$570 million in assets and was completed on September 7, 2001. Refer to Note 3 and Note 4 of the Notes to Consolidated Financial Statements for additional information regarding business combinations.

#### LINE OF BUSINESS FINANCIAL REVIEW

Within the Company, financial performance is measured by major lines of business which include: Wholesale Banking, Consumer Banking, Private Client, Trust and Asset Management, Payment Services, Capital Markets and Treasury and Corporate Support. Business line results are derived from the Company's profitability reporting systems. Designations, assignments and allocations may change from time to time as management accounting systems are enhanced, product lines change or business segments are realigned to better respond to our diverse customer base. During the first nine months of 2001, certain organizational and methodology changes were made to reflect the recent

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 \$158.4 million of the Company's pre-tax income in the third quarter of 2001 and \$930.3 million in the first nine months of 2001, a 61.4 percent and 24.8 percent decrease from the same periods of 2000. The decline is primarily driven by an increase in the provision for credit losses and certain asset write-downs taken by the Company. The line of business generated operating income of \$483.3 million in the third quarter of 2001 and \$1,471.9 million in the first nine months of the year, a 5.8 percent and 8.6 percent increase from the same periods of 2000. Total revenue grew by 7.9 percent and 9.8 percent from the third quarter and first nine months of 2000 to the third quarter and first nine months of 2001. Net interest income on a tax equivalent basis increased 3.8 percent for the third quarter and 7.5 percent for the first nine months of 2001 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 lower margin, higher quality commercial loans to Stellar Funding Group, Inc. ("loan conduit") and the impact of declining rates on funding benefit of deposits. Noninterest income increased 21.7 percent in the third quarter and 17.5 percent in the first nine months of 2001 reflecting revenue related to the leasing acquisition, core growth in syndication and cash management-related fees and growth in securitization fee income related to the loan conduit. Net fee income growth includes a \$6.0 million impairment of commercial leasing residuals. Offsetting the net growth in revenue was an increase in noninterest expenses (18.6 percent in the third quarter and 15.9 percent in the first nine months of 2001), primarily due to the bank and lease acquisitions, planned growth in targeted markets and certain asset write-downs. This expense growth is partially offset by cost savings from integration activities. Included in expenses during the third quarter and the first nine months of 2001 are asset write-downs of repossessed tractor/trailer and other related property of \$14.0 million. Additionally, the provision for credit losses increased \$278.9 million during the third quarter of 2001 compared with the same period of a year ago and \$423.4 million during the first nine months of 2001. The increase reflects increasing net chargeoffs due to the deterioration in credit quality reflected by an increase in nonperforming commercial loans. Refer to "Corporate Risk Profile" for further information of 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 \$447.2 million and \$1,428.1 million of the Company's pre-tax income in the third quarter and first nine months of 2001, a 14.6 percent and 6.7 percent decrease from the same periods of 2000. The decline is, in part, driven by an increase in the provision for credit losses and certain asset write-downs taken by the Company. The line of business generated operating income of \$554.4 million in the third quarter of 2001 and \$1,747.3 million in the first nine months of the year, a 9.5 percent and 1.8 percent decline from the same periods of 2000. Total revenue declined by 1.1 percent in the third quarter of 2001 and grew by 2.4 percent in the first nine months of 2001 over the same periods of 2000. Fee based revenue increased 13.7 percent for the third quarter and 21.3 percent for the first nine months of 2001 as compared with the same periods of 2000, while net interest income declined 6.2 percent and 3.9 percent, in the third quarter and first nine months of 2001, respectively. The decline in net interest income reflects the impact of declining interest rates on the funding benefit of consumer deposits. It also reflects the sale of approximately \$1.3 billion of home equity and indirect automobile loans in the first quarter of 2001, and the divestiture of branches with \$771 million of deposits during the second quarter of 2001 in connection with the merger of Firststar and USBM. The decline was partially offset by a funding benefit of deposits related to the acquisition of 41 branches in Tennessee. Growth in fee-based revenue is primarily attributed to an increase in retail deposit and cash management fees, mortgage banking originations, core retail loan and deposit growth, the alignment and re-design of products and features in connection with the merger, and fee revenue related to the Tennessee branch acquisition. Fee income growth for the third quarter and first nine months of 2001 is tempered somewhat by the recognition of an impairment of retail leasing residuals of \$30.0 million during the third quarter. Consumer Banking results reflect an increase in noninterest expense (11.2 percent for the third quarter and 8.4 percent for the first nine months) primarily related to asset impairments of mortgage servicing rights ("MSR") and the Tennessee branch acquisition.



TABLE 3  
LINE OF BUSINESS FINANCIAL PERFORMANCE

Wholesale Consumer Private Client, Trust Banking Banking and Asset Management -----														
----- For the Three Months Ended September 30 Percent Percent Percent (Dollars in Millions) 2001														
2000	Change	2001	2000	Change	2001	2000	Change	-----						
----- CONDENSED INCOME STATEMENT														
Net interest income (taxable-equivalent basis)..... \$ 436.1 \$ 420.2 3.8% \$ 718.6 \$ 766.0 (6.2%) \$ 61.2 \$ 60.4 1.3% Noninterest income..... 151.7 124.7 21.7 302.0 265.7 13.7 219.8 228.3 (3.7) -----														
----- Total revenue..... 587.8 544.9 7.9 1,020.6 1,031.7 (1.1) 281.0 288.7 (2.7) Noninterest expense..... 101.0 86.1 17.3 415.3 402.9 3.1 112.7 115.2 (2.2) Other intangible amortization..... .3 .3 -- 47.6 14.0 ** 5.1 4.9 4.1 Goodwill amortization..... 3.2 1.7 88.2 3.3 2.5 32.0 .3 .3 -- -----														
----- Total noninterest expense..... 104.5 88.1 18.6 466.2 419.4 11.2 118.1 120.4 (1.9) -----														
Operating income..... 483.3 456.8 5.8 554.4 612.3 (9.5) 162.9 168.3 (3.2) Provision for credit losses..... 324.9 46.0 ** 107.2 88.5 21.1 2.7 3.3 (18.2) -----														
Income before income taxes..... 158.4 410.8 (61.4) 447.2 523.8 (14.6) 160.2 165.0 (2.9) Income taxes and taxable-equivalent adjustment..... 57.6 149.4 (61.4) 162.7 193.3 (15.8) 58.3 60.1 (3.0) -----														
Operating earnings, before merger and restructuring-related items..... \$ 100.8 \$ 261.4 (61.4) \$ 284.5 \$ 330.5 (13.9) \$101.9 \$104.9 (2.9) =====														
===== Merger and restructuring-related items (after-tax)*..... Net income..... AVERAGE BALANCE SHEET DATA														
Loans..... \$ 53,907 \$ 55,475 (2.8) \$ 42,755 \$ 42,266 1.2 \$4,254 \$3,813 11.6 Assets..... 59,744 60,556 (1.3) 50,497 48,116 4.9 5,286 4,819 9.7 Noninterest-bearing deposits..... 10,367 9,073 14.3 12,210 11,872 2.8 2,277 2,103 8.3 Interest-bearing deposits..... 6,730 4,860 38.5 60,905 61,529 (1.0) 4,843 4,669 3.7 -----														
----- Total deposits..... \$ 17,097 \$ 13,933 22.7 \$ 73,115 \$ 73,401 (.4) \$7,120 \$6,772 5.1 -----														

Wholesale Consumer Private Client, Trust Banking Banking and Asset Management -----														
----- For the Nine Months Ended September 30 Percent Percent Percent (Dollars in Millions) 2001														
2000	Change	2001	2000	Change	2001	2000	Change	-----						
----- CONDENSED INCOME STATEMENT														
Net interest income (taxable-equivalent basis)..... \$1,344.1 \$1,249.8 7.5% \$2,189.2 \$2,277.9 (3.9%) \$176.0 \$163.8 7.4% Noninterest income..... 429.6 365.6 17.5 928.2 765.3 21.3 663.1 679.9 (2.5) -----														
----- Total revenue..... 1,773.7 1,615.4 9.8 3,117.4 3,043.2 2.4 839.1 843.7 (.5) Noninterest expense..... 291.5 254.5 14.5 1,260.3 1,214.6 3.8 339.6 341.6 (.6) Other intangible amortization..... .9 .9 -- 99.2 37.8 ** 15.0 14.9 .7 Goodwill amortization..... 9.4 4.9 91.8 10.6 11.9 (10.9) .8 .9 (11.1) -----														
----- Total noninterest expense..... 301.8 260.3 15.9														
1,370.1 1,264.3 8.4 355.4 357.4 (.6) ----- Operating income..... 1,471.9 1,355.1 8.6 1,747.3 1,778.9 (1.8) 483.7 486.3 (.5) Provision for credit losses..... 541.6 118.2 ** 319.2 247.6 28.9 8.8 1.9 ** -----														
Income before income taxes..... 930.3 1,236.9 (24.8) 1,428.1 1,531.3 (6.7) 474.9 484.4 (2.0) Income taxes and taxable-equivalent adjustment..... 338.5 450.1 (24.8) 519.7 565.0 (8.0) 172.8 176.3 (2.0) -----														
----- Operating earnings, before merger and restructuring-related items..... \$ 591.8 \$ 786.8 (24.8) \$ 908.4 \$ 966.3 (6.0) \$302.1 \$308.1 (1.9) =====														
===== Merger and restructuring-related items (after-tax)*..... Net income..... AVERAGE BALANCE SHEET DATA														
Loans..... \$ 55,398 \$ 54,014 2.6 \$ 43,012 \$ 41,962 2.5 \$4,158 \$3,722 11.7 Assets..... 61,425 59,088 4.0 49,631 47,644 4.2 5,190 5,169 .4 Noninterest-bearing deposits..... 10,205 9,227 10.6 11,875 11,882 (.1) 2,081 2,134 (2.5) Interest-bearing deposits..... 6,417 4,591 39.8 61,855 62,098 (.4) 4,980 4,703 5.9 -----														
----- Total deposits..... \$ 16,622 \$ 13,818 20.3 \$ 73,730 \$ 73,980 (.3) \$7,061 \$6,837 3.3														

\*Merger and restructuring-related items are not allocated to the business lines.

\*\*Not meaningful.

Payment Capital Treasury and Consolidated Services Markets Corporate Support Company -----															
----- Percent Percent Percent Percent 2001															
2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	-----				
69.1%	\$1,619.8	\$1,534.2	5.6%	353.2	287.3	22.9	190.6	255.5	(25.4)	91.0	72.1	26.2	1,308.3	1,233.6	6.1
											----- \$ 103.0 \$ 105.3 (2.2%) \$ .5 \$ 4.7 (89.4%) \$ 300.4 \$ 177.6				
											----- 456.2 392.6 16.2 191.1 260.2 (26.6) 391.4 249.7 56.7 2,928.1 2,767.8 5.8				
											----- 139.8 106.2 31.6 171.1 220.8 (22.5) 331.7 304.8 8.8 1,271.6 1,236.0 2.9 18.7 6.2 ** -- -- -- 10.5 11.9 (11.8) 82.2 37.3 **				
											----- 2.9 3.5 (17.1) -- .2 ** 55.2 52.2 5.7 64.9 60.4 7.5 -----				
											----- 161.4 115.9 39.3 171.1 221.0 (22.6) 397.4 368.9 7.7 1,418.7 1,333.7 6.4 -----				
											----- 294.8 276.7 6.5 20.0 39.2 (49.0) (6.0) (119.2) ** 1,509.4 1,434.1 5.3 113.9 91.2 24.9 15.9 -- ** 710.4				
											----- (15.0) ** 1,275.0 214.0 ** ----- 180.9 185.5 (2.5) 4.1				
											----- 39.2 (89.5) (716.4) (104.2) ** 234.4 1,220.1 (80.8) 65.8 67.5 (2.5) 1.5 14.3 (89.5) (261.2) (53.3) ** 84.7 431.3 (80.4) -----				
											----- \$ 115.1 \$ 118.0 (2.5) \$ 2.6 \$ 24.9 (89.6) \$(455.2) \$				
											----- (50.9) ** 149.7 788.8 (81.0) ----- (111.0) (78.5) -----				
											----- \$ 38.7 \$ 710.3 ----- \$ 10,031 \$ 9,802 2.3 \$ 493 \$ 243 ** \$ 5,974 \$ 7,791 (23.3) \$117,414 \$119,390				
											----- (1.7) 13,031 10,997 18.5 3,555 3,444 3.2 35,338 31,320 12.8 167,451 159,252 5.1 164 250 (34.4) 176 150 17.3 (88) 174 **				
											----- 25,106 23,622 6.3 -- -- -- -- 7,647 9,370 (18.4) 80,125 80,428 (.4) -----				
											----- \$ 164 \$ 250 (34.4) \$ 176 \$ 150 17.3 \$ 7,559 \$ 9,544 (20.8) \$105,231 \$104,050 1.1				

Payment Capital Treasury and Consolidated Services Markets Corporate Support Company -----															
----- Percent Percent Percent Percent															
2001	2000	Change	2001	2000	Change	2001	2000	Change	2001	2000	Change	-----			
539.7	31.7%	\$4,779.9	\$4,572.8	4.5%	901.3	793.7	13.6	632.6	829.7	(23.8)	418.8	184.1	** 3,973.6	3,618.3	9.8
											----- \$ 348.7 \$ 320.4 8.8% \$ 11.0 \$ 21.2 (48.1%) \$ 710.9 \$				
											----- 1,250.0 1,114.1 12.2 643.6 850.9 (24.4) 1,129.7 723.8 56.1 8,753.5				
											----- 8,191.1 6.9 355.2 305.6 16.2 555.0 683.6 (18.8) 979.2 930.3 5.3 3,780.8 3,730.2 1.4 31.1 17.6 76.7 -- -- -- 31.3 40.5				
											----- (22.7) 177.5 111.7 58.9 9.7 8.0 21.3 .1 .6 (83.3) 166.0 152.3 9.0 196.6 178.6 10.1 -----				
											----- 396.0 331.2 19.6 555.1 684.2 (18.9) 1,176.5 1,123.1 4.8 4,154.9 4,020.5 3.3 -----				
											----- 854.0 782.9 9.1 88.5 166.7 (46.9) (46.8) (399.3) 88.3 4,598.6				
											----- 4,170.6 10.3 313.2 258.2 21.3 21.2 -- ** 676.8 (27.4) ** 1,880.8 598.5 ** -----				
											----- 540.8 524.7 3.1 67.3 166.7 (59.6) (723.6) (371.9) ** 2,717.8 3,572.1 (23.9) 196.8 191.0 3.0 24.5				
											----- 60.7 (59.6) (300.1) (153.7) ** 952.2 1,289.4 (26.2) -----				
											----- \$ 344.0 \$ 333.7 3.1 \$ 42.8 \$106.0 (59.6) \$ (423.5) \$ (218.2) ** 1,765.6 2,282.7 (22.7) -----				
											----- (754.5) (175.8) ----- \$1,011.1 \$2,106.9 ----- \$ 9,963 \$				
											----- 9,374 6.3 \$ 488 \$ 246 98.4 \$ 6,516 \$ 7,674 (15.1) \$119,535 \$116,992 2.2 11,707 10,485 11.7 3,435 3,374 1.8 33,760 31,369				
											----- 7.6 165,148 157,129 5.1 162 187 (13.4) 166 153 8.5 (81) 209 ** 24,408 23,792 2.6 -- -- -- -- 8,003 7,727 3.6 81,255				
											----- 79,119 2.7 ----- \$ 162 \$ 187 (13.4) \$ 166 \$ 153 8.5 \$				
											----- 7,922 \$ 7,936 (.2) \$105,663 \$102,911 2.7				

Noninterest expenses included MSR impairments of \$24.7 million for the third quarter of 2001 and \$34.5 million for the first nine months of 2001. The branch acquisition increased expenses during the third quarter and first nine months of 2001 by approximately 2.4 percent and 2.7 percent, compared with the same periods of a year ago. Additionally, the provision for credit losses increased \$18.7 million, or 21.1 percent, during the third quarter of 2001 compared with the same period of a year ago and \$71.6 million, or 28.9 percent during the first nine months of 2001. The increase reflects deterioration in nonperforming loans, higher consumer bankruptcies and economic trends impacting the business unit's loan and retail leasing portfolios.

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, Institutional Trust and Custody, and Mutual Fund Services, LLC. The business segment also offers investment management services to several client segments including mutual funds, institutional customers, and private asset management. Private Client, Trust and Asset Management contributed \$160.2 million of the Company's pre-tax income in the third quarter of 2001 and \$474.9 million for the first nine months of 2001, a 2.9 percent and 2.0 percent decline, respectively, from the same periods of 2000. Growth in net interest income in the third quarter and first nine months of 2001 compared with the same periods of 2000, was driven by core loan and deposit growth partially offset by the impact of declining rates on the funding benefit of deposits. Noninterest income declined during the third quarter and for the first nine months of 2001 compared with a year ago primarily due to lower trust and investment management fees being adversely affected by the current capital markets conditions. Noninterest expense decreased 1.9 percent and .6 percent in the third quarter and first nine months of 2001 from the same periods of 2000. Cost savings related to integration activities primarily drove the decline in noninterest expense.

Payment Services includes consumer and business credit cards, corporate and purchasing card services, consumer lines of credit, ATM processing and merchant processing. Payment Services contributed \$180.9 million of the Company's pre-tax income in the third quarter of 2001, a 2.5 percent decline from the third quarter of 2000. For the nine months ended September 30, 2001, the business unit contributed \$540.8 million, representing a 3.1 percent increase over the same period of 2000. The business unit's financial results were, in part, driven by an increase in the provision for credit losses and the impact of the NOVA acquisition completed during the third quarter of 2001. The line of business generated operating income of \$294.8 million in the third quarter of 2001 and \$854.0 million in the first nine months of the year, a 6.5 percent and 9.1 percent increase from the same periods of 2000. Total revenue growth was 16.2 percent and 12.2 percent for the third quarter and first nine months respectively. Third quarter 2001 growth was primarily driven by the impact of the NOVA acquisition. Total revenue growth for Payment Services, excluding the NOVA acquisition, was approximately 2.3 percent and 7.3 percent for the third quarter and first nine months of 2001, respectively. Total revenue growth was partially offset by an increase in noninterest expense (39.3 percent for the third quarter and 19.6 percent for the first nine months of 2001), primarily driven by the NOVA acquisition. Excluding the impact of the NOVA acquisition, noninterest expenses for the division were essentially flat relative to a year ago. Additionally, the provision for credit losses increased \$22.7 million, or 24.9 percent, during the third quarter of 2001 compared with the same period of a year ago and \$55.0 million, or 21.3 percent during the first nine months of 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 \$4.1 million of the Company's pre-tax income in the third quarter and \$67.3 million for the first nine months of 2001, compared with \$39.2 million and \$166.7 million, respectively, for the third quarter and first nine months of 2000. The unfavorable variances in pre-tax income from the third quarter of 2000 were 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 slow-down in the market for new and secondary issuances of equity and the increasingly competitive environment for the industry, U.S. Bancorp Piper Jaffray began restructuring its operations during 2001. Additionally, in June 2001, the Company decided

to discontinue its U.S. Bancorp Libra operations, a business unit that specializes 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 pre-tax losses of \$716.4 million in the third quarter of 2001 and \$723.6 million in the first nine months of 2001, compared to losses of \$104.2 million in the third quarter of 2000 and \$371.9 million in the first nine months of 2000. The decline was driven by an increase in the provision for credit losses and certain asset write-downs taken by the Company. During the third quarter, total revenue was \$391.4 million compared with \$249.7 million a year ago. The \$141.7 million increase was primarily due to an increase in average investments from a year ago related to net purchases during the first nine months of 2001 and the benefit of declining interest rates given the existing interest rate risk management position. Included in the third quarter 2001 were \$59.8 million of securities gains compared with \$1.1 million in the third quarter of 2000. Noninterest expenses were \$397.4 million in the third quarter of 2001 compared with \$368.9 million for the same period of 2000. The increase of \$28.5 million from third quarter of 2000 was primarily due to business growth. Noninterest expenses for the nine months ended September 30, 2001 were \$1,176.5 million compared with \$1,123.1 million for the first nine months of 2000. The increase of \$53.4 million was primarily related to \$36.8 million of partnership and equity investment losses recognized in the first nine months of 2001. 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 chargeoffs 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 nine months ended September 30, 2001 was \$676.8 million compared with a net recovery of \$27.4 million in 2000. The change in the provision reflects the Company's decision in the third quarter of 2001 to recognize an incremental provision for credit losses in light of recent events, declining economic conditions and deterioration in the credit quality of the loan portfolios 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.

#### STATEMENT OF INCOME ANALYSIS

**NET INTEREST INCOME** Third quarter net interest income on a taxable-equivalent basis was \$1,619.8 million, compared with \$1,534.2 million recorded in the third quarter of 2000. Year-to-date net interest income on a taxable-equivalent basis was \$4,779.9 million, compared with \$4,572.8 million for the first nine months of 2000. The third quarter and year-to-date average earning assets increased \$4.1 billion or 2.9 percent, and \$5.5 billion or 4.0 percent, over the comparable periods of 2000. These increases were primarily driven by increases in the investment portfolio, core commercial and retail loan growth, and the impact of acquisitions. This growth is partially offset by a \$2.3 billion decline in lower margin residential mortgages and a \$1.8 billion reduction related to transfers of low margin, higher quality, commercial loans to Stellar Funding Group, Inc. ("loan conduit"). The net interest margin in the third quarter of 2001 was 4.42 percent, compared with 4.32 percent in the third quarter of 2000 while the year-to-date net interest margin increased from 4.38 percent in 2000 to 4.40 percent in 2001. The improvement in the net interest margin reflects the funding benefit of the declining rate environment and improving spreads due to product re-pricing dynamics and loan conduit activities, offset by the first quarter 2001 sale of the high loan-to-value home equity and indirect automobile portfolios and lower yields on the investment portfolio. Total average loans for the third quarter of 2001 were \$2.0 billion lower, or 1.7 percent, than the third quarter of 2000 and year-to-date average loans were \$2.5 billion higher, or 2.2 percent, than the first nine months of 2000. Year-over-year loan growth was impacted by several management actions, including the first quarter of 2001 sale of the home equity and indirect automobile loan portfolios, recent acquisitions, branch divestitures, and transfers of short-term, high quality, commercial loans to the loan conduit. In addition, the Company continued to reduce its lower margin residential

mortgage portfolio. Excluding residential mortgage loans, average loans for the third quarter were higher by \$361 million, or .3 percent, than the third quarter of 2000.

Investment securities at September 30, 2001, were \$8.9 billion more than at September 30, 2000, and \$4.5 billion higher than at June 30, 2001, reflecting net purchases of securities. Average investment securities for the third quarter and first nine months of 2001 were \$5.9 billion higher (35.0 percent) and \$3.3 billion higher (18.7 percent), respectively, than the same periods of 2000.

Average noninterest-bearing deposits in the third quarter of 2001 were higher than the third quarter of 2000 by \$1.5 billion, or 6.3 percent. Average interest-bearing deposits declined by \$303 million, or .4 percent, from the third quarter of 2000. Growth in average interest checking and money market deposits was more than offset by reductions in the average balances of higher cost savings and time deposits. The reduction in savings certificates and time deposits primarily reflects pricing decisions during the declining rate environment.

**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. During the third quarter of 2001, the provision was \$1,289.3 million, compared with \$214.0 million for the third quarter of 2000. Included in the provision for credit losses for the third quarter of 2001 is an incremental provision of approximately \$1,025 million and a merger-related provision of \$14.3 million related to the restructuring of an existing co-branding relationship of USBM. The restructuring included the release of certain credit quality indemnifications from the original contract. Excluding the merger-related provision, the provision for credit losses increased \$1,061.0 million from a year ago. The provision for credit losses in the first nine months of 2001 was \$2,263.0 million, an increase of \$1,664.5 million from \$598.5 million in the same period of 2000. Included in the provision for credit losses for the first nine months of 2001 were merger-related provisions totaling \$382.2 million consisting of: a \$90.0 million charge to align risk management practices, align chargeoff policies and to expedite the transition out of a specific segment of the health care industry not meeting the risk appetite of the combined company; a \$76.6 million provision for losses related to the sale of high loan-to-value home equity loans and the indirect automobile loan portfolio of USBM; a \$201.3 million provision associated with management's decision to discontinue an unsecured small business product of USBM; and a \$14.3 million charge related to restructuring the co-branding relationship. Excluding the merger and restructuring-related provision of \$382.2 million, the provision for credit losses for the first nine months of 2001 increased by \$1,282.3 million over the first nine months of 2000 primarily due to a \$1,025.0 million incremental provision recognized in the third quarter of 2001 and a \$160.0 million charge during the first quarter of 2001

TABLE 4  
ANALYSIS OF NET INTEREST INCOME

Three Months Ended		Nine Months Ended		September 30,		September 30,			
-- (Dollars in Millions)		2001	2000	2001	2000	-----			
						----- Components of net interest income -----			
assets.....				\$2,729.1	\$3,114.8	\$8,610.2	\$8,978.2	Income on earning	
liabilities.....		1,109.3	1,580.6	3,830.3	4,405.4	----- Expenses on interest-bearing			
Net interest income (taxable-equivalent basis).....						\$1,619.8	\$1,534.2	\$4,779.9	\$4,572.8
=====		=====				Net interest income, as reported.....			
\$1,609.1	\$1,513.0	\$4,773.9	\$4,508.1	=====				Average yields and rates	
paid (taxable-equivalent basis)		Earning assets yield.....				7.44%		8.76%	7.93%
8.59% Rate paid on interest-bearing liabilities.....				3.67		5.38	4.28	5.11	-----
-----		Gross interest margin.....				3.77%		3.38%	3.65%
=====								3.48%	-----
								Net interest margin.....	
4.42%	4.32%	4.40%	4.38%	=====		Average balances		Investment	
securities.....				\$ 22,951		\$ 17,005	\$ 20,712	\$ 17,448	
Loans.....				117,414		119,390	119,535	116,992	Earning
assets.....				145,828		141,684	145,001	139,470	Interest-bearing
liabilities.....				119,933		117,009	119,626	115,124	Net free
funds*.....				25,895		24,675	25,375	24,346	
								-----	

\*Represents noninterest-bearing deposits, allowance for credit losses, non-earning assets, other liabilities and equity.

TABLE 5  
NONINTEREST INCOME

Three Months Ended				Nine Months Ended				September 30, September 30, -----			
-- (Dollars in Millions)				2001 2000 2001 2000 - -----							
								Credit card fee revenue.....			
\$ 192.2	\$ 208.2	\$ 588.9	\$ 569.0	Merchant and ATM processing revenue.....	138.5	53.0	252.1				
158.4				Trust and investment management fees.....	226.2	231.1	679.2	Deposit service			
				charges.....	168.7	144.3	491.9	Cash management			
				fees.....	89.7	74.7	251.4	Mortgage banking			
				revenue.....	60.3	44.7	165.5	Trading account profits and			
				commissions.....	43.6	50.9	171.3	Investment products fees and			
				commissions.....	108.0	107.8	347.9	Investment banking			
				revenue.....	56.9	100.6	188.2	Insurance product			
				revenue.....	42.5	37.4	123.4	Commercial product			
				revenue.....	96.2	86.0	266.1	Retail product			
				revenue.....	(17.2)	17.9	20.8	Securities gains,			
				net.....	59.8	1.1	307.1	1.1			
Other.....					42.9	75.9	119.8	236.9 -----			
				Total operating noninterest income.....				1,308.3	1,233.6	3,973.6	3,618.3
Merger and restructuring-related gains.....				-- --	62.2	--	-----				
				Total noninterest income.....				\$1,308.3	\$1,233.6	\$4,035.8	\$3,618.3

in connection with an accelerated workout strategy. The additional provision for credit losses were taken after extensive reviews of the Company's commercial portfolio in light of recent world events, declining economic conditions, and company-specific trends. This action recognized an increasing probability that the current economic slowdown will accelerate or be more prolonged as a result of recent events.

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

NONINTEREST INCOME Third quarter 2001 noninterest income was \$1,308.3 million, an increase of \$74.7 million from the third quarter of 2000. For the nine months ended September 30, 2001, noninterest income was \$4,035.8 million compared with \$3,618.3 million in 2000. During the first nine months, noninterest income included \$62.2 million of merger and restructuring-related gains in connection with the sale of 14 branches representing \$771 million in deposits. Year-to-date noninterest income, excluding merger and restructuring-related items, was \$3,973.6 million, an increase of \$355.3 million, or 9.8 percent, from \$3,618.3 million in the first nine months of 2000.

Noninterest income during the third quarter and first nine months of 2001 included \$59.8 million and \$307.1 million, respectively, of gains related to the sale of investment securities and principal-only residuals. The first nine months of 2000 included a total of \$46.9 million of securities gains and gains associated with the disposal of two office buildings. Excluding the impact of securities gains, merger and restructuring-related items and the building gains, noninterest income increased in the third quarter and for the first nine months of 2001 by \$16.0 million, or 1.3 percent, and \$68.3 million, or 1.4 percent, respectively, compared with the same periods of 2000. Credit card fee revenue declined \$16.0 million, or 7.7 percent, in the third quarter of 2001 and increased \$19.9 million, or 3.5 percent, in first nine months of 2001 over the same periods of 2000. The decline during the third quarter of 2001 is primarily due to lower corporate, purchasing and retail card transaction volumes that, in part, reflects lower charge volumes during the last three weeks of September. Merchant and ATM processing revenue was higher in the third quarter and first nine months of 2001 over the same period of 2000 by \$85.5 million, or 161.3 percent, and \$93.7 million, or 59.2 percent, principally due to the NOVA acquisition. Deposit service charges, commercial product revenue, cash management fees, and mortgage banking revenue improved \$65.2 million (18.6 percent) in the third quarter and \$193.9 million (19.8 percent) for the first nine months of 2001 over the same periods of 2000. The increase in deposit service charges was primarily due to the alignment and re-design of products and features following the Firststar/USBM merger and pricing enhancements during 2000. The increase in cash management fees and commercial product revenue was primarily driven by growth in core business, the impact of fees generated by the loan conduit, and product fee enhancements during 2000. Mortgage banking revenue

TABLE 6  
NONINTEREST EXPENSE

Three Months Ended Nine Months Ended September 30, September 30, -----									
-- (Dollars in Millions) 2001 2000 2001 2000 - -----									
----- Salaries.....									
\$ 580.3	\$ 602.4	\$1,741.3	\$1,833.4	Employee benefits.....	85.4	89.4	284.2		
301.6				Net occupancy.....	102.5	99.8	314.0	292.7	Furniture and
				equipment.....	74.9	79.6	226.7	232.0	Professional
				services.....	23.6	28.0	84.8	80.2	Advertising and
				marketing.....	28.3	33.4	93.3	94.8	Travel and
				entertainment.....	19.5	25.7	69.2	77.0	
				Software.....	33.9	27.5	97.2	81.6	Data
				processing.....	17.6	37.2	58.9	108.1	
				Communication.....	49.4	35.7	138.4	103.1	
				Postage.....	44.7	43.1	135.4	130.3	
				Printing.....	17.8	20.7	57.2	64.5	
				Goodwill.....	64.9	60.4	196.6	178.6	Other intangible
				assets.....	82.2	37.3	177.5	111.7	
Other.....					193.7	113.5	480.2	330.9	-----
----- Total operating noninterest expense.....									
4,020.5				Merger and restructuring-related charges.....	148.8	117.7	805.8	264.6	-----
----- Total noninterest expense.....									
								\$1,567.5	\$1,451.4
									-----
									Efficiency
				ratio*.....	54.6%	52.5%	58.3%	52.3%	Efficiency ratio, before merger and
				restructuring-related items.....	49.5	48.2	49.2	49.1	Banking
				efficiency ratio, before merger and restructuring-related items**.....	45.7	42.8	44.7		
					44.1				

\*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.

\*\*Without investment banking and brokerage activity.

increased in the third quarter of 2001 compared with the third quarter of 2000 due to increases in origination and sales fees and loan servicing revenue, partially offset by a decrease in gain on sale of servicing rights. Partially offsetting the increases in these items year-over-year was a reduction in capital markets revenues (primarily U.S. Bancorp Piper Jaffray and U.S. Bancorp Libra) and trust and investment management fees of \$127.0 million (8.4 percent). Declines in capital markets revenues and asset management fees reflected the adverse market conditions since late 2000. Other income, including insurance and retail product revenues, declined \$63.0 million for the third quarter and \$131.2 million for the first nine months from a year ago. The decline in other revenue primarily reflected growth in insurance fees offset by a \$36.0 million impairment of commercial and retail leasing residuals in the third quarter of 2001 and a decline in the level of gains on equity investments compared with the third quarter of 2000. Lower other income for the nine months ended September 30, 2001, also reflected a decline in building gains of \$45.8 million from a year ago.

NONINTEREST EXPENSE Third quarter 2001 noninterest expense was \$1,567.5 million, an increase of \$116.1 million, or 8.0 percent, from the third quarter of 2000. During the third quarter of 2001, noninterest expense included \$148.8 of merger and restructuring-related charges compared with \$117.7 million in the third quarter of 2000. Year-to-date noninterest expense was \$4,960.7 million, an increase of \$675.6 million, or 15.8 percent, from the first nine months of 2000. Year-to-date noninterest expense included \$805.8 million of merger and restructuring-related charges compared with \$264.6 million for the same period of 2000.

Third quarter 2001 noninterest expense, excluding merger and restructuring-related charges, totaled \$1,418.7 million, an increase of \$85.0 million, or 6.4 percent, from the third quarter of 2000. During the first nine months of 2001, noninterest expense, excluding merger and restructuring-related charges, totaled \$4,154.9 million, an increase of \$134.4 million, or 3.3 percent, from the first nine months of 2000. The third quarter increase in noninterest expense, on an operating basis, was primarily the result of core business growth and approximately \$85 million related to recent acquisitions, including NOVA, Scripps Financial Corporation, Lyon Financial Service, Inc. and 41 branches in Tennessee, \$24.7 million of MSR impairment related to the declining rate environment, and asset write-downs of \$14.0 million of commercial leasing partnerships and repossessed tractor/trailer

property. These items were partially offset by cost savings related to merger integration and restructuring activities and a reduction in expenses related to capital markets activity. The increase in noninterest expenses, on an operating basis, for the nine months ended September 30, 2001 was primarily the result of the impact of the NOVA acquisition, the MSR impairment and the asset write-downs. The increase was partially offset by integration cost savings and a reduction in expenses related to capital markets activity. Net occupancy, goodwill and other intangible expenses increased primarily due to the NOVA acquisition and the purchase of 41 branches in Tennessee completed in the fourth quarter of 2000.

In the third quarter of 2001, merger and restructuring-related items were \$163.1 million, including \$148.8 million of noninterest expenses and a \$14.3 million charge to the provision for credit losses. The total merger and restructuring items consisted of \$139.9 million of expenses associated with the merger of Firststar and USBM, \$17.6 million of restructuring expenses for U.S. Bancorp Piper Jaffray and \$5.7 million for other recent acquisitions. Other acquisitions primarily represent NOVA, Mercantile Bancorporation, the Tennessee branch purchase and Scripps Financial Corporation.

With respect to the Firststar/USBM merger, the \$139.9 million of merger and restructuring-related charges included \$51.9 million to restructure a co-branding relationship of USBM. The restructuring charge primarily consisted of a \$14.3 million provision for credit losses related to the release of certain credit quality indemnifications in the original contract and \$35.7 million for the impairment of intangibles. Merger and restructuring-related charges also included \$22.5 million of severance and employee-related costs, \$4.6 million of building and equipment costs, \$51.9 million of conversion and integration costs, and \$9.0 million of other restructuring expenses. Total merger and restructuring-related charges associated with the Firststar and USBM merger are expected to reach \$1,400.5 million, exceeding the original estimate of \$800 million by \$600.5 million. The majority of the increase is due to risk management policy conformance, the restructuring of the credit portfolio and discontinuing products or exiting businesses that do not correspond with the newly combined Company's strategic direction. These actions were not anticipated at the time the merger was announced. The actions are expected, however, to reduce the overall risk profile of the Company, as well as lead to higher cost savings than originally anticipated. In response to significant changes in the securities market during the past nine months and the increasingly competitive environment for the industry, U.S. Bancorp Piper Jaffray is restructuring its operations. The restructuring is expected to improve the operating efficiency of the business by removing the excess capacity from the product distribution system and by implementing new, more effective operating models. Of the estimated \$45.6 million of restructuring expense to be incurred, \$17.6 million and \$45.6 million was expensed in the third quarter of 2001 and the first nine months of 2001, respectively. In connection with the acquisition of NOVA, the Company anticipates total merger and restructuring-related charges of \$100 million to be incurred primarily in late 2001 and 2002.

**INCOME TAX EXPENSE** The provision for income taxes was \$21.9 million (an effective rate of 33.1 percent) for the third quarter of 2001 and \$534.9 million (an effective rate of 34.6 percent) for the first nine months of 2001, compared with \$370.9 million (an effective rate of 34.3 percent) and \$1,135.9 million (an effective rate of 35.0 percent) for the same periods of 2000. On an operating basis (excluding impact of merger and restructuring items), the provision for income taxes was \$74.0 million (an effective rate of 31.6 percent) in the third quarter of 2001 and \$906.2 million (an effective rate of 33.3 percent) for the first nine months of 2001, compared with \$410.1 million (an effective rate of 33.6 percent) and \$1,224.7 million (an effective rate of 34.3 percent) for the same periods of 2000.

#### BALANCE SHEET ANALYSIS

**LOANS** The Company's loan portfolio was \$114.6 billion at September 30, 2001, a decrease of \$7.8 billion from \$122.4 billion at December 31, 2000. Commercial loans, including lease financing, totaled \$47.3 billion at September 30, 2001, a decline of \$5.5 billion (10.4 percent) from year-end 2000. This change in commercial loans reflects the impact of equipment lease acquisitions offset by the Company's transfer of \$4.8 billion of short term, high quality, low yielding, commercial loans into the loan conduit in the first nine months of 2001 and the second quarter transfer of \$680 million in unsecured small business product to loans held for sale. The Company's portfolio of commercial real estate mortgages and construction loans was \$25.5 billion at September 30, 2001, a decline of \$908 million from December 31, 2000. Residential mortgages, held in the loan portfolio, continued to decline in the third quarter of 2001, decreasing to \$6.3 billion at September 30, 2001, from \$7.8 billion at December 31, 2000. The decline reflected management's decision to reduce portfolio balances in this loan



category. Total retail loan outstandings, which includes credit card, retail leasing, home equity and other retail loans, increased \$142 million to \$35.5 billion at September 30, 2001, from \$35.4 billion at December 31, 2000.

**LOANS HELD FOR SALE** At September 30, 2001, loans held for sale, primarily comprising an unsecured small business product and residential mortgage loans to be sold in the secondary markets, were \$2.4 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 as well as the second quarter transfer of approximately \$680 million of unsecured small business loans of the USBM. As part of realigning its small business products, management has decided to discontinue this specific product offering. Residential mortgage production increased to \$3.9 billion in the third quarter 2001 compared with \$1.8 billion in the fourth quarter of 2000.

**SECURITIES** At September 30, 2001, investment securities, both available-for-sale and held-to-maturity, totaled \$25.6 billion, compared with \$17.6 billion at December 31, 2000, primarily reflecting net purchases of available-for-sale securities. During the first nine months, the Company has sold \$18.5 billion of securities and purchased \$28.5 billion of investment securities. Securities sold in the third quarter primarily represented tax exempt municipal securities.

**DEPOSITS** Total deposits were \$103.8 billion at September 30, 2001, down \$5.7 billion (5.2 percent) from December 31, 2000. Noninterest-bearing deposits were \$27.1 billion at September 30, 2001, compared with \$26.6 billion at December 31, 2000. Interest-bearing deposits, including time deposits greater than \$100,000, totaled \$76.7 billion at September 30, 2001, compared with \$82.9 billion at December 31, 2000. The increase in noninterest-bearing deposit balances was primarily attributable to core business growth offset somewhat by branch divestitures. The change in interest-bearing deposits was primarily due to the impact of branch divestitures and pricing decisions related to savings certificates within the Company's markets and lower foreign deposits.

**BORROWINGS** Short-term borrowings, which include federal funds purchased, securities sold under agreements to repurchase and other short-term borrowings, were \$12.6 billion at September 30, 2001, up from \$11.8 billion at year-end 2000. The slight increase reflected funding requirements associated with investment portfolio purchases and a reduction in foreign deposits. Long-term debt was \$26.9 billion at September 30, 2001, up from \$21.9 billion at December 31, 2000. The increase reflected the issuance of \$1.5 billion of fixed-rate subordinated notes and \$1.1 billion of senior contingent convertible debt as well as funding decisions given the declining rate environment during the year.

#### CORPORATE RISK PROFILE

**CREDIT 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, real estate construction and consumer credit. The strategy also emphasizes diversification on both a geographic and customer level, regular credit examinations, and quarterly management reviews of large loans and loans experiencing deterioration of credit quality. The Company strives to identify potential problem loans early, take any necessary charge-offs promptly and maintain adequate reserve levels. Commercial banking operations rely on a strong credit culture that combines prudent credit policies and individual lender accountability. In addition, the Company's commercial lenders generally focus on middle market companies within their regions. The Company utilizes a credit risk rating system in order to measure the credit quality of individual commercial loan transactions. 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 nonlending activities that may give rise to credit risk, including interest rate swap contracts for balance sheet hedging purposes, foreign exchange transactions and interest rate swap contracts for customers, and the processing of credit card transactions for merchants. These activities are subject to the same 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, the level of allowance coverage, and macroeconomic factors. Generally, the domestic economy experienced slower growth in 2000. During 2001, corporate earnings have continued to weaken and credit quality indicators among certain industry sectors have continued to

TABLE 7  
SUMMARY OF ALLOWANCE FOR CREDIT LOSSES

Three Months Ended Nine Months Ended September 30, September 30, -----									
-- (Dollars in Millions) 2001 2000 2001 2000 - -----									
----- Balance at beginning of period.....									
	\$1,715.7	\$1,757.0	\$1,786.9	\$1,710.3	CHARGE-OFFS Commercial				
Commercial.....					323.8	79.9	693.2	228.0	Lease
financing.....			84.9	5.6	129.3	15.9	-----		
----- Total commercial.....			408.7	85.5	822.5	243.9	Commercial real estate		
Commercial mortgages.....			8.7	1.8	44.2	7.5	Construction and		
development.....			3.4	6.1	7.5	6.2	----- Total		
commercial real estate.....			12.1	7.9	51.7	13.7	Residential		
mortgages.....			4.5	3.0	12.7	10.6	Retail Credit		
card.....			77.1	58.2	216.3	173.5	Retail		
leasing.....			8.2	4.2	23.3	9.5	Other		
retail.....			110.1	94.1	320.7	281.4	-----		
----- Total retail.....			195.4	156.5	560.3	464.4	-----		
----- Total charge-offs.....									
Commercial Commercial.....					620.7	252.9	1,447.2	732.6	RECOVERIES
financing.....			6.7	.8	22.4	2.4	-----		
-- Total commercial.....			23.3	11.8	62.6	43.6	Commercial real estate Commercial		
mortgages.....			1.8	1.1	9.0	9.3	Construction and		
development.....			.3	.8	2.4	----- Total			
commercial real estate.....			1.8	1.4	9.8	11.7	Residential		
mortgages.....			.9	.7	2.6	1.2	Retail Credit		
card.....			5.6	5.8	18.5	19.6	Retail		
leasing.....			1.1	.5	3.0	1.3	Other		
retail.....			24.7	18.8	70.0	59.3	-----		
----- Total retail.....			31.4	25.1	91.5	80.2	-----		
----- Total recoveries.....									
Commercial Commercial.....					57.4	39.0	166.5	136.7	NET CHARGE-OFFS
financing.....			78.2	4.8	106.9	13.5	-----		
----- Total commercial.....			385.4	73.7	759.9	200.3	Commercial real estate		
Commercial mortgages.....			6.9	.7	35.2	(1.8)	Construction and		
development.....			3.4	5.8	6.7	3.8	----- Total		
commercial real estate.....			10.3	6.5	41.9	2.0	Residential		
mortgages.....			3.6	2.3	10.1	9.4	Retail Credit		
card.....			71.5	52.4	197.8	153.9	Retail		
leasing.....			7.1	3.7	20.3	8.2	Other		
retail.....			85.4	75.3	250.7	222.1	-----		
----- Total retail.....			164.0	131.4	468.8	384.2	-----		
----- Total net charge-offs.....									
----- Provision for credit losses.....									
2,263.0	598.5	Losses from loan sales/transfers.....		(1.3)	--	(329.3)	--	Acquisitions	
and other changes.....									
----- Balance at end of period.....			17.6	19.5	18.1	63.7	-----		
					\$2,458.0	\$1,776.6	\$2,458.0	\$1,776.6	
===== Allowance as a percentage of: Period-end									
loans.....					2.15%	1.46%	Nonperforming		
loans.....			243	267	Nonperforming assets.....				
			217	240	Annualized net charge-offs.....				
							110	209	

deteriorate. Large corporate and middle-market commercial businesses have announced or continue to implement restructuring activities in an effort to improve operating margins. The stagnant economic growth is evidenced by the Federal Reserve Board's 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 chargeoff policies of the companies, restructuring a specific segment of its healthcare portfolio, selling certain consumer loan portfolios of USBM and discontinuing an unsecured small business product that does not align with the product offerings of the combined company. The Company also implemented an accelerated loan workout strategy for certain commercial credits. By the end of the second quarter of 2001, economic stimulus by the Federal Reserve Board as well as management's actions appeared to have reduced the rate of credit quality deterioration. However, recent events during the third quarter of 2001 have resulted in an increasing probability that the current economic slowdown will accelerate or be more prolonged than previously estimated by management. As a result, 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. As a result, the Company recorded an incremental provision for credit losses of approximately \$1,025 million in the third quarter of 2001. The impact of these actions is discussed throughout the following sections.

**ANALYSIS OF NET CHARGE-OFFS** Total net loan charge-offs were \$563.3 million and \$1,280.7 million in the third quarter and first nine months of 2001, respectively, compared with \$213.9 million and \$595.9 in the same periods of 2000. The increase in net charge-offs for the quarter compared with third quarter of 2000 is primarily due to \$313.2 million of commercial charge-offs related to specific events or credit initiatives taken by management during the third quarter. The increase in year-to-date net charge-offs of \$684.8 million was due to deterioration in economic conditions affecting the commercial loan portfolio, actions taken by the Company during the first nine months of 2001, and an increase in credit card net charge-offs. Also, included in year-to-date net charge-offs are \$90.0 million of write-offs to conform risk management practices, align charge-off policies and expedite the transition out a specific segment of the health care portfolio not meeting the risk profile of the combined company.

Commercial and commercial real estate loan net charge-offs were \$395.7 million for the third quarter of 2001, or 2.07 percent of average loans outstanding, compared with \$80.2 million, or .40 percent, of average loans outstanding, in the third quarter of 2000. Approximately \$313.2 million of the increase in charge-offs reflected several factors including: a large cattle

TABLE 8  
NET CHARGE-OFFS AS A PERCENTAGE OF AVERAGE LOANS OUTSTANDING

Three Months Ended	Nine Months Ended	September 30,	September 30,				
-- 2001	2000	2001	2000	-----			
				COMMERCIAL Commercial..... 2.79% .59%			
1.92%	.55%	Lease financing.....	5.24 .43 2.44 .43	-----			
				Total commercial..... 3.08 .57 1.98 .54			
				COMMERCIAL REAL ESTATE Commercial mortgages..... .14 .01 .25 (.01)			
Construction and development.....	.19 .33 .12 .07						
				----- Total commercial real estate..... .16 .10 .21 .01			
				MORTGAGES..... .22 .10 .19 .13			
card.....	4.97 4.16 4.67 4.23	RETAIL Credit					
leasing.....	.61 .43 .61 .38	Other					
retail.....	1.37 1.22 1.35 1.22						
				----- Total retail..... 1.85 1.58 1.80 1.60			
				----- Totalloans..... 1.90% .71% 1.43% .68%			

TABLE 9  
NONPERFORMING ASSETS\*

September 30, December 31, (Dollars in Millions) 2001 2000 - -----			
----- COMMERCIAL			
Commercial.....	\$ 580.8	\$ 470.4	Lease
financing.....	136.6	70.5	-----
Total commercial.....	717.4	540.9	COMMERCIAL REAL ESTATE
Commercial mortgages.....	124.7	105.5	Construction and
development.....	55.5	38.2	----- Total
commercial real estate.....	180.2	143.7	RESIDENTIAL
MORTGAGES.....	76.7	56.9	RETAIL Credit
card.....	--	8.8	Retail
leasing.....	5.3	--	Other
retail.....	31.7	15.0	-----
Total retail.....	37.0	23.8	-----
-- Total nonperforming loans.....	1,011.3	765.3	OTHER REAL
ESTATE.....	55.4	61.1	OTHER
ASSETS.....	65.7	40.6	-----
-- Total nonperforming assets.....	\$ 1,132.4	\$ 867.0	-----
----- Accruing loans 90 days or more past due**.....	\$ 483.8	\$ 385.2	
Nonperforming loans to total loans.....	.88%	.63%	Nonperforming assets
to total loans plus other real estate.....			
	.99	.71	

DELINQUENT LOAN RATIOS*** September 30, December 31, 90 days or more past due 2001 2000 - --			
-----			
COMMERCIAL Commercial.....	1.60%	1.11%	Lease
financing.....	2.83	1.24	-----
Total commercial.....	1.76	1.13	COMMERCIAL REAL ESTATE
Commercial mortgages.....	.73	.61	Construction and
development.....	1.32	.57	----- Total
commercial real estate.....	.88	.60	RESIDENTIAL
MORTGAGES.....	2.07	1.49	RETAIL Credit
card.....	2.08	1.85	Retail
leasing.....	.25	.20	Other
retail.....	.71	.64	-----
Total retail.....	.87	.79	-----
Total.....	1.31%	.94%	

\*Throughout this document, nonperforming assets and related ratios do not include accruing loans 90 days or more past due.

\*\*These loans are not included in nonperforming assets and continue to accrue interest because they are secured by collateral and/or are in the process of collection and are reasonably expected to result in repayment or restoration to current status.

\*\*\*Ratios include nonperforming loans and are expressed as a percent of ending loan balances.

fraud, recent collateral deterioration specific to transportation equipment caused by the impact of 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 loan net charge-offs for the first nine months of 2001 were \$801.8 million, or 1.38 percent of average loans outstanding, compared with \$202.3 million, or .36 percent, of average loans outstanding for the first nine months of 2000. In addition to specific actions taken in the third quarter,

commercial and commercial real estate loan net charge-offs for the first nine months of 2001 included \$255.0 million in merger and restructuring-related charge-offs and \$160.0 million of charge-offs associated with accelerated loan workout strategy announced in the first quarter.

Retail loan net charge-offs of \$164.0 million in the third quarter of 2001 were higher than the same period of 2000 by \$32.6 million, or 24.8 percent. For the nine months ended September 30, 2001, retail loan net charge-offs of \$468.8 million were higher by \$84.6 million, or 22.0 percent, than the same period of 2000. Included in the first quarter of 2001 net retail charge-offs were \$21.3 million of charge-offs associated with portfolios sold at the end of the quarter. Retail loan net charge-offs as a percent of average loans outstanding were 1.85 percent in the third quarter and 1.80 percent in the first nine months of 2001, compared with 1.58 percent and 1.60 percent in the third quarter and first nine months of 2000, respectively. The increase in retail chargeoffs during the third quarter and the first nine months of 2001 was primarily due to higher bankruptcies and consumer delinquencies, reflecting the continuing downturn in economic conditions.

In assessing the impacts of specific events and credit initiatives, management attempts to determine the level of net chargeoffs on a "normalized" basis. Excluding net chargeoffs associated with specific events or credit initiatives, management estimates that normalized net chargeoffs would be approximately \$250.1 million during the third quarter of 2001. Given the increasing probability that the current economic slowdown will accelerate or be more prolonged by recent events, there is still significant uncertainty as to the level and timing of commercial charge-offs over the next several quarters.

**ANALYSIS OF NONPERFORMING ASSETS** Nonperforming assets at September 30, 2001, totaled \$1,132.4 million, compared with \$867.0 million at December 31, 2000. The \$265.4 million increase in nonperforming assets from December 31, 2000, to September 30, 2001, was primarily due to merger and restructuring-related and risk management actions taken during the year, credits being reduced to secondary market valuations and placed on nonperforming status, and continuing stress in sectors of the economy, particularly in manufacturing, automobile and transportation. The increase was partially offset by the disposition of nonperforming assets identified as part of the Company's accelerated workout program in the first quarter of 2001 and commercial charge-offs taken during the third quarter of 2001. The ratio of nonperforming assets to loans and other real estate owned was .99 percent at September 30, 2001, compared with .71 percent at December 31, 2000. Given 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 at September 30, 2001, totaled \$483.8 million, compared with \$385.2 million at December 31, 2000. These loans were not included in nonperforming assets because they were secured by collateral and/or are in the process of collection and are reasonably expected to result in repayment or be returned to current status. Retail loans 30 to 89 days past due were 1.99 percent of the retail loan portfolio at September 30, 2001, compared with 2.02 percent at December 31, 2000. The percentage of retail loans 90 days or more past due was .87 percent of total retail loans at September 30, 2001, compared with .79 percent at December 31, 2000.

**ANALYSIS AND DETERMINATION OF THE 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.

The allowance for credit losses was \$2,458.0 million at September 30, 2001, \$671.1 million higher than the allowance for credit losses of \$1,786.9 million at December 31, 2000. Several factors impacted the allowance for credit losses during the first nine months of 2001 including merger and restructuring-related credit actions, management's extensive review of the commercial loans portfolio in light of current economic conditions, risk rating changes by regulators of shared national credits agented by other banks, Company-specific portfolio trends, and the transfer of the unsecured small business line of credit portfolio to loans held for sale. During the third quarter of 2001, the Company recognized an incremental provision for credit losses to strengthen allowance coverage ratios. This action recognizes an increasing probability that the current economic slowdown will accelerate or be more prolonged as a result of recent events. This action also reflects increasing uncertainties surrounding the timing of an economic recovery and its impact on the credit quality of the loan portfolio. Given recent events, deterioration in the manufacturing and transportation sectors is now expected to continue. Uncertainty with respect to the airline industry, travel and entertainment and consumer-related businesses also

TABLE 10

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

At September 30, 2001 (Dollars in Millions) - -----					
		Weighted Weighted Average Average Notional Interest Rate			
Interest Rate	Maturity Date	Amount	Received	Paid	- -----
2001.....		\$ 15	6.22%	2.61%	
2002.....		3,295	4.57	3.31	
2003.....		2,516	4.97	3.18	
2004.....		2,975	5.35	3.28	
2005.....		1,984	6.07	3.46	
Thereafter.....		5,355	6.43	3.54	-----
Total.....		\$16,140	5.58%	3.38%	

\*At September 30, 2001, the Company received fixed-rate interest and paid variable-rate interest on substantially all swaps in its hedging portfolio. The Company had \$1.0 billion in basis swaps maturing in 2002.

has been considered by management in determining the allowance for credit losses as of September 30, 2001. The ratio of allowance for credit losses to nonperforming loans was 243 percent at September 30, 2001, up from the ratio of 233 percent at December 31, 2000. The ratio of allowance for credit losses to period-end loans was 2.15 percent of loans at September 30, 2001, compared with the ratio of 1.46 percent at December 31, 2000. Management has determined that the allowance for credit losses is adequate.

**INTEREST RATE RISK MANAGEMENT** The Company manages its exposure to adverse changes in interest rates through asset and liability management activities within guidelines established by its Asset/Liability Policy Committee ("ALPC"). The Company limits the exposure of net interest income associated with interest rate movements through asset/liability management strategies. The ALPC uses net interest income simulation modeling and market value of equity as the primary methods for measuring and managing consolidated interest rate risk.

**NET INTEREST INCOME SIMULATION MODELING:** The Company uses a net interest income simulation model to estimate the impact on net interest income and net interest margin due to changes in interest rates. The model, which is updated monthly, 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. ALPC also calculates the sensitivity of the simulation results to changes in key assumptions, such as the Prime/LIBOR spread or core deposit repricing. The results from the simulation are reviewed by ALPC monthly and are used to guide ALPC's hedging strategies. ALPC guidelines, approved by the Company's Board of Directors, limit the estimated change in net interest income to 7.5 percent of forecasted net interest income given a 3 percent change in interest rates occurring over a 12 month time period. Forecasted net interest income for the next 12 months would decrease approximately .33 percent from an upward parallel shift in rates and would increase approximately .15 percent from a downward shift of similar magnitude.

**MARKET VALUE OF EQUITY** The Company also uses market value of equity as an interest rate risk management tool. The market value of equity measures the changes in the value of the Company's assets and liabilities to changes in interest rates. This model estimates the effect of 1 percent, 2 percent and 3 percent rate shocks on the present value of substantially all future cash flows of the Company's outstanding assets, liabilities and off-balance sheet instruments. ALPC also calculates the sensitivity of the simulation results to changes in key assumptions, such as core deposit repricing and core deposit life. The amount of market value risk is subject to a limit, approved by the Company's Board of Directors, of 15 percent change for an immediate 200 basis point rate shock. The Company's market value risk position continues to be substantially lower than its limits.

**USE OF DERIVATIVES TO MANAGE INTEREST RATE RISK** While each of the interest rate risk measurements has limitations, taken together they represent a comprehensive view of the magnitude of the Company's interest rate risk over various time intervals. The Company manages its risk by entering into derivative contracts, primarily receive fixed interest rate swaps and to a lesser degree basis swaps and interest rate caps and floors.

Interest rate swap agreements involve the exchange of fixed and variable rate payments without the exchange of the underlying notional amount on which the interest payments are calculated. As of September 30, 2001, the Company received and made payments on \$16.1 billion notional amount of interest

TABLE 11  
CAPITAL RATIOS

September 30, December 31, (Dollars in Millions) 2001 2000 - -----			
----- Tangible common			
equity.....	\$ 9,524	\$ 10,045	As a percent of tangible
assets.....	5.9%	6.3%	Tier 1
capital.....	\$ 11,802	\$ 11,602	As a percent of
risk-weighted assets.....	7.2%	7.2%	As a percent of adjusted quarterly
average assets (leverage ratio).....	7.4%	7.4%	Total
risk-based capital.....	\$ 18,687	\$ 17,038	As a percent of
risk-weighted assets.....	11.5%	10.6%	

rate swap agreements. These swaps had a weighted average interest rate received of 5.58 percent and a weighted average interest rate paid of 3.38 percent. The remaining maturity of these agreements ranges from 2 months to 25.2 years with an average remaining maturity of 5.0 years.

The Company also purchases interest rate caps, floors, and basis swaps to minimize the impact of fluctuating interest rates on earnings. To reduce its exposure to rising interest rates, the Company may use interest rate caps. Counterparties to these interest rate cap agreements pay the Company based on the notional amount and the difference between current rates and strike rates. There were no caps outstanding at September 30, 2001. To reduce its exposure to declining interest rates, the Company uses interest rate floors. Like caps, counterparties to interest rate floor agreements pay the Company based on the notional amount and the difference between current rates and strike rates. There were no floors outstanding at September 30, 2001. Basis swaps help the Company manage the interest income risk associated with LIBOR-based funding of prime based lending relationships. At September 30, 2001, the notional amount of the Company's basis swaps totaled \$1.0 billion. The impact of basis swaps, and interest rate caps and floors was not significant to the results of operations for the third quarters of 2001 and 2000.

All derivative transactions that qualify for hedge accounting are recorded at fair value as other assets or liabilities on the balance sheet. The derivatives are classified as either a hedge of the fair value of a recognized fixed rate asset or liability ("fair value" hedge) or as a hedge of the variability of cash flows related to a recognized asset or liability or a forecasted transaction ("cash flow" hedge).

Changes in the fair value of derivatives designated as fair value hedges and the offsetting changes in the fair value of the hedged items are recorded in income. Changes in the fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income until income from the cash flows of the hedged items are recorded. The Company performs an assessment, both at the inception of the hedge and on an ongoing basis, to determine whether these derivatives are highly effective in offsetting changes in the hedged items. Hedge ineffectiveness for both cash flow and fair value hedges is immediately recorded in noninterest income.

For a fair value hedge, if the swap or contract is terminated, or ceases to be highly effective, the gain or loss recorded as an adjustment to the carrying amount of the hedged item is amortized to earnings over the remaining life of the hedged asset or liability. If the hedged item is disposed of, the swap or contract agreement is marked to market with any resulting gain or loss included in the gain or loss from the disposition.

For a cash flow hedge, if the swap or contract is terminated, or ceases to be highly effective, the gain or loss recorded in other comprehensive income is amortized into income during the same period(s) that the forecasted hedged transaction impacts earnings. If the hedged item is disposed of, or a forecasted transaction is no longer probable, the swap or contract agreement is marked to market with any resulting gain or loss included in the gain or loss from the disposition.

Intermediated swaps and all other derivative contracts are marked to market and resulting gains or losses are recorded in trading account profits and commissions. The Company's derivative trading activities are not material to the consolidated financial statements.

The Company's interest rate swaps designated as fair value hedges of underlying fixed rate debt, trust preferred securities, and deposit obligations have a fair value of \$478.4 million at September 30, 2001, which includes the addition of \$2.2 billion notional amount of interest rate swaps that are designated as a hedge of fixed rate debt issued in third quarter 2001. In addition, 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 fair value of the forward commitments at September 30, 2001 was (\$6.5) million.

The Company has interest rate swaps designated as cash flow hedges linked to the cash flows of variable rate loans. The swaps have a fair value of \$170.3 million at September 30, 2001, which includes \$1.5 billion notional amount of interest rate swaps added as a hedge of variable rate loans during the third quarter of 2001. No significant changes have occurred in the Company's derivatives not treated as hedges for accounting purposes in the third quarter of 2001.

**MARKET RISK MANAGEMENT** Market risk is subject to regular monitoring by management. The Company uses a value-at-risk ("VaR") model to measure and manage market risk in its trading activities. The VaR model uses an estimate of volatility appropriate to each instrument and a ninety-ninth percentile adverse move in the underlying markets. Market risk limits are established subject to approval by the Company's Board of Directors. The Company's VaR limit was \$40 million at September 30, 2001. The market valuation risk inherent in its broker/dealer activities, including equities, fixed income, high yield securities and foreign exchange, as estimated by the VaR analysis, was \$12.3 million at September 30, 2001.

In addition to the VaR analysis, the Company imposes stop loss limits and position limits. A stress-test model is used to provide management with 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.

**CAPITAL MANAGEMENT** Total shareholders' equity was \$16.8 billion at September 30, 2001, compared with \$15.2 billion at December 31, 2000. The increase was the result of corporate earnings, including merger and restructuring-related items, offset by common stock dividends declared.

Tangible common equity to assets was 5.9 percent at September 30, 2001, compared with 6.3 percent at December 31, 2000. The Tier 1 capital ratio was 7.2 percent at September 30, 2001, remaining flat compared to December 31, 2000. The total risk-based capital ratio was 11.5 percent at September 30, 2001, compared with 10.6 percent at December 31, 2000. The improvement in the total risk-based capital ratio during 2001 primarily reflected the changes in the mix of investment securities in addition to the issuance of trust preferred securities. The leverage ratio was 7.4 percent at September 30, 2001, and December 31, 2000. All regulatory ratios continue to be in excess of stated "well capitalized" requirements.

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 two 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 in connection with the July 24, 2001 acquisition of NOVA. During the third quarter of 2001, the Company repurchased 1.3 million shares of common stock in both public and private transactions. The Company also entered into forward contracts to repurchase the majority of the remaining shares authorized for repurchase. These contracts include agreements to repurchase 18.4 million shares in the fourth quarter of 2001, 17.8 million shares in the first quarter of 2002 and 8.9 million shares in the second quarter of 2002.

## 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, although recorded, 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 Standards 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 adoption and at least annually, thereafter. Any impairment changes resulting from the initial adoption would be recognized as a "cumulative effect of accounting change" 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 has not yet fully determined the impact these standards may have on its financial position or results of operations.

CONSOLIDATED BALANCE SHEET

September 30, December 31, (Dollars in Millions) 2001 2000 - -----			
----- (Unaudited) ASSETS Cash and			
due from banks.....	\$ 7,570	\$ 8,475	Money market
investments.....	763	657	Trading account
securities.....	746	753	Investment securities Held-to-maturity
(fair value \$291 and \$257, respectively).....		279	252
Available-for-sale.....	25,349	17,390	Loans held for
sale.....	2,407	764	Loans
Commercial.....	47,259	52,817	Commercial real
estate.....	25,535	26,443	Residential
mortgages.....	6,279	7,753	
Retail.....	35,494	35,352	-----
----- Total loans.....		114,567	122,365 Less
allowance for credit losses.....	2,458	1,787	----- Net
loans.....	112,109	120,578	Premises and
equipment.....	1,773	1,836	Customers' liability on
acceptances.....	150	183	Goodwill and other intangible
assets.....	7,448	5,309	Other
assets.....	9,236	8,724	-----
---- Total assets.....		\$ 167,830	\$ 164,921
===== LIABILITIES AND SHAREHOLDERS' EQUITY Deposits Noninterest-			
bearing.....	\$ 27,074	\$ 26,633	Interest-
bearing.....	65,874	68,177	Time deposits greater than
\$100,000.....	10,857	14,725	----- Total
deposits.....	103,805	109,535	Short-term
borrowings.....	12,614	11,833	Long-term
debt.....	26,881	21,876	Company-obligated
mandatorily redeemable preferred securities of subsidiary trusts holding solely the junior			
subordinated debentures of the parent company.....	2,115	1,400	Acceptances
outstanding.....	150	183	Other
liabilities.....	5,448	4,926	-----
---- Total liabilities.....		151,013	149,753 Shareholders'
equity Common stock, par value \$0.01 a share authorized: 9/30/01 --	4,000,000,000	shares;	
12/31/00 --	2,000,000,000	shares issued: 9/30/01 --	1,972,454,062
12/31/00 --	1,943,541,593	shares.....	20
19	Capital		
surplus.....	4,918	4,276	Retained
earnings.....	11,585	11,658	Less cost of common stock in
treasury: 9/30/01 --	3,488,518	shares; 12/31/00 --	41,458,159
shares.....	(62)	(880)	Other comprehensive
income.....	356	95	----- Total
shareholders' equity.....	16,817	15,168	-----
Total liabilities and shareholders' equity.....		\$ 167,830	\$ 164,921
=====			

See Notes to Consolidated Financial Statements.

Three Months Ended	Nine Months Ended	September 30,	September 30,	(Dollars and Shares in Millions, Except Per Share Data)	-----	(Unaudited) 2001	2000	2001	2000	-----
----- INTEREST										
INCOME	Loans.....			\$2,285.6	\$2,710.7	\$7,384.4	\$7,774.6	Loans		
	held for sale.....	53.9	32.7	96.4	79.9	Investment securities				
	Taxable.....			321.2	250.4	862.3	757.0	Non-		
	taxable.....	15.9	34.8	74.9	107.2	Money market				
	investments.....	6.3	14.5	22.6	43.1	Trading				
	securities.....	11.2	12.8	41.2	39.7	Other interest				
income.....		24.3	37.7	82.4	112.0	-----				
-----	Total interest income.....	2,718.4	3,093.6	8,564.2	8,913.5	INTEREST EXPENSE				
	Deposits.....	670.0	954.0	2,336.7	2,643.1	Short-term				
	borrowings.....	122.9	191.2	433.5	561.0	Long-term				
	debt.....	276.7	403.9	957.4	1,112.1	Company-obligated mandatorily				
	redeemable preferred securities of subsidiary trusts holding solely the junior subordinated debentures of the parent company.....	39.7	31.5	102.7	89.2	-----				
	interest expense.....	1,109.3	1,580.6	3,830.3	4,405.4	Total				
-----	Net interest income.....				1,609.1	1,513.0	4,733.9			
4,508.1	Provision for credit losses.....	1,289.3	214.0	2,263.0	598.5	-----				
-----	Net interest income after provision for credit losses.....				319.8	1,299.0				
2,470.9	3,909.6	NONINTEREST INCOME								
	Credit card fee revenue.....				192.2	208.2				
588.9	569.0	Merchant and ATM processing revenue.....			138.5	53.0	252.1	158.4	Trust and	
	investment management fees.....	226.2	231.1	679.2	692.4	Deposit service				
	charges.....	168.7	144.3	491.9	405.7	Cash management				
	fees.....	89.7	74.7	251.4	220.6	Mortgage banking				
	revenue.....	60.3	44.7	165.5	135.5	Trading account profits and				
	commissions.....	43.6	50.9	171.3	196.0	Investment products fees and				
	commissions.....	108.0	107.8	347.9	357.7	Investment banking				
	revenue.....	56.9	100.6	188.2	267.5	Commercial product				
	revenue.....	96.2	86.0	266.1	219.2	Securities gains,				
	net.....	59.8	1.1	307.1	1.1	Merger and restructuring-related				
	gains.....	--	--	62.2	--	Other.....				68.2
	131.2	264.0	395.2	-----	Total noninterest					
	income.....	1,308.3	1,233.6	4,035.8	3,618.3	NONINTEREST EXPENSE				
	Salaries.....	580.3	602.4	1,741.3	1,833.4	Employee				
	benefits.....	85.4	89.4	284.2	301.6	Net				
	occupancy.....	102.5	99.8	314.0	292.7	Furniture and				
	equipment.....	74.9	79.6	226.7	232.0					
	Communication.....	49.4	35.7	138.4	103.1					
	Postage.....	44.7	43.1	135.4	130.3					
	Goodwill.....	64.9	60.4	196.6	178.6	Other intangible				
	assets.....	82.2	37.3	177.5	111.7	Merger and restructuring-related				
	charges.....	148.8	117.7	805.8	264.6					
Other.....		334.4	286.0	940.8	837.1	-----				
-----	Total noninterest expense.....				1,567.5	1,451.4	4,960.7	4,285.1		
-----	Income before income taxes.....									

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U.S. Bancorp

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

Other Total (Dollars in Millions) Common Shares Common Capital Retained Treasury Comprehensive Shareholders' (Unaudited)									
Outstanding Stock Surplus Earnings Stock Income Equity -									
----- BALANCE DECEMBER 31, 1999.....									
						1,928,509,178	\$ 19.4	\$4,258.6	
\$10,049.4	\$ (224.3)	\$ (156.6)	\$ 13,946.5	Net income.....	2,106.9	2,106.9	Unrealized loss on securities available		
				for sale.....	123.5	123.5	Reclassification of losses realized in net income.....	(.6)	(.6)
				benefit.....	(44.7)	(44.7)	----- Total other comprehensive income...	78.2	Cash dividends declared on
				common stock.....	(950.4)	(950.4)	Issuance of common stock and treasury shares.....	20,430,293	1.5 331.3
				332.8 Purchase of treasury stock....	(58,633,923)	(1,182.2)	(1,182.2)	Shares reserved to meet deferred compensation	
				obligations.....	6.8	(6.8)	-- Amortization of restricted stock.....	1.7	1.7
----- BALANCE SEPTEMBER 30, 2000....									
								1,890,305,548	\$ 19.4
								\$4,268.6	\$11,205.9
								\$(1,082.0)	\$ (78.4)
								\$ 14,333.5	
=====									
BALANCE DECEMBER 31, 2000.....									
						1,902,083,434	\$ 19.4	\$4,275.6	\$11,658.0
							\$ (880.1)	\$ 95.5	\$ 15,168.4
									Net
									income.....
									1,011.1 1,011.1
									Unrealized gain on securities available for sale.....
									530.5 530.5
									Unrealized
									gain on derivatives.....
									189.7 189.7
									Reclassification of gains realized in net income.....
									(307.1) (307.1)
									Foreign currency translation adjustment.....
									(4.1) (4.1)
									Tax cost.....
									(148.4) (148.4)
									-----
									--- Total other comprehensive income...
									260.6
									Cash dividends declared on common stock.....
									(1,084.1) (1,084.1)
									Issuance of common stock and treasury shares.....
									68,215,250 .7 1,402.4
									27.5 1,430.6
									Retirement of treasury
									stock.....
									(.4) (823.2) 823.6
									-- Purchase of treasury stock....
									(1,333,140) (32.3) (32.3)
									Shares reserved to
									meet deferred compensation obligations.....
									.4 (.4)
									-- Amortization of restricted stock.....
									62.2 62.2
----- BALANCE SEPTEMBER 30,									
									2001....
									1,968,965,544
									\$ 19.7
									\$4,917.4
									\$11,585.0
									\$ (61.7)
									\$ 356.1
									\$ 16,816.5
=====									

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Nine Months Ended September 30, (Dollars in Millions) -----			
(Unaudited) 2001 2000 -----			
----- OPERATING ACTIVITIES Net cash provided by operating			
activities.....	\$ 2,324.5	\$ 3,667.4	----- INVESTING
ACTIVITIES Securities Sales.....			
18,491.5	9,228.6	Maturities.....	2,701.3
1,587.0	Purchases.....	(28,454.7)	(9,678.2)
Loans Sales.....	2,599.4	2,268.2	
Purchases.....	(44.0)	(592.9)	Net decrease
(increase) in loans outstanding.....	3,286.7	(9,520.9)	Net purchases of
bank premises and equipment.....	(104.2)	(117.9)	Acquisitions, net of cash
acquired.....	(740.4)	(272.0)	Divestitures of
branches.....	(340.0)	(78.2)	Other -
net.....	(125.6)	(362.6)	-----
----- Net cash used in investing activities..... (2,730.0) (7,538.9) -			
----- FINANCING ACTIVITIES Net change in			
Deposits.....	(5,671.6)	940.3	Short-term
borrowings.....	3,188.1	1,594.3	Principal payments on
long-term debt.....	(6,540.8)	(3,853.2)	Proceeds from long-term
debt.....	8,704.3	5,540.5	Issuance of Company-obligated
mandatorily redeemable preferred securities of subsidiary trusts holding solely the			junior subordinated debentures of the parent
company.....	700.0	--	Proceeds from
issuance of common stock.....	127.9	156.6	Repurchase of common
stock.....	(32.3)	(1,182.2)	Cash dividends
paid.....	(869.4)	(955.1)	-----
Net cash (used in) provided by financing activities..... (393.8) 2,241.2 -----			
----- Change in cash and cash equivalents..... (799.3)			
(1,630.3)	Cash and cash equivalents at beginning of period.....	9,131.6	9,257.5
----- Cash and cash equivalents at end of period..... \$			
	8,332.3	\$ 7,627.2	

See Notes to Consolidated Financial Statements.

(Unaudited)

## NOTE 1

## BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and, therefore, do not include all information and footnotes necessary for a complete presentation of financial position, results of operations and cash flow activity required in accordance with accounting principles generally accepted in the United States. In the opinion of management of U.S. Bancorp (the "Company"), all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of results have been made, and the Company believes such presentation is adequate to make the information presented not misleading. For further information, refer to the consolidated financial statements and footnotes included in the Company's Current Report on Form 8-K dated April 17, 2001, which includes the Company's restated financial statements and footnotes for the year ended December 31, 2000. The financial statements give effect to the merger of the former U.S. Bancorp ("USBM") and Firststar Corporation ("Firststar") as discussed in Note 3. Certain amounts in prior periods have been reclassified to conform to the current presentation.

Accounting policies for the lines of business are generally 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. Table 3 "Line of Business Financial Performance" on pages 8 and 9 provides details of segment results. This information is incorporated by reference into these Notes to Consolidated Financial Statements.

## 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. The Company adopted SFAS 133 as of January 1, 2001. 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 although recorded, 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 Standards 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 adoption and at least annually, thereafter. Any impairment changes resulting from the initial adoption would be recognized as a "cumulative effect of accounting changes" 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 has not yet fully determined the impact that these standards may have on its financial position or results of operations.

NOTE 3  
BUSINESS COMBINATIONS

On February 27, 2001, Firstar 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 Firstar stock was converted into and exchanged for one share of the Company's common stock while each share of USBM stock was converted into and exchanged for 1.265 shares of the Company's common stock. The new Company retained the U.S. Bancorp name.

On September 20, 1999, Firstar 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 converted into and exchanged for 2.091 shares of Firstar 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 of \$2.9 billion and total liabilities 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 identifiable assets ("goodwill") of \$1.6 billion.

On September 7, 2001, the Company acquired 20 branches in Southern California from Pacific Century Bank in a cash transaction. The transaction was accounted for as a purchase.

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 Firstar as the original acquiring company:

Goodwill & Other Cash Paid/ Accounting (Dollars and Shares in Millions)	Date	Assets	Deposits	Intangibles (Received)	Shares Issued Method
-----	-----	-----	-----	-----	-----
Pacific Century Bank Branches.....	September 2001	\$ 570	\$ 712	\$ 138	\$ (40) -- Purchase NOVA Corporation.....
July 2001 949 -- 1,932 842 56.9	Purchase U.S. Bancorp.....	February 2001			
86,602 51,335 -- -- 952.4	Pooling First Union Branches.....	December 2000	450	1,779	347 (1,123) -- Purchase Scripps Financial Corporation.....
October 2000 650 618 113 -- 9.4	Purchase Lyon Financial Services, Inc.....	September 2000	1,289		
-- 124 307 --	Purchase Oliver-Allen Corporation.....	April 2000	280	-- 34 -- 3.3	Purchase Peninsula Bank.....
January 2000 491 452 71 -- 5.1	Purchase Western Bancorp.....	November 1999	2,508		
2,105 773 -- 35.1	Purchase Mercantile Bancorporation.....	September 1999	35,520	24,334 -- -- 331.8	Pooling Voyager Fleet Systems, Inc.....
September 1999 43 -- 25 27 --	Purchase Bank of Commerce.....	July 1999	638	529	269 -- 11.8
Purchase Mellon Network Services' Electronic Funds Transfer Processing Unit...	June 1999	-- -- 78	170	--	Purchase Libra Investments, Inc.....
January 1999 33 -- 4 -- 1.3	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:

Three Months Ended		Nine Months Ended		September 30, September 30,		-----	
-- (Dollars in Millions)		2000 2000		-		-----	
						-----	
						NET INTEREST INCOME	
	Firststar.....					\$ 679	\$ 2,023
USBM.....			866	2,573			-----
	----- Total.....					\$ 1,545	\$ 4,596
						=====	
						NET INCOME	
	Firststar.....					\$ 309	\$ 934
USBM.....			401	1,173			-----
	----- Total.....					\$ 710	\$ 2,107
						=====	
		September 30, 2000		-----		TOTAL ASSETS AT PERIOD END	
	Firststar.....					\$ 74,506	
USBM.....				86,349			-----
	Total.....					\$ 160,855	-----
						=====	

#### NOTE 4

##### MERGER AND RESTRUCTURING-RELATED ITEMS

The Company recorded merger and restructuring-related items of \$1,125.8 million in the first nine months of 2001. These charges were primarily related to the merger of Firststar and USBM. Other merger and restructuring-related charges in 2001 were related to both companies various prior acquisitions and included primarily system conversion costs and integration costs associated with consolidating redundant operations.

The components of the merger and restructuring-related items are shown below:

Nine Months Ended September 30, 2001										Piper (Dollars in				
Millions)										USBM NOVA Restructuring Other*				
Total														
-----										-----				
Severance.....										\$				
244.2	\$21.5	\$ 25.0	\$22.1	\$ 312.8	Systems conversions.....	124.1	3.0	--	21.4					
148.5	Asset writedowns and lease terminations.....				97.8	39.3	20.6	6.2	163.9	Charitable				
contributions.....					76.0	--	--	--	76.0	Balance sheet				
restructurings.....					480.2	--	--	--	480.2	Branch sale				
gain.....					(62.2)	--	--	--	(62.2)	Other merger-related				
charges.....					75.2	21.4	--	4.6	101.2	-----				
-----										-----				
Total.....										\$1,035.3	\$85.2	\$ 45.6	\$54.3	\$1,220.4
-----										-----				

Piper (Dollars in Millions)													USBM NOVA Restructuring Other*													Total													-----																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																														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\*Other includes merger and restructuring items related to the merger of Firststar and Mercantile, the First Union branch acquisition, and the Pacific Century Bank branch acquisition.

The Company determines merger-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 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. It is anticipated that approximately 2,770 employees will be included in the Firststar and USBM merger and restructuring-related severance charges. The adequacy of the accrued severance liability is reviewed periodically taking into consideration actual payments and remaining projected payment liabilities. Adjustments are made to increase or decrease these accruals as needed. Reversals of expenses can reflect a lower utilization of benefits by affected staff, changes in initial assumptions as a result of subsequent mergers and alterations of business plans.

Systems conversion costs are recorded as incurred and are associated with the preparation and mailing of numerous customer communications for the acquisitions and conversion of customer accounts, printing and distribution of training materials and policy and procedure manuals, outside consulting fees, and other expenses related to the system conversions and the integration of acquired branches and operations.

Asset writedowns and lease terminations represent lease termination costs and impairment of assets for redundant office space, branches that will be vacated and equipment disposed of as part of the integration plan.

In connection with the merger of Firststar and USBM, the Company made charitable contributions of \$76.0 million to reaffirm the Company's commitment to its markets or as part of specific conditions necessary to achieve regulatory approval. These contributions were funded up-front and represent costs that would not have been incurred had the merger not occurred. Charitable contributions are charged to merger and restructuring expenses or considered in determining the acquisition cost at the applicable closing date.

Balance sheet restructuring charges of \$480.2 million are comprised of a \$201.3 million provision associated with the Company's integration of certain small business products and management's decision to discontinue an unsecured small business product of USBM; \$90.0 million of charge-offs to align risk management practices, align charge-off policies and to expedite the Company's transition out of a segment of the health care industry; \$76.6 million of losses related to retail loan portfolio sales of USBM; \$45.4 million of charges associated with the Company's decision to discontinue business operations of U.S. Bancorp Libra; \$15.0 million of charges related to the planned disposition of certain equity investments that no longer align with the long-term strategy of the Company; and, \$51.9 million to restructure a co-branding relationship of USBM. The alignment of risk management practice included a write-down of several large commercial loans, loans (originally held separately by both Firststar and USBM), primarily taken to allow the Company to exit or reduce these credits to conform with the credit exposure policy of the combined entity.

Other merger-related expenses of \$101.2 million primarily include investment banking fees, legal fees, and stock registration fees associated with the merger of Firststar and USBM and the acquisition of NOVA Corporation.

The following table presents a summary of activity with respect to the Company's significant acquisition and restructuring related accruals:

Piper (Dollars in Millions) USBM NOVA Jaffray Other Total - -----										
----- Balance at December 31,										
2000.....			\$ --	\$ --	\$ 15.0	\$ 34.8	\$ 49.8	Provision charged to		
operations.....		1,035.3	3.0	45.6	41.9	1,125.8	Additions related to purchase			
acquisitions.....	-- 82.2	-- 12.4	94.6	Cash outlays.....						
(413.3)	(14.2)	(14.5)	(55.0)	(497.0)	Non-cash writedowns and other.....				(497.4)	--
(9.3)	8.7	(498.0)	----- Balance at September 30,							
2001.....			\$ 124.6	\$ 71.0	\$ 36.8	\$ 42.8	\$ 275.2			

The following table presents a summary of activity with respect to the merger of Firststar and USBM:

Severance and other Lease employee- cancellation related Investment and related Total Systems (Dollars in Millions) costs banker fees writeoffs Other* accruable costs Total - -----											
----- Balance at December 31, 2000..... \$ -- \$ -- \$ -- \$ -- \$ -- \$ -- \$ --											
Provision charged to operating expense..... 123.6 60.6 23.6 296.0 503.8 19.3 523.1 Cash											
outlays..... (61.4) (37.5) (.2) (76.0) (175.1) (19.3) (194.4) Noncash writedowns and other..... -- --											
(9.2) (220.0) (229.2) -- (229.2) ----- Balance at March 31, 2001..... \$ 62.2 \$ 23.1 \$ 14.2 \$ -- \$ 99.5 \$ -- \$ 99.5											
Provision charged to operating expense..... 98.1 1.0 7.4 212.5 319.0 53.3 372.3 Cash outlays..... (32.1) (23.3) (.6)											
-- (56.0) (53.3) (109.3) Noncash writedowns and other..... -- -- (.8) (139.9) (140.7) -- (140.7) -----											
Balance at June 30, 2001..... \$ 128.2 \$ .8 \$ 20.2 \$ 72.6 \$ 221.8 \$ -- \$ 221.8											
Provision charged to operating expense..... 22.5 1.3 4.6 59.6 88.0 51.9 139.9 Cash outlays..... (52.8) (1.3) (1.7) (1.9) (57.7) (51.9) (109.6) Noncash writedowns and other..... -- -- (0.2)											
(127.3) (127.5) -- (127.5) ----- Balance at September 30, 2001..... \$ 97.9 \$ .8 \$ 22.9 \$ 3.0 \$ 124.6 \$ -- \$ 124.6											

\*Other accruable merger and restructuring-related charges included charitable contributions of \$76.0 million, balance sheet restructuring of \$418.0 million and other of \$74.1 million.

The components of the merger and restructuring-related accrual were as follows:

September 30, December 31, (Dollars in Millions) 2001 2000 - -----											
-----											
Severance..... \$ 143.7 \$ 13.8 Other employee-											
related costs..... 8.7 6.8 Lease termination and facility											
costs..... 69.0 8.4 Contracts and system											
writeoffs..... 25.2 7.4 Investment banker											
fees..... 16.0 --											
Other..... 12.6 13.4 -----											
----- Total..... \$ 275.2 \$ 49.8											

The merger and restructuring-related accrual by significant acquisition or business restructuring was as follows:

September 30, December 31, (Dollars in Millions) 2001 2000 - -----											
-----											
USBM..... \$ 124.6 \$ -- NOVA											
Corporation..... 71.0 -- Piper											
Jaffray..... 36.8 15.0 Pacific Century Bank											
Branches..... 11.8 -- Scripps Financial											
Corporation..... 4.8 4.6 Western											
Bancorp..... 3.3 5.1 Peninsula											
Bank..... 2.8 3.0 Lyon Financial Services, Inc.											
..... 2.5 2.7 Northwest Bancshares, Inc.											
..... 1.7 2.3 Bank of											
Commerce..... 1.0 4.1 Other											
acquisitions..... 14.9 13.0 -----											
---- Total..... \$ 275.2 \$ 49.8											

In connection with the merger of Firststar and USBM, management estimates the Company will incur additional pre-tax merger-related charges of \$365.2 million, including approximately \$134.6 million in 2001 and \$230.6 million in 2002. These are currently estimated to include \$222.4 million for conversions of systems and consolidations of operations, \$71.1 million in occupancy and equipment charges related to the elimination of duplicate facilities and write-off of equipment, and \$71.7 million related to branch sales and other merger-related charges.

In addition to the estimated expenses of the Firststar and USBM merger, the Company expects to incur an additional \$130.5 million, pretax, of merger and restructuring-related expenses, primarily in 2002, in connection with its other acquisitions and business restructurings.

NOTE 5  
SECURITIES

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

September 30, 2001	December 31, 2000	----- Amortized Fair Amortized			
Fair (Dollars in Millions)	Cost Value	Cost Value	-----		
----- Held-to-maturity Mortgage-backed					
securities.....	\$ 27	\$ 27	\$ 36	\$ 36	Obligations of state and political
subdivisions.....	252	264	216	221	----- Total held-to-maturity
securities.....	\$ 279	\$ 291	\$ 252	\$ 257	
=====					
Available-for-sale U.S. Treasuries and agencies.....	\$ 1,537	\$ 1,563	\$ 1,600	\$	
1,624 Mortgage-backed securities.....	21,611	21,972	11,800	11,893	Obligations of
state and political subdivisions.....	996	1,024	2,370	2,409	
Other.....	827	790	1,472	1,464	-----
----- Total available-for-sale securities.....	\$24,971	\$25,349	\$17,242	\$17,390	

NOTE 6  
LOANS

The composition of the loan portfolio was as follows:

September 30, December 31, (Dollars in Millions) 2001 2000				
----- COMMERCIAL				
Commercial.....	\$ 41,333	\$ 47,041	Lease	
financing.....	5,926	5,776		
--- Total commercial.....	47,259	52,817	COMMERCIAL REAL	
ESTATE Commercial mortgages.....	18,861	19,466		
Construction and development.....	6,674	6,977		
----- Total commercial real estate.....	25,535	26,443	RESIDENTIAL	
MORTGAGES.....	6,279	7,753	RETAIL Credit	
card.....	5,700	6,012	Retail	
leasing.....	4,708	4,153	Other	
retail.....	25,086	25,187		
----- Total retail.....	35,494	35,352		
----- Total loans.....	\$ 114,567	\$ 122,365		

Loans are presented net of unearned interest which amounted to \$1.7 billion at September 30, 2001, and December 31, 2000.

NOTE 7  
DEPOSITS

The composition of deposits was as follows:

September 30, December 31, (Dollars in Millions) 2001 2000 - -----			
----- Non interest-bearing			
deposits.....	\$ 27,074	\$ 26,633	Interest-bearing deposits Savings
accounts.....	4,631	4,516	Interest
checking.....	13,881	13,982	Money market
accounts.....	25,192	23,899	Time certificates of deposit less
than \$100,000.....	22,170	25,780	Time deposits greater than \$100,000
Domestic.....	9,454	11,221	
Foreign.....	1,403	3,504	-----
----- Total deposits.....	\$ 103,805	\$ 109,535	=====
Percent of deposits - -----			
----- Non interest-bearing deposits..... 26.1%			
24.3% Interest-bearing deposits Savings accounts.....			
4.4 4.1 Interest checking.....	13.4	12.8	Money market
accounts.....	24.3	21.8	Time certificates of deposit less
than \$100,000.....	21.4	23.5	Time deposits greater than \$100,000
Domestic.....	9.1	10.3	
Foreign.....	1.3	3.2	-----
--- Total deposits.....	100.0%	100.0%	=====

NOTE 8  
LONG-TERM DEBT

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

September 30, December 31, (Dollars in Millions) 2001 2000 - -----			
----- Fixed-rate subordinated notes			
(5.70% to 8.35%) -- maturities to June 2026.....	\$		
5,921 \$ 4,458 Medium-term notes (3.45% to 7.50%) -- maturities to December			
2004.....	3,349	4,634	Senior contingent
convertible debt -- due August 6, 2021....	1,100	--	Federal Home Loan Bank advances
(primarily 2.51% to 8.25%) -- maturities to October 2026.....	9,177	2,753	
Bank notes (2.74% to 6.57%) -- maturities to November			
2005.....	6,251	9,300	Euro medium-term
notes -- due April 13, 2004.....	400	400	
Other.....	683	331	-----
----- Total.....	\$ 26,881	\$ 21,876	=====

In July 2001, the Company issued \$1.5 billion of fixed-rate subordinated notes due August 1, 2011. The interest rate is 6.375% per annum.

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 common stock only if the Company's stock price increases to the contractual price. The convertible strike price decreases over the term of the bond. The notes are callable on August 6, 2003 and putable in August 2002 and specified dates thereafter.

## NOTE 9

COMPANY-OBLIGATED MANDATORILY REDEEMABLE PREFERRED SECURITIES OF  
SUBSIDIARY TRUSTS HOLDING SOLELY THE JUNIOR SUBORDINATED DEBENTURES OF  
THE PARENT COMPANY

The following table is a summary of the Trust Preferred Securities as of September 30, 2001:

Trust Preferred Issuance Securities	Debentures	Rate	Rate at Maturity	Redemption	Issuance Trust	(Dollars in Millions)	Date	Amount
Amount	Type*	9/30/01	Date	Date**				
----- USB Capital III..... 05/2001 \$ 700 \$ 722 Fixed 7.75%								
05/2031	05/04/2006	USB Capital II.....	03/1998	350	361	Fixed 7.20%	04/2028	04/01/2003
		Capital I.....	12/1996	300	309	Fixed 8.27%	12/2026	12/15/2006
		I.....	11/1996	300	309	Fixed 8.09%	11/2026	11/15/2006
		I.....	06/1997	150	155	Variable 3.92%	06/2027	06/15/2007
		I.....	12/1996	150	155	Fixed 8.32%	12/2026	12/15/2006
		I.....	02/1997	150	155	Variable 4.53%	02/2027	02/01/2007

\*The variable rate Trust Preferred Securities re-price quarterly.

\*\*Earliest date of redemption.

On November 1, 2001, the Company issued an additional \$500 million of Trust Preferred Securities through an issuance by USB Capital IV, a wholly owned subsidiary grantor trust. The debentures, in the amount of \$515 million, bear interest at an annual rate of 7.35%, have a redemption date of November 1, 2006 and mature on November 1, 2031.

## NOTE 10

## INCOME TAXES

The components of income tax expense were:

Three Months Ended	Nine Months Ended	September 30,	September 30,	-----
-----	-----	2001	2000	2001
(Dollars in Millions)	(Dollars in Millions)	2001	2000	2000
----- FEDERAL				
Current.....		\$ (71.6)	\$ 271.1	\$ 253.5
Deferred.....		89.2	42.8	210.3
----- Federal income tax..... 17.6 313.9 463.8				
977.7 STATE Current.....		(7.9)	49.5	43.4
Deferred.....		12.2	7.5	27.7
----- State income tax..... 4.3 57.0 71.1				
----- Total income tax expense..... \$				
21.9 \$370.9 \$534.9 \$1,135.9				

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

Three Months Ended	Nine Months Ended	September 30,	September 30,	-----
-----	-----	2001	2000	2001
(Dollars in Millions)	(Dollars in Millions)	2001	2000	2000
----- Tax at statutory rate				
(35%).....		\$ 21.2	\$ 378.5	\$ 541.1
rates, net of federal tax benefit.....		2.9	28.8	46.3
102.8 Tax effect of Tax-exempt interest, net.....		(8.3)	(19.8)	(31.5)
(48.9) Amortization of nondeductible goodwill.....		19.5	23.1	65.1
credits.....		(17.5)	(14.3)	(52.5)
merger charges.....		10.5	--	59.5
interest.....		--	--	(50.0)
items.....		(6.4)	(25.4)	(93.1)
----- Applicable income taxes..... \$ 21.9 \$370.9 \$534.9				
\$1,135.9				

The Company's net deferred tax liability was \$990.6 million at September 30, 2001, and \$512.8 million at December 31, 2000.

NOTE 11  
SHAREHOLDERS' EQUITY

At December 31, 2000, the Company had authority to issue 2 billion shares of common stock and 10 million shares of preferred stock. In connection with the merger of Firststar and USBM, on February 27, 2001, the number of authorized common shares for the Company was increased to 4 billion. Additionally, on February 27, 2001, in connection with the merger of Firststar and USBM, the par value of the Company's common stock was reduced from \$1.25 per share to \$.01 per share. The Company had 1,969.0 million and 1,902.1 million shares of common stock outstanding at September 30, 2001, and December 31, 2000, respectively.

All treasury shares, except those acquired to meet obligations arising from deferred compensation plans, were retired effective February 27, 2001.

The stock repurchase programs of Firststar and USBM were rescinded on October 4, 2000, and January 17, 2001, respectively, in connection with their merger. No shares were repurchased by Firststar or USBM from those dates to February 27, 2001, nor were any shares repurchased by the Company from February 27, 2001, to June 30, 2001. 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 1.3 million shares for \$32.3 million in the third quarter of 2001. The Company also entered into forward contracts to repurchase the majority of remaining shares authorized for repurchase. These contracts include agreements to repurchase 18.4 million shares in the fourth quarter of 2001, 17.8 million shares in the first quarter of 2002 and 8.9 million shares in the second quarter of 2002.

NOTE 12  
MORTGAGE SERVICING RIGHTS

Changes in capitalized mortgage servicing rights are summarized as follows:

Nine Months Ended Year Ended September 30, December 31, -----		
(Dollars in Millions) 2001 2000 - -----		
----- Balance at beginning of period.....		
\$ 229	\$ 213	Rights purchased..... 25 16 Rights
		capitalized..... 211 137
		Amortization..... (31) (35) Rights
		sold..... (73) (101)
Impairment.....	(35) (1)	-----
----- Balance at end of period.....		\$ 326 \$ 229
=====		

The fair value of capitalized mortgage servicing rights was \$326 million at September 30, 2001, and \$245 million at December 31, 2000. At September 30, 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 \$36 million and \$67 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 \$20.8 billion and \$17.0 billion of mortgage loans for other investors as of September 30, 2001, and December 31, 2000, respectively.

NOTE 13  
EARNINGS PER SHARE

The components of earnings per share were:

Three Months Ended	Nine Months Ended	September 30,	September 30,	-----
-- (Dollars and Shares in Millions, Except Per Share Data)	2001	2000	2001	2000 - -----
Net income.....	\$ 38.7	\$ 710.3	\$1,011.1	\$2,106.9
Weighted average common shares outstanding.....	1,952.7	1,895.6	1,919.9	1,909.5
Net effect of the assumed purchase of stock based on the treasury stock method for options and stock plans.....	12.7	11.5	13.0	12.6
Dilutive common shares outstanding.....	1,965.4	1,907.1	1,932.9	1,922.1
Earnings per share				
Basic.....	\$.02	\$.37	\$.53	\$1.10
Diluted.....	\$.02	\$.37	\$.52	\$1.10

NOTE 14  
SUPPLEMENTAL DISCLOSURES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

Nine Months Ended	September 30,	-----	(Dollars in Millions)	2001
2000 - -----				
Acquisitions and divestitures	Assets			
acquired.....	\$1,150.5	\$ 1,732.6	Liabilities	
assumed.....	(508.9)	(1,202.4)		
- Net.....	\$ 641.6	\$ 530.2		

MONEY MARKET INVESTMENTS are included with cash and due from banks as part of cash and cash equivalents. Money market investments consisted of the following:

September 30,	December 31,	(Dollars in Millions)	2001	2000 - -----
Interest-bearing				
deposits.....	\$ 101	\$ 82	Federal funds	
sold.....	180	203	Securities purchased under agreements	
to resell.....	482	372	Total money market	
investments.....	\$ 763	\$ 657		

TRANSFERS AND SERVICING OF FINANCIAL ASSETS The Company transferred \$50 billion of short-term, high quality, low yielding commercial loans into the conduit, (Stellar Funding Group, Inc.), in the first nine months of 2001. The amount of these transfers are reported on a gross basis representing new participations and the renewal of participations. The amount of loan transfers net of repayments was approximately \$4.8 billion.

CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

For the Three Months Ended September 30, 2001 2000 - -----												
----- Yields Yields % Change (Dollars												
in Millions) and Average (Unaudited) Balance Interest Rates Balance Interest Rates Balance - -----												
-----												
----- ASSETS Money market investments..... \$ 659 \$ 6.4 3.80% \$ 895 \$ 14.5 6.45% (26.4)%												
Trading account securities..... 703 11.5 6.58 866 14.0 6.46 (18.8) Taxable												
securities..... 21,661 321.2 5.93 14,236 249.4 7.01 52.2 Nontaxable												
securities..... 1,290 22.7 7.02 2,769 51.0 7.37 (53.4) Loans held for sale.....												
2,482 53.9 8.69 1,623 32.7 8.06 52.9 Loans Commercial..... 49,623 865.1 6.95 51,137												
1,116.3 8.70 (3.0) Commercial real estate..... 26,058 495.5 7.50 26,214 582.0 8.83 (.6) Residential												
mortgages..... 6,634 120.3 7.36 8,971 171.3 7.64 (26.1) Retail..... 35,099												
808.2 9.16 33,068 845.8 10.18 6.1 ----- Total loans.....												
117,414 2,289.1 7.75 119,390 2,715.4 9.06 (1.7) ----- Other earning assets.....												
1,619 24.3 5.97 1,905 37.8 7.90 (15.0) Allowance for credit losses..... 1,798 1,795 .2 -----												
----- Total earning assets*..... 145,828 2,729.1 7.44 141,684 3,114.8 8.76 2.9 Other												
assets..... 23,421 19,363 21.0 ----- Total assets.....												
\$167,451 \$159,252 5.1 ===== LIABILITIES AND SHAREHOLDERS' EQUITY Noninterest-bearing												
deposits..... \$ 25,106 \$ 23,622 6.3 Interest-bearing deposits Interest checking.....												
13,842 44.7 1.28 12,834 68.9 2.13 7.9 Money market accounts..... 25,168 164.3 2.59 22,518 256.0												
4.52 11.8 Savings accounts..... 4,587 10.5 .91 4,886 17.5 1.42 (6.1) Time certificates of												
deposit less than \$100,000..... 22,641 295.9 5.18 25,826 376.5 5.80 (12.3) Time deposits												
greater than \$100,000..... 13,887 154.6 4.42 14,364 235.1 6.51 (3.3) -----												
----- Total interest-bearing deposits..... 80,125 670.0 3.32 80,428 954.0												
4.72 (.4) Short-term borrowings..... 12,662 122.9 3.85 11,837 191.2 6.42 7.0 Long-term												
debt..... 25,058 276.7 4.39 23,344 403.9 6.88 7.3 Company-obligated mandatorily												
redeemable preferred securities.... 2,088 39.7 7.53 1,400 31.5 8.95 49.1 -----												
---- Total interest-bearing liabilities..... 119,933 1,109.3 3.67 117,009 1,580.6 5.38 2.5												
Other liabilities..... 5,467 4,213 29.8 Shareholders' equity..... 16,945 14,408												
17.6 ----- Total liabilities and shareholders' equity..... \$167,451 \$159,252 5.1% =====												
===== Net interest income..... \$1,619.8 \$1,534.2 ===== Gross												
interest margin..... 3.77% 3.38% ===== Gross interest margin without taxable-equivalent												
increments..... 3.74 3.32 ===== PERCENT OF EARNING ASSETS Interest income.....												
7.44% 8.76% Interest expense..... 3.02 4.44 ===== Net interest												
margin..... 4.42 4.32 ===== Net interest margin without taxable-equivalent												
increments..... 4.39% 4.26%												
=====												

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

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

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



CONSOLIDATED DAILY AVERAGE BALANCE SHEET AND RELATED YIELDS AND RATES

For the Nine Months Ended September 30, 2001 2000 - -----											
						Yields Yields % Change (Dollars in					
Millions) and and Average (Unaudited) Balance Interest Rates Balance Interest Rates Balance - -----											
----- ASSETS Money market investments..... \$ 676 \$ 22.6 4.46% \$ 983 \$ 43.1 5.86% (31.2)% Trading											
account securities..... 736 42.7 7.74 774 43.0 7.40 (4.9) Taxable securities.....											
18,725 862.3 6.14 14,697 753.8 6.84 27.4 Nontaxable securities..... 1,987 108.1 7.25 2,751 157.7											
7.64 (27.8) Loans held for sale..... 1,634 96.4 7.87 1,376 80.0 7.75 18.8 Loans											
Commercial..... 51,235 2,907.0 7.60 49,276 3,126.3 8.49 4.0 Commercial real											
estate..... 26,287 1,570.1 7.99 25,850 1,686.6 8.72 1.7 Residential mortgages..... 7,143											
403.9 7.54 9,857 559.0 7.56 (27.5) Retail..... 34,870 2,514.7 9.64 32,009 2,416.5											
10.08 8.9 ----- Total loans..... 119,535 7,395.7 8.27											
116,992 7,788.4 8.89 2.2 ----- Other earning assets..... 1,708 82.4 6.45 1,897 112.2											
7.91 (10.0) Allowance for credit losses..... 1,794 1,767 1.5 -----											
Total earning assets*..... 145,001 8,610.2 7.93 139,470 8,978.2 8.59 4.0 Other											
assets..... 21,941 19,426 12.9 ----- Total assets.....											
\$165,148 \$157,129 5.1 ===== LIABILITIES AND SHAREHOLDERS' EQUITY Noninterest-bearing											
deposits..... \$ 24,408 \$ 23,792 2.6 Interest-bearing deposits Interest checking.....											
13,805 170.3 1.65 13,029 199.1 2.04 6.0 Money market accounts..... 24,815 609.2 3.28 22,561 728.3											
4.31 10.0 Savings accounts..... 4,539 34.8 1.02 5,160 58.0 1.50 (12.0) Time certificates of											
deposit less than \$100,000..... 23,959 985.6 5.50 25,905 1,075.0 5.54 (7.5) Time deposits											
greater than \$100,000..... 14,137 536.8 5.08 12,464 582.7 6.24 13.4 -----											
----- Total interest-bearing deposits..... 81,255 2,336.7 3.84 79,119											
2,643.1 4.46 2.7 Short-term borrowings..... 12,293 433.5 4.72 12,192 561.0 6.15 .8 Long-term											
debt..... 24,304 957.4 5.26 22,413 1,112.1 6.63 8.4 Company-obligated mandatorily											
redeemable preferred securities.... 1,774 102.7 7.74 1,400 89.2 8.51 26.7 -----											
---- Total interest-bearing liabilities..... 119,626 3,830.3 4.28 115,124 4,405.4 5.11 3.9											
Other liabilities..... 5,102 3,956 29.0 Shareholders' equity..... 16,012 14,257											
12.3 ----- Total liabilities and shareholders' equity..... \$165,148 \$157,129 5.1% =====											
===== Net interest income..... \$4,779.9 \$4,572.8 ===== Gross											
interest margin..... 3.65% 3.48% ===== Gross interest margin without taxable-equivalent											
increments..... 3.61 3.42 ===== PERCENT OF EARNING ASSETS Interest income.....											
7.93% 8.59% Interest expense..... 3.53 4.21 ===== Net interest											
margin..... 4.40 4.38 ===== Net interest margin without taxable-equivalent											
increments..... 4.36% 4.32%											

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

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

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

PART II -- OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(A) EXHIBITS

3.1 Restated Certificate of Incorporation. Filed as Exhibit 3.1 to report on Form 10-K for the year end December 31, 2000.

3.2 Restated Bylaws. Filed as Exhibit 3.2 to report on Form 10-K for the year end December 31, 2000.

12 Computation of Ratio of Earnings to Fixed Charges

(B) REPORTS ON FORM 8-K

During the three months ended September 30, 2001, the Company filed the following Current Reports on Form 8-K:

- Form 8-K dated July 17, 2001, relating to the Company's second quarter, 2001 earning results.
- Form 8-K dated July 24, 2001, relating to the registrant's announced plan to repurchase 56.4 million shares and closure of the NOVA transaction.
- Form 8-K dated July 31, 2001, relating to the Company raising \$1.1 billion through the offering of the registrant's zero-coupon convertible senior notes.
- Form 8-K dated October 17, 2001, relating to the Company's third quarter, 2001 earning results.
- Form 8-K dated October 31, 2001, relating to the public offering of \$500,000,000 of Trust Preferred Securities.

SIGNATURE

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

U.S. BANCORP

By: /s/ TERRANCE R. DOLAN

-----  
Terrance R. Dolan  
Executive Vice President and Controller  
(Chief Accounting Officer and Duly  
Authorized Officer)

DATE: November 14, 2001

## EXHIBIT 12

## COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

Three Months Ended Nine Months Ended September 30, September 30, -----  
 -- (Dollars in Millions) 2001 2001 - -----

----- EARNINGS			
1. Net			
income.....	\$ 38.7	\$ 1,011.1	2. Applicable income
taxes.....	21.9	534.9	3. Net
income before taxes (1 + 2).....	\$ 60.6	\$ 1,546.0	
=====	4. Fixed charges:	a. Interest expense excluding interest on	
deposits.....	\$ 439.3	\$ 1,493.6	b. Portion of rents representative of interest and amortization of
debt expense.....	20.9	66.2	c. Fixed
charges excluding interest on deposits (4a +			
4b).....	460.2	1,559.8	d. Interest on
deposits.....	670.0	2,336.7	e.
Fixed charges including interest on deposits (4c +			
4d).....	\$ 1,130.2	\$ 3,896.5	
=====	5. Amortization of interest capitalized.....	\$	
-- \$ --	6. Earnings excluding interest on deposits (3 + 4c + 5)....	520.8	3,105.8
7. Earnings			
including interest on deposits (3 + 4e + 5)....	1,190.8	5,442.5	8. Fixed charges excluding interest on
deposits (4c).....	460.2	1,559.8	9. Fixed charges including interest on deposits (4e).....
3,896.5	RATIO OF EARNINGS TO FIXED CHARGES	10. Excluding interest on deposits (line 6/line	
8).....	1.13	1.99	11. Including interest on deposits (line 7/line 9).....
			1.05
			1.40

=====

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COMMON STOCK TRANSFER AGENT AND REGISTRAR

U.S. Bank, N.A., a subsidiary of U.S. Bancorp, acts as transfer agent and registrar, dividend paying agent and dividend reinvestment plan agent for U.S. Bancorp and maintains all shareholder records for the corporation. Inquiries related to 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, N.A.  
1555 North River Center Drive, Suite 301  
Milwaukee, WI 53212  
Phone: 1-800-637-7549  
Fax: 414-276-4226  
Email: [firststarinvestorservice@firststar.com](mailto:firststarinvestorservice@firststar.com)

INDEPENDENT PUBLIC ACCOUNTANTS

The independent public accountants of U.S. Bancorp are  
PricewaterhouseCoopers LLP.

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.

DIVIDEND REINVESTMENT PLAN

U.S. Bancorp shareholders can take advantage of 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, N.A.  
Dividend Reinvestment Department  
1555 North River Center Drive, Suite 301  
Milwaukee, WI 53212  
or call 1-800-637-7549

INVESTMENT COMMUNITY CONTACTS

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

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For product and service information, locations and other information about our U.S. Bank and Firststar banks and lines of business:

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

FINANCIAL INFORMATION

U.S. Bancorp news and financial results are available through the company's web site and 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 on Form 10-Q and additional annual reports. To be added to U.S. Bancorp's mailing list for quarterly earnings news releases, or to request other information, please contact:

U.S. Bancorp Investor Relations  
601 Second Avenue South  
Minneapolis, Minnesota 55402-4302  
612-973-2263  
[corporaterelations@usbank.com](mailto:corporaterelations@usbank.com)

MEDIA REQUESTS

Steve Dale  
Senior Vice President, Media Relations  
612-973-0898  
[steve.dale@firststar.com](mailto:steve.dale@firststar.com)

#### DIVERSITY

U.S. Bancorp and its 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 its subsidiaries are committed to providing Equal Employment Opportunity to all employees and applicants for employment. In keeping with this, employment decisions are made based upon job-related knowledge, skills and abilities rather than race, color, religion, national origin, gender, age, marital status, disability, veteran status, sexual orientation, gender identity or any other characteristic protected by law. The corporation complies with municipal, state, and federal Fair Employment Laws, including regulations applying to federal contractors.

#### COMMUNITY ANNUAL REPORT

To request copies of the U.S. Bancorp Community Annual Report, published separately from our U.S. Bancorp Annual Report and Form 10-K, please call U.S. Bancorp Community Development at 612-973-4996. To request copies of the Firststar Community Partnership Report, please call Firststar Community Development at 513-632-4030.

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

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