We are pleased to tell you that the

seamless integration of Firstar and

U.S. Bancorp proceeds on schedule to be

completed by the end of the third quarter

of 2002. We continue to successfully

convert major systems and products to

single operating platforms with virtually

no customer disruption. The integration

process has been thoughtful and intentional.

We have worked very diligently

to blend the best practices, people and

products of both organizations.

Your corporation ended 2001

with strong fourth quarter performance,

highlighted by revenue momentum,

margin improvement and a companywide

focus on customer service quality. We

are committed to seeing these trends

continue through 2002.

The year 2001 brought unprecedented

challenges for our country and

our company. During the third quarter,

we took action to increase our reserves

for potential loan losses and to strengthen

our balance sheet. While we were

disappointed in the resulting adverse

effect on earnings, U.S. Bancorp now

ranks among the top of our peer group

in the strength of our credit reserves.

We prudently recognized the economic

slowdown and our inability to predict its

length or the timing of a genuine recovery.

For a company that prides itself on

consistent earnings, our third quarter

action was not an easy step to take.

However, it helped us accomplish one

of our primary objectives: having a

balance sheet and a risk profile among

the strongest in the industry. We have

positioned ourselves to manage through

the current economic cycle. Our credit

quality remained stable in the fourth

quarter, but we are prepared for the

likelihood that nonperforming loans and

charge-offs will increase throughout 2002.

Providing outstanding service to all

customers, backed by our exclusive

Five Star Service Guarantee, is an ongoing

priority at U.S. Bancorp, as is selling more

of our products and services. You can

read more about our Five Star Service

Guarantee at the front of this report.

Our operating revenue growth in the

fourth quarter is a sure sign that our

sales and service culture is taking effect.

Although our combined franchise

has yet to fulfill all of its potential, we

are off to a strong start on a solid foundation.

The success of our integration to

date and the benefits of the merger

became evident in our year-end results.

We operate in stable, moderately growing

and fast-growing markets, and we

have a multi-tiered and comprehensive

distribution system throughout those

markets. Our scope and scale make us

a low-cost provider with significant competitive

advantages. We have a proven

track record and skilled professionals

who are the best in the industry running

our businesses.

We assure you that, as always, our

highest priority is to increase the value

of your investment in U.S. Bancorp. It is

the reason we come to work each day.

Sincerely,

Jerry A. Grundhofer

President and Chief Executive Officer

John F. Grundhofer

Chairman

February 22, 2002

U.S. Bancorp is well

positioned to capitalize

on growth opportunities.

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