***I am pleased to tell you that U.S. Bancorp achieved its goals for the year 2002—to successfully***

***complete the systems integration of Firstar and the “old” U.S. Bancorp without any disruption of***

***superior service to our customers; to reduce the risk profile of our corporation; and to improve***

***customer service throughout our entire franchise.*** First, it is not overstating to say that

the integration process was virtually

flawless and transparent to our more

than ten million customers. The integration

was completed on schedule and

met or exceeded our high expectations.

We are now a rarity in our industry—

a 24-state, $180 billion corporation

doing business on a totally unified,

single operating system for all of our

markets and all of our customers. The

service, cost, accuracy and responsiveness

advantages of that are enormous,

and we are already putting our new

capabilities to work for our customers.

Second, during the year, we

continued to reduce the risk profile

of our corporation. We exited higher

risk businesses; we intensified and

improved collection efforts; and we

put improved credit and underwriting

policies into effect across the corporation.

While our credit costs are still

too high, reflecting the nation’s current

economic condition, it appears credit

quality has stabilized, and the improvements

we have made put us in a position

of strength to take every advantage

of our skill and expertise, our products

and services, our markets and an

economic recovery.

Third, a re-energized culture of

outstanding customer service is growing

appreciably throughout our company,

which is especially gratifying in those

markets where our relentless pursuit of

unparalleled service is a newer concept.

We are pleased that our employees

embrace customer service as the single

most important factor in our ongoing

and future success.

Our goals for 2003 are to generate

increased organic growth, maximize our

operating leverage, skillfully manage

credit quality, continue the reduction

of our risk profile—and, as always,

grow revenues faster than expenses.

We are persistent and disciplined in

our approach to these goals—we have

specific initiatives in process, and fully

anticipate achieving our goals. Despite a challenging economy,

we ended 2002 seeing an increase in

core revenue growth, a decrease in

total noninterest expense, improvement

in the net interest margin and a significant

increase in deposits. Though 2003

will most certainly present its own

demands, we have the pieces in place

to grow and the momentum to meet

whatever challenges may lie ahead.

Please know that, as always, our

highest priority is increasing the value

of your investment in U.S. Bancorp. It

is the reason we come to work each day.