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MARSHALL & ILSLEY CORP/WI/  
Form 10-K  
March 09, 2001

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-K  
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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2000

OR

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

Commission File No. 1-15403

MARSHALL & ILSLEY CORPORATION  
(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
incorporation or organization)

39-0968604  
(I.R.S. Employer  
Identification No.)

770 North Water Street  
Milwaukee, Wisconsin  
(Address of principal executive  
offices)

53202  
(Zip Code)

Registrant's telephone number, including area code: (414) 765-7801

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
-----	-----

Common Stock--\$1.00 par value New York Stock Exchange

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

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 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to  
such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item  
405 of Regulation S-K is not contained herein, and will not be contained, to

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the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

The aggregate market value of the voting stock held by nonaffiliates of the registrant is approximately \$5,549,736,000 as of February 28, 2001. The number of shares of common stock outstanding as of February 28, 2001 is 102,868,135.

### DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on April 24, 2001.

### PART I

#### ITEM 1. BUSINESS

##### General

Marshall & Ilsley Corporation ("M&I" or the "Corporation"), incorporated in Wisconsin in 1959, is a registered bank holding company under the Bank Holding Company Act of 1956 (the "BHCA"). As of December 31, 2000, M&I had consolidated total assets of approximately \$26.1 billion and consolidated total deposits of approximately \$19.2 billion, making M&I the second largest bank holding company headquartered in Wisconsin. The executive offices of M&I are located at 770 North Water Street, Milwaukee, Wisconsin 53202 (telephone number (414) 765-7801).

M&I's principal assets are the stock of its bank and nonbank subsidiaries. M&I's subsidiaries include Metavante Corporation ("Metavante") (formerly its M&I Data Services Division), 20 commercial banks, one federal savings bank and a number of companies engaged in businesses that the Federal Reserve Board (the "FRB") has determined to be closely-related or incidental to the business of banking. M&I provides its subsidiaries with financial and managerial assistance in such areas as budgeting, tax planning, compliance assistance, asset and liability management, investment administration and portfolio planning, business development, advertising and human resources management.

M&I's bank and savings association subsidiaries provide a full range of banking services to individuals, businesses and governments throughout Wisconsin, and in the Phoenix and Tucson, Arizona metropolitan areas, Las Vegas, Nevada and Naples, Florida. These subsidiaries offer retail, institutional, international, business and correspondent banking, investment and trust services through the operation of over 200 banking offices in Wisconsin, 14 offices in Arizona, one office in Florida and one office in Nevada. The M&I bank and saving association subsidiaries hold a significant portion of their mortgage and investment portfolios indirectly through their ownership interests in direct and indirect subsidiaries. M&I Marshall & Ilsley Bank ("M&I Bank") is M&I's largest bank subsidiary, with consolidated assets as of December 31, 2000 of approximately \$12.7 billion.

Metavante and two other nonbank subsidiaries are major suppliers of financial and data processing services and software to banking, financial and related organizations. Metavante provides integrated products and services to financial services providers that enable them to initiate and process a broad range of financial transactions electronically, including through the Internet. Metavante's integrated financial transaction processing, outsourcing, software and consulting products and services provide virtually all of the technology that a financial services provider needs to run its operations. As of December 31, 2000, Metavante had over 3,300 clients in the United States and abroad, including large banks, mid-tier and community banks,

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Internet banks and non-traditional financial services providers. In 2000, Metavante's products and services were used to originate and/or process nearly 7.2 billion transactions for consumer and business customer bank accounts.

In July 2000, M&I transferred its M&I Data Services business to a wholly-owned subsidiary and renamed that subsidiary Metavante Corporation. This transfer was made in connection with a proposed public offering of Metavante's common stock. The proposed public offering was withdrawn in November 2000 due to adverse market conditions and a near term slow down in financial account processing markets. M&I expects to continue to invest in and grow Metavante's business, and will evaluate future growth strategies for Metavante as circumstances permit.

M&I's other nonbank subsidiaries operate a variety of bank-related businesses, including those providing investment management services, insurance services, trust services, equipment lease financing, commercial and residential mortgage banking, home equity financing, venture capital, brokerage services and financial advisory services. M&I Investment Management Corp. offers a full range of asset management services to M&I's trust company subsidiaries, the Marshall Funds and other individual, business and institutional customers. M&I's trust company subsidiaries provide trust and employee benefit plan services to customers throughout the United States with offices in Wisconsin, Arizona, Florida, Nevada, North Carolina and Illinois. M&I First National Leasing

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Corp. leases a variety of equipment and machinery to large and small businesses. M&I Dealer Finance, Inc. provides retail vehicle lease financing. M&I Mortgage Corp. originates, purchases, sells and services residential mortgages. M&I Mortgage Reinsurance Corporation acts as a reinsurer of private mortgage insurance written in connection with residential mortgage loans originated in the M&I system. The Richter-Schroeder Company originates and services long-term commercial real estate loans for institutional investors. M&I Capital Markets Group L.L.C. and M&I Ventures L.L.C. provide venture capital, financial advisory and strategic planning services to customers, including assistance in connection with the private placement of securities, raising funds for expansion, leveraged buy-outs, divestitures, mergers and acquisitions and small business investment company transactions. M&I Brokerage Services, Inc., a broker-dealer registered with the National Association of Securities Dealers and the Securities and Exchange Commission, provides brokerage and other investment related services to a variety of retail and commercial customers. M&I Support Services Corp. operates an extensive multi-media customer service center that provides banking customers with 24-hour phone access to personal bankers and other customer services.

### Principal Sources of Revenue

The table below shows the amount and percentages of M&I's total consolidated operating revenues resulting from interest on loans and leases, interest on investment securities and fees for data processing services for each of the last three years (\$ in thousands):

Interest on Loans and Leases	Interest on Investment Securities	Fees for Data Processing Services	Total
-----	-----	-----	
Percent of Total	Percent of Total	Percent of Total	Total

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Year Ended December 31 -----	Amount	Operating Revenues	Amount	Operating Revenues	Amount	Operating Revenues	Operating Revenues
-----	-----	-----	-----	-----	-----	-----	-----
2000.....	\$1,391,651	52.0%	\$354,823	13.3%	\$546,041	20.4%	\$2,676,334
1999.....	1,156,775	48.7	337,945	14.2	494,816	20.8	2,375,129
1998.....	1,085,829	48.7	346,012	15.5	421,945	18.9	2,228,544

M&I business segment information is contained in Note 20 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

### Competition

M&I and its subsidiaries face substantial competition from hundreds of competitors in the markets they serve, some of which are larger and have greater resources than M&I. M&I's bank subsidiaries compete for deposits and other sources of funds and for credit relationships with other banks, savings associations, credit unions, finance companies, mutual funds, life insurance companies (and other long-term lenders) and other financial and non-financial companies located both within and outside M&I's primary market area, many of which offer products functionally equivalent to bank products. M&I's nonbank operations compete with numerous banks, finance companies, data servicing companies, leasing companies, mortgage bankers, brokerage firms, financial advisors, trust companies, mutual funds and investment bankers in Wisconsin and throughout the United States.

The markets for the financial products and services offered by Metavante are intensely competitive. Metavante competes with a variety of companies in various segments of the financial services industry, and its competitors vary in size and in the scope and breadth of products and services they offer. Certain segments of the financial services industry tend to be highly fragmented with numerous companies competing for market share. Highly fragmented segments currently include online banking, financial account processing, customer relationship management solutions and electronic funds transfer and card solutions. Other segments of the

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financial services industry are relatively new with limited competition, including private label banking and trust and investment solutions. Currently, the electronic bill payment and presentment market is highly centralized. In this market, Metavante faces one dominant competitor and a small number of other primary competitors. Metavante also faces competition from in-house technology departments of existing and potential clients who may develop their own product offerings.

### Employees

As of December 31, 2000, M&I and its subsidiaries employed in the aggregate 11,753 employees. M&I considers employee relations to be excellent. None of the employees of M&I or its subsidiaries are represented by a collective bargaining group.

### Supervision and Regulation

As a registered bank holding company, M&I is subject to regulation and examination by the FRB under the BHCA. M&I's state bank subsidiaries are subject to regulation and examination by the Wisconsin Department of Financial Institutions, or in the case of M&I Thunderbird Bank, the Arizona State

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Banking Department. In addition, all of M&I's state chartered banks are regulated by the FRB. M&I's federal savings bank subsidiary is subject to regulation and examination by the Office of Thrift Supervision. In addition, all of M&I's bank subsidiaries are subject to examination by the Federal Deposit Insurance Corporation (the "FDIC").

Under FRB policy, M&I is expected to act as a source of financial strength to each of its bank subsidiaries and to commit resources to support each bank subsidiary in circumstances when it might not do so absent such requirements. In addition, there are numerous federal and state laws and regulations which regulate the activities of M&I and its bank subsidiaries, including requirements and limitations relating to capital and reserve requirements, permissible investments and lines of business, transactions with affiliates, loan limits, mergers and acquisitions, issuances of securities, dividend payments, inter-affiliate liabilities, extensions of credit and branch banking. Information regarding capital requirements for bank holding companies and tables reflecting M&I's regulatory capital position at December 31, 2000 can be found in Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

The federal regulatory agencies have broad power to take prompt corrective action if a depository institution fails to maintain certain capital levels. In addition, a bank holding company's controlled insured depository institutions are liable for any loss incurred by the FDIC in connection with the default of, or any FDIC-assisted transaction involving, an affiliated insured bank or savings association. Current federal law provides that adequately capitalized and managed bank holding companies from any state may acquire banks and bank holding companies located in any other state, subject to certain conditions. Banks are permitted to create interstate branching networks in states that do not "opt out" of interstate branching.

The laws and regulations to which M&I is subject are constantly under review by Congress, regulatory agencies and state legislatures. In November 1999, Congress enacted the Gramm-Leach-Bliley Act of 1999 (the "Act"), which eliminates certain barriers to and restrictions on affiliations between banks and securities firms, insurance companies and other financial services organizations. Among other things, the Act repealed certain Glass-Steagall Act restrictions on affiliations between banks and securities firms, and amended the BHCA to permit bank holding companies that qualify as "financial holding companies" to engage in a broad list of "financial activities," and any non-financial activity that the FRB, in consultation with the Secretary of the Treasury, determines is "complementary" to a financial activity and poses no substantial risk to the safety and soundness of depository institutions or the financial system. The Act treats various lending, insurance underwriting, insurance company portfolio investment, financial advisory, securities underwriting, dealing and market-making, and merchant banking activities as financial in nature for this purpose.

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Under the Act, a bank holding company may become certified as a financial holding company by filing a notice with the FRB, together with a certification that the bank holding company meets certain criteria, including capital, management, and Community Reinvestment Act requirements. M&I has not yet determined whether or when it may elect to become a financial holding company.

The Act also imposes strict new privacy restrictions on the transfer and use by financial institutions of nonpublic personal information about their customers. On June 1, 2000, the federal banking regulatory agencies issued final regulations implementing the Act's consumer privacy protections. Among other things, the new privacy regulations give customers the right to "opt-

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out" of having their nonpublic personal information shared by a financial institution with nonaffiliated third parties, bars financial institutions from disclosing customer account numbers or other such access codes to nonaffiliated third parties for direct marketing purposes, and requires disclosures by financial institutions of their policies and procedures for protecting customers' nonpublic personal information.

The earnings and business of M&I and its bank subsidiaries also are affected by the general economic and political conditions in the United States and abroad and by the monetary and fiscal policies of various federal agencies. The FRB impacts the competitive conditions under which M&I operates by determining the cost of funds obtained from money market sources for lending and investing and by exerting influence on interest rates and credit conditions. In addition, legislative and economic factors can be expected to have an ongoing impact on the competitive environment within the financial services industry. The impact of fluctuating economic conditions and federal regulatory policies on the future profitability of M&I and its subsidiaries cannot be predicted with certainty.

### Selected Statistical Information

Statistical information relating to M&I and its subsidiaries on a consolidated basis is set forth as follows:

(1) Average Balance Sheets and Analysis of Net Interest Income for each of the last three years is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(2) Analysis of Changes in Interest Income and Interest Expense for each of the last two years is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(3) Nonaccrual, Past Due and Restructured Loans and Leases for each of the last five years is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(4) Summary of Loan and Lease Loss Experience for each of the last five years (including the narrative discussion) is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(5) Return on Average Shareholders' Equity, Return on Average Assets and other statistical ratios for each of the last five years can be found in Item 6, Selected Financial Data.

The following tables set forth certain statistical information relating to M&I and its subsidiaries on a consolidated basis.

### Investment Securities

The amortized cost of M&I's consolidated investment securities, other than trading and other short-term investments, at December 31 of each year are (\$ in thousands):

	2000	1999	1998
U.S. Treasury and government agencies.....	\$3,303,366	\$3,924,192	\$3,658,730
States and political subdivisions.....	1,251,359	1,277,638	1,051,712
Other.....	1,235,156	377,289	304,174

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 \$5,789,881 \$5,579,119 \$5,014,616  
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The maturities, at amortized cost, and weighted average yields (for tax-exempt obligations on a fully taxable basis assuming a 35% tax rate) of investment securities at December 31, 2000 are (\$ in thousands):

	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. Treasury and government agencies....	\$ 903,429	7.11%	\$2,132,712	7.16%	\$ 256,126	7.30%	\$ 11,099	7.32%
States and political subdivisions.....	46,494	6.78	375,651	6.85	232,173	7.19	597,041	7.43
Other.....	644,074	7.33	409,133	7.10	33,057	7.94	148,892	3.82
	-----	-----	-----	-----	-----	-----	-----	-----
	\$1,593,997	7.19%	\$2,917,496	7.11%	\$ 521,356	7.29%	\$757,032	6.72%
	=====	=====	=====	=====	=====	=====	=====	=====

Types of Loans and Leases

M&I's consolidated loans and leases, classified by type, at December 31 of each year are (\$ in thousands):

	2000	1999	1998	1997	1996
Commercial, financial and agricultural.....	\$ 5,230,795	\$ 4,691,996	\$ 4,025,663	\$ 3,346,101	\$2,904,341
Industrial development revenue bonds.....	58,742	62,861	52,174	49,126	32,241
Real estate:					
Construction.....	619,281	494,558	425,442	458,670	394,228
Mortgage:					
Residential.....	5,049,557	4,941,450	4,045,022	4,146,416	2,560,936
Commercial.....	4,359,812	4,034,771	3,667,924	3,450,897	2,477,652
Total mortgage....	9,409,369	8,976,221	7,712,946	7,597,313	5,038,588
Personal.....	1,174,248	1,299,416	1,166,541	1,161,608	1,181,846
Lease financing.....	1,094,652	810,009	613,400	489,094	331,505
	-----	-----	-----	-----	-----
	17,587,087	16,335,061	13,996,166	13,101,912	9,882,749
Less:					
Allowance for loan and lease losses.....	235,115	225,862	226,052	208,651	161,659
	-----	-----	-----	-----	-----
Net loans and leases....	\$17,351,972	\$16,109,199	\$13,770,114	\$12,893,261	\$9,721,090
	=====	=====	=====	=====	=====

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### Loan and Lease Balances and Maturities

The analysis of selected loan and lease maturities at December 31, 2000 and the rate structure for the categories indicated are (\$ in thousands):

	Maturity				Rate Structure of Loans and Leases Due After One Year		
	One Year Or Less	Over One Year Through Five Years	Over Five Years	Total	With Predetermined Rate	With Floating Rate	Total
Commercial, financial and agricultural.....	\$3,643,241	\$1,459,954	\$127,600	\$5,230,795	\$1,308,740	\$278,814	\$1,587,
Industrial development revenue bonds.....	13,929	11,527	33,286	58,742	28,156	16,657	44,
Real estate--							
construction.....	315,475	303,806	--	619,281	193,559	110,247	303,
Lease financing.....	193,387	839,686	61,579	1,094,652	901,265	--	901,
	\$4,166,032	\$2,614,973	\$222,465	\$7,003,470	\$2,431,720	\$405,718	\$2,837,
	=====	=====	=====	=====	=====	=====	=====

Notes:

- (1) Scheduled repayments are reported in the maturity category in which the payments are due based on the terms of the loan agreements. Demand loans, loans having no stated schedule of repayments and no stated maturity, and over-drafts are reported as due in one year or less.
- (2) Amounts shown for the rate structure of loans and leases due after one year include the estimated effect arising from the use of interest rate swaps.

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### Nonaccrual, Past Due and Restructured Loans and Leases

Generally, a loan is placed on nonaccrual if payment of interest is more than 60 days delinquent and the loan has been determined by management to be a "problem" loan. In addition, loans which are past due 90 days or more as to interest or principal are also placed on nonaccrual. Exceptions to these rules are generally only for loans fully collateralized by readily marketable securities or other relatively risk free collateral.

### Potential Problem Loans and Leases

At December 31, 2000 the Corporation had \$11.5 million of loans for which payments are presently current, but the borrowers are experiencing serious financial problems. These loans are subject to constant management attention and their classification is reviewed on a quarterly basis.

### Deposits

The average amount of and the average rate paid on selected deposit categories for each of the years ended December 31 is as follows (\$ in



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thousands):

	2000		1999		1998	
	Amount	Rate	Amount	Rate	Amount	Rate
Noninterest bearing demand deposits.....	\$ 2,648,419		\$ 2,663,609		\$ 2,545,724	
Interest bearing demand deposits.....	1,069,958	1.66%	1,116,919	1.54%	1,129,725	1.85%
Savings deposits.....	6,017,730	4.82	5,740,898	3.86	5,145,798	4.02
Time deposits.....	7,761,676	5.98	6,635,476	5.23	5,935,968	5.67
Total deposits.....	\$17,497,783		\$16,156,902		\$14,757,215	

The maturity distribution of time deposits (CDs \$100,000 and over and other time) issued in amounts of \$100,000 and over and outstanding at December 31, 2000 (\$ in thousands) is:

Three months or less.....	\$ 446,597
Over three and through six months.....	456,818
Over six and through twelve months.....	656,270
Over twelve months.....	1,113,056
	-----
	\$2,672,741
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At December 31, 2000, time deposits issued by foreign offices totaled \$2.44 billion.

Short-Term Borrowings

Information related to M&I's funds purchased and security repurchase agreements for the last three years is as follows (\$ in thousands):

	2000	1999	1998
Amount outstanding at year end.....	\$1,092,723	\$1,402,077	\$1,712,165
Average amount outstanding during the year.....	2,211,537	2,276,978	2,042,371
Maximum amount outstanding at any month's end.....	2,767,114	2,609,501	2,541,006
Weighted average interest rate at year end.....	5.91%	3.95%	4.39%
Weighted average interest rate during the year.....	6.28%	5.00%	5.36%

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### Forward-Looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements other than historical facts contained or incorporated by reference in this report. These statements speak of M&I's plans, goals, beliefs or expectations, refer to estimates or use similar terms. Future filings by M&I with the Securities and Exchange Commission, and statements other than historical facts contained in written material, press releases and oral statements issued by, or on behalf of, M&I may also constitute forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties, and M&I's actual results may differ materially from the results discussed in such forward-looking statements. Factors that might cause actual results to differ from the results discussed in forward-looking statements include, but are not limited to:

- . General economic and industry conditions, either nationally or in the states in which M&I does business, which are less favorable than expected and that result in, among other things, a deterioration in credit quality and/or loan performance and collectability;
- . Legislation or regulatory changes which adversely affect the businesses in which M&I is engaged;
- . Changes in the interest rate environment;
- . Changes in securities markets with respect to the market value of financial assets and the level of volatility in certain markets such as foreign exchange;
- . Significant increases in competition in the banking and financial services industry resulting from technological developments, new product introductions, evolving industry standards, industry consolidation, increased availability of financial services from non-banks, regulatory changes and other factors, as well as actions taken by particular competitors;
- . M&I's success in continuing to generate significant levels of new business in its existing markets and in identifying and penetrating targeted markets;
- . M&I's success in implementing its business strategy;
- . Changes in consumer spending, borrowing and saving habits;
- . M&I's ability to attract and retain senior management;
- . Technological changes;
- . Acquisitions and unanticipated occurrences which delay or reduce the expected benefits of acquisitions;
- . M&I's ability to increase market share and control expenses;
- . The effect of compliance with legislation or regulatory changes;
- . The effect of changes in accounting policies and practices; and
- . The costs and effects of unanticipated litigation and of unexpected or adverse outcomes in such litigation.

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In addition to the factors discussed above, the following factors concerning Metavante's business may cause M&I's results to differ from the results discussed in the forward-looking statements:

- . Operational difficulties with Metavante's information technology systems and unauthorized access, computer viruses and other disruptive problems that may compromise the integrity and security of Metavante's information technology systems and the data Metavante processes;
- . Damage to Metavante's data centers due to fire, power loss, telecommunications failure and other disasters;

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- . Metavante's ability to protect its intellectual property, including without limitation, its proprietary software;
- . Metavante's success in attracting and retaining senior management and skilled technical employees; and
- . Metavante's ability to adapt to potential industry changes in information technology systems, on which Metavante is highly dependent, and which may present operational issues or require significant capital spending.

All forward-looking statements contained in this report or which may be contained in future statements made for or on behalf of M&I are based upon information available at the time the statement is made and M&I assumes no obligation to update any forward-looking statement.

### ITEM 2. PROPERTIES

M&I and M&I Marshall & Ilsley Bank ("M&I Bank") occupy offices on all or portions of 15 floors of a 21-story building located at 770 North Water Street, Milwaukee, Wisconsin. M&I Bank owns the building and its adjacent 10-story parking lot and leases the remaining floors to a professional tenant. In addition, various subsidiaries of M&I lease commercial office space in downtown Milwaukee office buildings near the 770 North Water Street facility. M&I Bank also owns or leases various branch offices located in Milwaukee and in surrounding suburban communities. M&I has 19 subsidiary banks throughout Wisconsin. M&I Thunderbird Bank, a wholly-owned bank subsidiary of M&I, is located in Phoenix, Arizona and has 14 offices in the Phoenix and Tucson, Arizona metropolitan areas. M&I Bank FSB, a federal savings bank subsidiary of M&I, is located in Las Vegas, Nevada and has a branch in Naples, Florida and Milwaukee, Wisconsin. The subsidiary banks and savings association occupy modern facilities which are owned or leased. Metavante owns a data processing facility located in Brown Deer, a suburb of Milwaukee, from which Metavante conducts data processing activities. Metavante owns an 160,000 square foot facility in Milwaukee that houses its software development teams. Properties leased by Metavante also include commercial office space in Brown Deer, a data processing site in Oak Creek, Wisconsin, and processing centers and sales offices in various cities throughout the United States.

### ITEM 3. LEGAL PROCEEDINGS

M&I is not currently involved in any material pending legal proceedings other than litigation of a routine nature and various legal matters which are being defended and handled in the ordinary course of business.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

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Not applicable.

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Executive Officers of the Registrant

Name of Officer -----	Office -----
J.B. Wigdale Age 64	Chairman of the Board since December 1992, Chief Executive Officer since October 1992, Director since December 1988, Vice Chairman of the Board, December 1988 to December 1992, Marshall & Ilsley Corporation; Chairman of the Board since January 1989, Chief Executive Officer since 1987, Director since 1981, M&I Marshall & Ilsley Bank; Director, M&I Mortgage Corp., Metavante Corporation, M&I Brokerage Services, Inc., M&I Capital Markets Group L.L.C., Marshall & Ilsley Trust Company and M&I Ventures, L.L.C.
D.J. Kuester Age 59	Director since February 1994, President since 1987, Marshall & Ilsley Corporation; President and Director since January 1989, M&I Marshall & Ilsley Bank; Chairman of the Board and Director, Metavante Corporation; Director, M&I Support Services Corp.; Director and President, M&I Insurance Company of Arizona, Inc.
T.M. Bolger Age 51	Senior Vice President and Chief Credit Officer since 1994, Marshall & Ilsley Corporation; Executive Vice President since 1997, M&I Marshall & Ilsley Bank; Director, Richter-Schroeder Company, Inc., M&I First National Leasing Corp. and M&I Support Services Corp.
J.L. Delgadillo Age 48	Senior Vice President of Marshall & Ilsley Corporation since 1993; Chief Executive Officer since January 1998 and Director of Metavante Corporation since 1994; President and Chief Operating Officer of Metavante Corporation since 1993; Senior Vice President of Metavante Corporation from 1989 to 1993; Director and Executive Vice President, M&I EastPoint Technology, Inc. since 1996.
S.T. Happ Age 39	Senior Vice President since April 1999, Marshall & Ilsley Corporation; President, Chief Executive Officer and Director since January 1994, M&I Mortgage Corp.; Vice President, M&I Bank FSB; President and Director, M&I Mortgage Reinsurance Corporation.
M.A. Hatfield Age 55	Senior Vice President since 1993, Secretary since 1981 and Treasurer from 1986 to May 1995, Marshall & Ilsley Corporation; Vice President and Secretary, M&I Marshall & Ilsley Bank; Director, M&I Support Services Corp.; Director and Secretary, M&I First National Leasing Corp., M&I Insurance Company of Arizona, Inc., Richter-Schroeder Company, Inc., M&I Bank FSB and M&I Dealer Finance, Inc.; Secretary and Treasurer, M&I Mortgage Corp.; Secretary, M&I Capital Markets Group L.L.C., Marshall & Ilsley Trust Company, M&I Investment Management Corp., Marshall & Ilsley Trust Company of Florida, M&I Insurance Services, Inc. and M&I Brokerage Services, Inc.
P.R. Justiliano Age 50	Senior Vice President since 1994 and Corporate Controller since

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April 1989, Vice President, 1986 to 1994, Marshall & Ilsley Corporation; Controller, M&I Marshall & Ilsley Bank, since September 1998; Director and Treasurer, M&I Insurance Company of Arizona, Inc.; Director, M&I Bank FSB.

T.J. O'Neill Age 40

Senior Vice President since April 1997, Marshall & Ilsley Corporation; Executive Vice President since 2000, Senior Vice President since 1997, Vice President since 1990, M&I Marshall & Ilsley Bank; President and Director, M&I Bank FSB, M&I Dealer Finance, Inc.; Director, M&I Support Services Corp., M&I Brokerage Services, Inc. and M&I Insurance Services, Inc.

P.J. Renard Age 40

Senior Vice President, Director of Human Resources since 2000, Vice President and Manager since 1994, Marshall & Ilsley Corporation.

J. L. Roberts Age 48

Senior Vice President, Marshall & Ilsley Corporation since 1994; Senior Vice President since 1994, Vice President and Controller from 1986 to 1995, M&I Marshall & Ilsley Bank; President and Director, M&I Support Services Corp. since 1995; Director, M&I Bank FSB.

T.A. Root Age 44

Senior Vice President since 1998, Audit Director since May 1996, Vice President from 1991 to 1998, Marshall & Ilsley Corporation; Vice President and Auditor since 1993, M&I Marshall & Ilsley Bank.

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Name of  
Officer  
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Office  
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L.I. Sherman Age 52

Senior Vice President, Director of Marketing, Marshall & Ilsley Corporation since 1996; Senior Vice President, Director of Marketing from 1989 to 1995, Old Kent Financial Corp.

J.V. Williams Age 56

Senior Vice President since December 1997, Marshall & Ilsley Corporation; Executive Vice President and Chief Operating Officer since January 1999, Marshall & Ilsley Trust Company; Chief Executive Officer and Director since January 1996, M&I Insurance Services, Inc.; Senior Vice President since 1994, M&I Marshall & Ilsley Bank; Chief Executive Officer and Director, M&I Brokerage Services, Inc.; Executive Vice President, Chief Operating Officer and Director, M&I Investment Management Corp.; Director, M&I Capital Markets Group L.L.C., M&I Portfolio Services, Inc. and M&I National Trust Company.

D.H. Wilson Age 41

Senior Vice President and Treasurer since December 1996, Vice President and Treasurer since 1995, Marshall & Ilsley Corporation; Vice President, Treasury from June 1992 to May 1995, ABN AMRO/LaSalle National Bank; Director, M&I Custody of Nevada, Inc. and M&I Bank FSB.

PART II

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### ITEM 5. MARKET FOR REGISTRANT'S COMMON STOCK AND RELATED STOCKHOLDER MATTERS

#### Stock Listing

M&I's common stock is traded under the symbol "MI" on the New York Stock Exchange. Common dividends declared and the price range for M&I's common stock for each of the last five years can be found in Item 8, Consolidated Financial Statements, Quarterly Financial Information.

A discussion of the regulatory restrictions on the payment of dividends can be found under Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations, and in Note 14 in Item 8, Consolidated Financial Statements.

#### Holders of Common Equity

At December 31, 2000, M&I had approximately 19,660 record holders of its Common Stock.

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### ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Operating Earnings Years Ended December 31 (\$000's  
except share data)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Interest Income:					
Loans and Leases.....	\$1,391,651	\$1,156,775	\$1,085,829	\$ 921,161	\$ 804,951
Investment Securities:					
Taxable.....	272,536	269,668	280,377	240,238	198,787
Tax Exempt.....	65,429	58,820	52,969	45,420	30,718
Other Short-term					
Investments.....	18,366	11,321	14,869	13,514	11,365
	-----	-----	-----	-----	-----
Total Interest					
Income.....	1,747,982	1,496,584	1,434,044	1,220,333	1,045,821
Interest Expense:					
Deposits.....	772,016	585,864	564,540	460,418	392,473
Short-term Borrowings..	224,187	142,294	126,624	111,193	63,892
Long-term Borrowings..	78,773	63,145	66,810	54,175	53,615
	-----	-----	-----	-----	-----
Total Interest					
Expense.....	1,074,976	791,303	757,974	625,786	509,980
Net Interest Income.....	673,006	705,281	676,070	594,547	535,841
Provision for Loan and					
Lease Losses.....	30,352	25,419	27,090	17,633	15,634
	-----	-----	-----	-----	-----
Net Interest Income					
After Provision for					
Loan and Lease Losses..	642,654	679,862	648,980	576,914	520,207
Other Income:					
Data Processing					
Services.....	546,041	494,816	421,945	344,362	273,287
Trust Services.....	117,680	100,963	88,496	78,595	70,190
Net Securities Gains					

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(Losses).....	1,051	(4,083)	7,145	(2,578)	(4,803)
Other.....	314,146	286,849	276,914	213,732	199,659
	-----	-----	-----	-----	-----
Total Other Income..	978,918	878,545	794,500	634,111	538,333
Other Expense:					
Salaries and Benefits..	623,360	583,659	523,606	460,164	392,711
Other.....	460,618	446,809	431,216	362,689	323,936
	-----	-----	-----	-----	-----
Total Other Expense..	1,083,978	1,030,468	954,822	822,853	716,647
	-----	-----	-----	-----	-----
Income Before Income Taxes.....	537,594	527,939	488,658	388,172	341,893
Provision for Income Taxes.....	175,958	173,428	171,067	131,487	119,983
	-----	-----	-----	-----	-----
Operating Income.....	\$ 361,636	\$ 354,511	\$ 317,591	\$ 256,685	\$ 221,910
	=====	=====	=====	=====	=====
Accounting Changes & Special Charges.....	(46,513)	--	(16,268)	--	(15,275)
	-----	-----	-----	-----	-----
Net Income.....	\$ 315,123	\$ 354,511	\$ 301,323	\$ 256,685	\$ 206,635
	=====	=====	=====	=====	=====
Per Share:					
Basic Operating Income.....	\$ 3.44	\$ 3.32	\$ 2.94	\$ 2.62	\$ 2.28
Basic Net Income.....	2.99	3.32	2.79	2.62	2.12
Diluted Operating Income.....	3.32	3.14	2.76	2.43	2.12
Diluted Net Income....	2.89	3.14	2.61	2.43	1.98
Common Dividends Declared.....	1.035	0.940	0.860	0.785	0.720
Other Significant Data:					
Year-End Common Stock Price.....	\$ 50.83	\$ 62.81	\$ 58.44	\$ 62.13	\$ 34.63
Return on Average Shareholders' Equity*.....	16.84%	16.32%	14.89%	16.49%	16.14%
Return on Average Assets*.....	1.44	1.56	1.53	1.51	1.52
Dividend Payout Ratio..	35.81	29.94	32.95	32.30	36.36
Average Equity to Average Assets Ratio..	8.58	9.57	10.26	9.15	9.39
Ratio of Earnings to Fixed Charges** Excluding Interest on Deposits.....	2.46x	3.38x	3.25x	3.21x	3.52x
Including Interest on Deposits.....	1.43x	1.65x	1.60x	1.61x	1.61x

\*Based on Operating Income

\*\*See Exhibit 12 for detailed computation of these ratios.

Consolidated Average Balance Sheets  
Years ended December 31 (\$000's except share data)

2000                      1999                      1998                      1997                      1996

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-----					
Assets:					
Cash and Due from					
Banks.....	\$ 615,015	\$ 638,399	\$ 652,988	\$ 614,824	\$ 586,985
Short-term					
Investments.....	265,487	186,105	247,049	206,295	188,082
Trading Securities.....	30,926	37,277	43,404	40,822	25,264
Investment Securities:					
Taxable.....	4,063,774	4,208,498	4,317,668	3,570,225	3,104,010
Tax Exempt.....	1,327,159	1,217,847	1,078,333	913,130	668,913
Loans and Leases:					
Commercial.....	4,975,482	4,359,880	3,749,518	3,128,568	2,947,631
Real Estate.....	9,958,164	8,639,360	7,967,626	6,309,818	5,139,926
Personal.....	1,245,738	1,204,931	1,154,110	1,147,203	1,148,511
Lease Financing.....	938,525	705,054	532,043	394,024	293,448
-----					
Total Loans and Leases..	17,117,909	14,909,225	13,403,297	10,979,613	9,529,516
Allowance for Loan and					
Lease Losses.....	233,466	228,500	216,456	174,525	166,886
-----					
Net Loans and Leases....	16,884,443	14,680,725	13,186,841	10,805,088	9,362,630
Other Assets.....	1,854,973	1,732,112	1,263,890	851,030	709,803
-----					
Total Assets.....	\$25,041,777	\$22,700,963	\$20,790,173	\$17,001,414	\$14,645,687
=====					
Liabilities and					
Shareholders' Equity:					
Noninterest Bearing					
Deposits.....	\$ 2,648,419	\$ 2,663,609	\$ 2,545,724	\$ 2,301,097	\$ 2,116,197
Interest Bearing					
Deposits:					
Savings and NOW.....	1,845,916	2,027,658	2,140,380	1,915,888	1,905,775
Money Market Savings..	5,241,772	4,830,159	4,135,143	3,022,944	2,597,732
CDs of \$100 or more..	2,303,442	1,694,301	1,547,816	1,334,532	933,164
Other.....	5,458,234	4,941,175	4,388,152	3,665,334	3,344,644
-----					
Total Deposits.....	17,497,783	16,156,902	14,757,215	12,239,795	10,897,512
Short-term Borrowings..	3,538,846	2,803,834	2,357,161	2,017,829	1,218,177
Long-term Borrowings...	1,178,805	1,009,132	1,046,321	787,819	823,397
Accrued Expenses and					
Other Liabilities.....	678,269	558,978	496,439	399,605	331,743
Shareholders' Equity...	2,148,074	2,172,117	2,133,037	1,556,366	1,374,858
-----					
Total Liabilities					
and Shareholders'					
Equity.....	\$25,041,777	\$22,700,963	\$20,790,173	\$17,001,414	\$14,645,687
=====					
Other Significant Data:					
Book Value Per Share					
at Year End.....	\$21.19	\$19.47	\$19.88	\$17.94	\$13.75
Average Common Shares					
Outstanding.....	104,100,652	104,940,787	105,918,139	95,831,283	95,895,547
Employees at Year					
End*.....	11,753	11,433	10,756	10,227	8,995
Historically Reported					
Credit Quality Ratios:*					
Net Loan and Lease					
Charge-offs to					
Average Loans and					
Leases.....	0.12%	0.17%	0.07%	0.13%	0.23%
Total Nonperforming					



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Loans and Leases** & OREO to End of Period					
Loans and Leases & OREO.....	0.76	0.75	0.85	0.70	0.81
Allowance for Loan and Lease Losses to End of Period Loans and Leases.....	1.34	1.38	1.62	1.62	1.68
Allowance for Loan and Lease Losses to Total Nonperforming Loans and Leases**.....	182	193	206	275	225

-----  
\*Not restated for acquisitions accounted for as pooling of interests.

\*\*Loans and leases nonaccrual, restructured, and past due 90 days or more.

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Yield & Cost Analysis  
Years ended December 31 (Tax equivalent basis)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Average Rates Earned:					
Loans & Securitized ARMs.....	8.13%	7.77%	8.09%	8.36%	8.41%
Investment Securities--Taxable.....	6.49	6.26	6.26	6.62	6.29
Investment Securities--Tax Exempt.....	7.16	7.13	7.44	7.40	6.76
Trading Securities.....	4.92	5.08	5.13	5.01	4.83
Short-term Investments.....	6.35	5.08	5.13	5.57	5.40
Average Rates Paid:					
Interest Bearing Deposits.....	5.20%	4.34%	4.62%	4.63%	4.47%
Short-term Borrowings.....	6.34	5.07	5.37	5.51	5.24
Long-term Borrowings.....	6.68	6.26	6.39	6.88	6.51
M&I Marshall & Ilsley Bank Average Prime Rate.....	9.24	8.02	8.35	8.44	8.27
Summary Yield and Cost Analysis: (As a % of Average Assets)					
Average Yield.....	7.10%	6.72%	7.02%	7.31%	7.25%
Average Cost.....	4.29	3.49	3.64	3.68	3.48
Net Interest Income.....	2.81	3.23	3.38	3.63	3.77
Provision for Loan and Lease Losses.....	0.12	0.11	0.13	0.10	0.11
Net Interest Income After Provision for Loan and Lease Losses.....	2.69	3.12	3.25	3.53	3.66
Net Securities Gains (Losses).....	--	(0.02)	0.03	(0.02)	(0.03)
Other Income.....	3.90	3.89	3.79	3.75	3.71
Other Expense.....	4.32	4.54	4.59	4.84	4.89
Income Before Income Taxes.....	2.27	2.45	2.48	2.42	2.45
Provision for Income Taxes.....	0.83	0.89	0.95	0.91	0.93
Operating Income.....	1.44%	1.56%	1.53%	1.51%	1.52%
Accounting Changes & Special Charges.....	(0.18)	--	(0.08)	--	(0.11)
Net Income.....	1.26%	1.56%	1.45%	1.51%	1.41%

=====

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Net income in 2000 amounted to \$315.1 million or \$2.89 per share on a diluted basis. The return on average assets and return on average equity were 1.26% and 14.67%, respectively. By comparison, 1999 net income was \$354.5 million, diluted earnings per share was \$3.14, the return on average assets was 1.56% and the return on average equity was 16.32%. For the year ended December 31, 1998, net income was \$301.3 million or \$2.61 per share diluted and the returns on average assets and average equity were 1.45% and 14.13%, respectively.

On April 1, 1998, the Corporation completed the merger with Advantage Bancorp, Inc. ("Advantage"), a Kenosha, Wisconsin based savings and loan holding company, by issuing 1.2 shares of the Corporation's Common Stock for each share of Advantage Common Stock. At the time of merger, Advantage had consolidated assets of \$1.0 billion. The transaction was accounted for as a pooling of interests. In conjunction with this transaction, the Corporation recorded a merger/restructuring charge.

The results of operations and financial position for the periods presented also include the effects of the acquisitions of certain assets and liabilities by the Metavante subsidiary of the Corporation from the dates of merger. All three transactions were accounted for as purchases. Cash consideration in the three transactions aggregated \$86 million.

The results of operations for the year ended December 31, 2000, include the effects of losses from investment security and loan sales to realign the investment portfolio and dispose of lower yielding assets, costs associated with the planned Initial Public Offering (IPO) of the Corporation's Metavante subsidiary and costs incurred in connection with the plan to consolidate the Corporation's banking charters into a single charter as announced in the second quarter. In addition, in 2000, the Corporation adopted SAB 101 which changed the way conversion revenue and cost is recognized as more fully described in Note 2 to the Consolidated Financial Statements in Item 8.

The following is a summary of the unusual items reported in 2000 and 1998 and the comparative operating income, earnings per share and return on average equity based on operating income for 2000, 1999, and 1998.

	Pre-tax effect	2000	1999	1998
	-----	-----	-----	-----
	(\$ in millions, except per share data)			
Net income.....		\$315.1	\$354.5	\$301.3
Special charges				
Investment portfolio realignment--				
securities losses.....	\$50.6	32.9	--	--
Balance sheet management--losses on				
sale of ARM loans.....	3.1	2.0	--	--
Metavante IPO.....	4.5	3.1	--	--
Banking charter consolidation.....	9.1	6.2	--	--
Merger/Restructuring charges.....	23.4	--	--	16.3

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Total special charges.....		44.2	--	16.3
Change in accounting.....	3.8	2.3	--	--
Operating income.....		\$361.6	\$354.5	\$317.6
Operating income per share				
Basic.....		\$ 3.44	\$ 3.32	\$ 2.94
Diluted.....		3.32	3.14	2.76
Operating income to average equity.....		16.84%	16.32%	14.89%

The following reconciles operating income to operating income before amortization of intangibles ("tangible operating income"). Amortization includes amortization of goodwill and core deposit premiums and is net of negative goodwill accretion and the income tax benefit or expense, if any, related to each component. These calculations were specifically formulated by the Corporation and may not be comparable to similarly titled measures reported by other companies.

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Summary Consolidated Tangible Operating Income and Financial Statistics  
(\$ in millions, except per share data)

	2000	1999	1998
Operating income.....	\$361.6	\$354.5	\$317.6
Amortization, net of tax.....	19.2	23.8	21.0
Tangible operating income.....	\$380.8	\$378.3	\$338.6
Tangible operating income per share			
Basic.....	\$ 3.62	\$ 3.55	\$ 3.14
Diluted.....	3.50	3.35	2.94
Return on average tangible assets.....	1.54%	1.69%	1.65%
Return on average tangible equity.....	20.78	20.49	18.48

Operating Income Statement Components as a Percent of Average Total Assets

The following table presents a summary of the major elements of the consolidated operating income statements for the years ended December 31, 2000, 1999 and 1998. Each of the elements is stated as a percent of consolidated average total assets outstanding for the respective year and, where appropriate, is converted to a fully taxable equivalent basis (FTE). The results exclude the special charges in 2000 and 1998 as previously discussed.

	2000	1999	1998
Interest Income.....	7.10%	6.72%	7.02%
Interest Expense.....	(4.29)	(3.49)	(3.64)
Net Interest Income.....	2.81	3.23	3.38

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Provision for Loan and Lease Losses.....	(0.12)	(0.11)	(0.13)
Net Securities (Losses) / Gains.....	--	(0.02)	0.03
Other Income.....	3.90	3.89	3.79
Other Expense.....	(4.32)	(4.54)	(4.59)
	-----	-----	-----
Income Before Income Taxes.....	2.27	2.45	2.48
Income Taxes.....	(0.83)	(0.89)	(0.95)
	-----	-----	-----
Operating Income To Average Assets.....	1.44%	1.56%	1.53%
	=====	=====	=====

### Net Interest Income

Net interest income in 2000 amounted to \$673.0 million compared with net interest income of \$705.3 million in 1999, a decrease of \$32.3 million.

Average earning assets in 2000 amounted to \$22.8 billion compared to \$20.6 billion in 1999, an increase of \$2.2 billion or 10.9%. Average loans and leases, including securitized adjustable rate mortgage loans (ARMs), increased \$2.1 billion or 13.6%. The remainder of the increase was distributed evenly between investment securities and short-term investments. During the latter part of the third quarter of 2000, the Corporation realigned its available for sale investment securities portfolio through the sale and purchase of approximately \$1.6 billion of U.S. Government Agency securities. The full benefit of these transactions was realized beginning in the fourth quarter of 2000 and will have a more significant impact in 2001.

Average interest bearing liabilities increased \$2.3 billion or 13.1% in 2000 compared to 1999. Average interest bearing deposits increased \$1.4 billion or 10.0%. Average short-term borrowings increased \$735 million

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while average long-term borrowings increased \$170 million. The increase in borrowings reflects, in part, greater use of senior and subordinated notes by the banking affiliates. Average noninterest bearing deposits were relatively unchanged compared to the prior year. The increase in average interest bearing liabilities in 2000 reflects funding of earning asset growth along with the effect of treasury share repurchases.

The growth and composition of the Corporation's average loan and lease portfolio for the current year and prior two years are reflected in the following table. The securitized ARM loans that are classified as investment securities available for sale are included to provide a more meaningful comparison (\$ in millions):

	2000	1999	1998	Percent Growth	
				2000 vs 1999	1999 vs 1998
	-----	-----	-----	-----	-----
Commercial Loans.....	\$ 4,975.5	\$ 4,359.9	\$ 3,749.5	14.1%	16.3%
Real Estate Loans:					
Construction.....	547.8	430.1	421.3	27.4	2.1
Commercial Mortgages.....	4,182.6	3,845.3	3,545.1	8.8	8.5

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Residential Mortgages.....	5,227.8	4,363.9	4,001.3	19.8	9.1
Securitized ARM Loans.....	431.4	536.6	919.3	(19.6)	(41.6)
<hr/>					
Total Real Estate Loans & ARMs.....	10,389.6	9,175.9	8,887.0	13.2	3.3
Personal Loans:					
Student Loans.....	185.2	257.9	268.8	(28.2)	(4.1)
Other Personal Loans.....	1,060.5	947.0	885.3	12.0	7.0
<hr/>					
Total Personal Loans.....	1,245.7	1,204.9	1,154.1	3.4	4.4
Lease Financing Receivables:					
Commercial.....	353.2	335.0	329.6	5.4	1.6
Personal.....	585.3	370.1	202.4	58.2	82.8
<hr/>					
Total Lease Financing Receivables..	938.5	705.1	532.0	33.1	32.5
<hr/>					
Total Consolidated Average Loans, Leases & ARMs.....	\$17,549.3	\$15,445.8	\$14,322.6	13.6%	7.8%
<hr/>					
Total Consolidated Average Loans, Leases & ARMs					
Total Commercial Banking.....	\$ 9,944.6	\$ 8,870.0	\$ 7,910.5	12.1%	12.1%
Total Retail Banking.....	7,604.7	6,575.8	6,412.1	15.6%	2.6%
<hr/>					
Total Consolidated Average Loans, Leases & ARMs.....	\$17,549.3	\$15,445.8	\$14,322.6	13.6%	7.8%
<hr/>					
Total Consolidated Average Loans and Leases.....	\$17,117.9	\$14,909.2	\$13,403.3	14.8%	11.2%
<hr/>					

Compared to 1999, average loans, leases and ARMs increased \$2.1 billion or 13.6%. Total loan growth in commercial banking amounted to \$1.1 billion or 12.1% and was driven by commercial loan growth of \$616 million and commercial real estate loan and commercial real estate construction growth of \$441 million. Retail banking loan growth amounted to \$1.0 billion or 15.6%. Home equity loans and lines accounted for \$380 million, residential mortgages accounted for \$484 million and lease financing receivables accounted for \$215 million of the growth in retail loans. In the fourth quarter of 2000, the Corporation acquired \$341 million of home equity loans and lines in support of its private-label banking services.

Generally, the Corporation sells fixed rate residential real estate loans and in 2000 began selling a portion of ARM loan production in the secondary market. Residential real estate loans originated and sold to investors amounted to \$0.6 billion in 2000 compared to \$1.1 billion in 1999. As part of its announced balance sheet management restructuring, the Corporation sold \$300.8 million of portfolio ARM loans. ARM loans transferred to available for sale securities late in 2000 amounted to \$511 million. During the third quarter of 2000, the

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Corporation began securitizing indirect automobile loans. Auto loans securitized and sold in 2000 amounted to \$223 million. In addition, \$149.9 million of student loans were sold in 2000. The Corporation anticipates that it will continue to divest of lower yielding assets through sale or securitization in future periods.

The growth and composition of the Corporation's consolidated average deposits for the current year and prior two years are reflected below (\$ in

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millions):

	2000	1999	1998	Percent Growth	
				2000 vs 1999	1999 vs 1998
Noninterest Bearing					
Commercial.....	\$ 1,693.5	\$ 1,720.3	\$ 1,658.2	(1.6)%	3.7%
Personal.....	580.2	558.7	508.9	3.8	9.8
Other.....	374.7	384.6	378.6	(2.6)	1.6
-----					
Total Noninterest Bearing Deposits.....	2,648.4	2,663.6	2,545.7	(0.6)	4.6
Interest Bearing					
Savings and NOW.....	1,845.9	2,027.6	2,140.4	(9.0)	(5.3)
Money Market.....	5,241.8	4,830.2	4,135.1	8.5	16.8
Other CDs & Time.....	5,458.3	4,941.2	4,388.2	10.5	12.6
CDs Greater than \$100,000.....	872.8	817.9	816.5	6.7	0.2
Brokered CDs.....	1,430.6	876.4	731.3	63.2	19.8
-----					
Total Interest Bearing Deposits.....	14,849.4	13,493.3	12,211.5	10.1	10.5
-----					
Total Consolidated Average Deposits.....	\$17,497.8	\$16,156.9	\$14,757.2	8.3%	9.5%
=====					
Total Bank Issued					
Deposits.....	\$13,775.6	\$13,513.5	\$13,194.5	1.9%	2.4%
Total Wholesale Deposits..	3,722.2	2,643.4	1,562.7	40.8	69.2
-----					
Total Consolidated Average Deposits.....	\$17,497.8	\$16,156.9	\$14,757.2	8.3%	9.5%
=====					

Due to strong earning asset growth, particularly loan growth, the Corporation continued to make greater use of wholesale deposits in 2000. Wholesale deposits increased \$1.1 billion or 40.8%, of which, eurodollar term and overnight deposits, which are included in Other CDs & Time, accounted for \$0.5 billion of the increase while brokered CDs increased \$0.6 billion.

Money market savings, especially money market index accounts exhibited the greatest growth in bank issued deposits in 2000 compared to 1999. Average bank issued money market savings increased \$343 million or 8.1%. Average bank issued eurodollar activity and bank issued time deposits increased \$80 million and \$36 million, respectively while average savings and NOW decreased \$182 million in 2000 compared to the prior year. As previously discussed, noninterest bearing deposits were relatively unchanged year over year.

During 2000, M&I disposed of three branches. Deposits and loans aggregating approximately \$111 million and \$8 million, respectively were divested in 2000. As part of its private-label banking services, the Corporation acquired \$354 million of deposits late in 2000.

The net interest margin (FTE) as a percent of average earning assets was

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3.08% in 2000 compared to 3.58% in 1999, a decrease of 50 basis points. The yield on earning assets increased 36 basis points from 7.43% in 1999 to 7.79% in 2000 while the cost of interest bearing liabilities increased 92 basis points from 4.57% in 1999 to 5.49% in 2000. The continued reliance on higher-cost funding sources and lower loan spreads resulted in the margin decline. Premium amortization associated with purchase accounting adjustments arising primarily from the 1997 acquisition of Security Capital Corporation (Security) was \$3.9 million less in 2000 compared to the prior year due to slower prepayments.

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The yield on loans, leases and securitized ARMs was 8.13% in 2000 compared to 7.77% in 1999, an increase of 36 basis points. The increase in yield and the strong loan growth previously discussed contributed 90% of the increase in interest income on an FTE basis.

The remaining increase in interest on earning assets was primarily attributable to investment securities. The total yield on the investment security portfolio, excluding securitized ARMs, increased by approximately 19 basis points in 2000 compared to 1999.

The increase in the rates paid on interest bearing liabilities contributed approximately \$161 million and the increase in volume accounted for approximately \$122 million of the increase in interest paid on interest bearing liabilities in 2000 compared to the prior year. In addition to the use of higher-cost funds for earning asset growth, interest expense was adversely affected by the repurchase of treasury shares. The Corporation estimates that approximately \$26.4 million of interest expense was attributable to the \$471 million spent to repurchase common shares in 2000 and 1999.

During 1999, the Corporation's banking affiliates began issuing bank notes. At December 31, 2000, bank notes, which are included in short-term borrowings and long-term borrowings, amounted to \$1.4 billion. See Note 12, Short-term Borrowings, and Note 13, Long-term Borrowings, in Notes to Consolidated Financial Statements contained in Item 8 herein for further discussion regarding bank notes. During 2000, the Corporation filed a registration statement to issue up to \$500 million of medium-term Series E notes. Approximately \$21.2 million of the Corporation's other series medium-term notes matured in 2000.

Throughout 2000 the Corporation employed a variety of derivative financial instruments in the form of receive fixed/pay floating interest rate swaps and interest rate floors designated as hedges against the interest rate volatility associated with variable rate assets and liabilities. See Note 18, Financial Instruments with Off-Balance Sheet Risk in Notes to Consolidated Financial Statements contained in Item 8 herein for further discussion regarding the Corporation's use of derivative financial instruments.

For 2000, the effect on net interest income resulting from the derivative financial instruments designated as hedges was a negative \$3.5 million compared with a positive \$7.0 million in 1999.

On January 1, 2001, the Corporation adopted the new accounting standard for accounting for derivative financial instruments and hedging activities as explained in Note 1 in Notes to Consolidated Financial Statements contained in Item 8 herein. The new standard requires that those derivative instruments be recognized in the Corporation's Consolidated Balance Sheets as assets or liabilities at their fair value. The Corporation has determined that those freestanding derivatives previously designated as hedges will continue to be eligible for the special hedge accounting prescribed by the new standard. The

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impact resulting from the transition adjustment of adopting the new standard will be a charge to accumulated other comprehensive income (equity) of \$10.2 million and a decrease to net income of \$0.4 million which will be presented as a cumulative-type change in accounting. The Corporation does not expect that applying the new standard will result in a material difference to income compared to current accounting.

The Corporation anticipates that the net interest margin will stabilize in 2001.

Net interest income in 1999 amounted to \$705.3 million, an increase of \$29.2 million or 4.3% compared with net interest income of \$676.1 million in 1998.

Average earning assets in 1999 amounted to \$20.6 billion compared to \$19.1 billion in 1998, an increase of \$1.5 billion or 7.7%. Average loans and leases, including securitized adjustable rate mortgage loans (ARMs), increased \$1.1 billion or 7.8%. The remaining growth in average earning assets was primarily attributable to investment securities.

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Average interest bearing liabilities increased \$1.7 billion or 10.8% in 1999 compared to 1998. Average interest bearing deposits increased \$1.3 billion or 10.5%. Average short-term borrowings increased \$447 million while average long-term borrowings decreased \$37 million. Average noninterest bearing deposits increased \$118 million or 4.6% in 1999 compared to the prior year. The increase in average interest bearing liabilities in 1999 reflects funding of earning asset growth along with the effect of cash paid for acquisitions and the effect of treasury share repurchases.

Compared to 1998, average loans, leases and ARMs increased \$1.1 billion or 7.8%. Loan growth was primarily attributable to commercial banking. Total loan growth in commercial banking amounted to \$960 million or 12.1% and was driven by commercial loan growth of \$610 million and commercial real estate loan growth of \$344 million. Retail banking loan growth amounted to \$164 million or 2.6% primarily due to growth in home equity loans and lines of \$400 million and \$168 million of growth in lease financing receivables. Residential real estate loans and securitized ARM loans decreased \$455 million which reflects, in part, the effect of increased prepayments throughout 1998 and early 1999 as customers refinanced to fixed rate loans and reduced demand in the second half of 1999 due to increases in interest rates. There were no ARM loan securitizations in 1999. Generally, the Corporation sells fixed rate residential real estate loans in the secondary market. One to four family residential real estate loans sold to investors amounted to \$1.1 billion in 1999 compared to \$2.2 billion in 1998.

Due to strong earning asset growth, particularly loan growth, the Corporation made greater use of wholesale deposits in 1999 compared to the prior year. Wholesale deposits increased \$1.1 billion or 69.2%, of which, eurodollar term and overnight deposits, which are included in Other CDs & Time, accounted for \$870 million of the increase while brokered CDs increased \$145 million.

Money market savings, especially money market index accounts, and noninterest bearing deposits exhibited the greatest growth in bank issued deposits in 1999 compared to 1998. Average bank issued money market savings increased \$630 million or 17.5% and noninterest bearing deposits increased \$118 million or 4.6%. Average savings and NOW decreased \$113 million or 5.3% in 1999 compared to the prior year.



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During 1999, M&I disposed of eight branches. Deposits and loans aggregating approximately \$92 million and \$31 million, respectively were divested in 1999.

The net interest margin (FTE) as a percent of average earning assets was 3.58% in 1999 compared to 3.69% in 1998, a decrease of 11 basis points. The yield on earning assets decreased 25 basis points from 7.68% in 1998 to 7.43% in 1999 while the cost of interest bearing liabilities decreased 28 basis points from 4.85% in 1998 to 4.57% in 1999.

The yield on loans, leases and securitized ARMs was 7.77% in 1999 compared to 8.09% in 1998, a decrease of 32 basis points. The decline in yield reflects, in part, run-off of higher yielding loans and securitized ARMs throughout 1998 and early 1999 as well as lower yields on new loans. Premium amortization associated with Security purchase accounting adjustments for fixed rate mortgage and home equity loans amounted to \$4.0 million in 1999 compared to \$11.2 million in 1998 which reflects a slowing of prepayments beginning in the second quarter of 1999. Loan and lease growth offset the yield decline and netted approximately \$42 million or 64% of the increase in interest on earning assets on a FTE basis.

The remaining increase in interest on earning assets is primarily attributable to investment securities. The total yield on the investment security portfolio, excluding securitized ARMs, decreased by approximately 7 basis points in 1999 compared to 1998. Premium amortization associated with Security purchase accounting adjustments for investment securities was \$2.8 million in 1999 compared to \$7.6 million in 1998. Average investment securities, excluding Securitized ARM loans and fair market adjustments for available for sale securities, increased \$456 million or 10.3%. The increase in volume offset the decline in yield and contributed \$27 million or 41% of the increase in interest on earning assets on a FTE basis.

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The increase in the volume of interest bearing liabilities, primarily deposits and short-term borrowings accounted for the increase in interest paid on interest bearing liabilities in 1999. In addition to the use of wholesale deposits to fund earning asset growth, the costs of acquisitions and the repurchase of treasury shares adversely affected interest expense. The Corporation estimates that approximately \$9.3 million of interest expense is attributable to common shares repurchased in 1999.

During 1999, eight of the Corporation's banking affiliates began issuing bank notes. At December 31, 1999, bank notes, which are included in short-term borrowings, amounted to \$550 million. During 1999, the Corporation issued \$75 million of Series D medium-term notes which were used, in part, to refinance maturities of medium-term notes in 1999.

At December 31, 1999, the Corporation had receive fixed/pay floating interest rate swaps and interest rate floors designated as hedges against the interest rate volatility associated with variable rate loans, brokered callable CDs, brokered callable step-up CDs, retail callable CDs and equity index CDs. See Note 18, Financial Instruments with Off-Balance Sheet Risk in Notes to Consolidated Financial Statements contained in Item 8 herein for further discussion regarding the Corporation's use of derivative financial instruments.

For 1999, the effect on net interest income resulting from the derivative financial instruments designated as hedges was a positive \$7.0 million compared with a positive \$5.1 million in 1998.

In late December, 1998, the Corporation purchased \$400 million of single

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premium bank-owned life insurance policies which insure the lives of certain officers of the Corporation and its affiliates. The Corporation is utilizing this vehicle to fund future employee benefit obligations. These purchases were funded by the maturities and sales of investment securities classified as available for sale. The net realizable values of bank-owned life insurance policies are a component of other assets in the consolidated balance sheets and periodic increases in the values are included as a component of other income. These transactions have the effect of reducing the Corporation's net interest income (and margin) and increasing its other income.

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Average Balance Sheets and Analysis of Net Interest Income

The Corporation's consolidated average balance sheets, interest earned and interest paid, and the average interest rates earned and paid for each of the last three years are presented in the following table. Securitized ARM loans that are classified as investment securities available for sale are included with loans and leases to provide a more meaningful comparison (\$ in thousands):

	2000			1999			Average Balance
	Average Balance	Interest Earned/ Paid	Average Yield or Cost (3)	Average Balance	Interest Earned/ Paid	Average Yield or Cost (3)	
Loans, leases, and securitized ARMs (1,2).....	\$17,549,271	\$1,426,750	8.13%	\$15,445,809	\$1,198,505	7.77%	\$14,32
Investment securities:							
Taxable.....	3,632,411	239,509	6.49	3,671,914	229,909	6.26	3,39
Tax exempt (1).....	1,327,159	94,371	7.16	1,217,847	85,552	7.13	1,07
Interest bearing deposits in other banks.....	24,850	2,066	8.31	21,566	1,184	5.49	2
Funds sold and security resale agreements.....	99,126	6,429	6.49	68,764	3,758	5.47	3
Trading securities (1).....	30,926	1,523	4.92	37,277	1,894	5.08	4
Other short-term investments.....	141,511	8,363	5.91	95,775	4,515	4.71	17
<b>Total interest earning assets.....</b>	<b>22,805,254</b>	<b>1,779,011</b>	<b>7.79%</b>	<b>20,558,952</b>	<b>1,525,317</b>	<b>7.43%</b>	<b>19,08</b>
Cash and demand deposits due from banks.....	615,015			638,399			65
Premises and equipment, net.....	376,286			360,624			35
Other assets.....	1,478,688			1,371,488			90
Allowance for loan and lease losses.....	(233,466)			(228,500)			(21
<b>Total assets.....</b>	<b>\$25,041,777</b>			<b>\$22,700,963</b>			<b>\$20,79</b>
Money market savings deposits.....	\$ 5,241,772	\$ 277,813	5.30%	\$ 4,830,159	\$ 205,148	4.25%	\$ 4,13
Savings and interest							

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bearing demand deposits.....	1,845,916	29,812	1.62	2,027,658	33,525	1.65	2,14
Other time deposits....	5,458,234	318,229	5.83	4,941,175	254,965	5.16	4,38
CDs greater than \$100, brokered and callable CDs.....	2,303,442	146,162	6.35	1,694,301	92,226	5.44	1,54
-----							
Total interest bearing deposits.....	14,849,364	772,016	5.20	13,493,293	585,864	4.34	12,21
Short-term borrowings..	3,538,846	224,187	6.34	2,803,834	142,294	5.07	2,35
Long-term borrowings...	1,178,805	78,773	6.68	1,009,132	63,145	6.26	1,04
-----							
Total interest bearing liabilities.....	19,567,015	1,074,976	5.49%	17,306,259	791,303	4.57%	15,61
Noninterest bearing deposits.....	2,648,419			2,663,609			2,54
Other liabilities.....	678,269			558,978			49
Shareholders' equity...	2,148,074			2,172,117			2,13
-----							
Total liabilities and shareholders' equity.....	\$25,041,777			\$22,700,963			\$20,79
=====							
Net interest income.		\$ 704,035			\$ 734,014		
=====							
Net yield on interest earning assets.....			3.08%			3.58%	
=====							

Notes:

- (1) Fully taxable equivalent basis, assuming a Federal income tax rate of 35% for all years presented, and excluding disallowed interest expense.
- (2) Loans and leases on nonaccrual status have been included in the computation of average balances.
- (3) Based on average balances excluding fair value adjustments for available for sale securities.

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Analysis of Changes in Interest Income and Interest Expense

The effect on interest income and interest expense due to volume and rate changes in 2000 and 1999 are outlined in the following table. Changes not due solely to either volume or rate are allocated to rate (\$ in thousands):

2000 versus 1999			1999 versus 1998		
-----			-----		
Increase (Decrease) Due to Change in			Increase (Decrease) Due to Change in		
-----			-----		
Average Volume (2)	Average Rate	Increase (Decrease)	Average Volume (2)	Average Rate	Increase (Decrease)
-----			-----		

Interest on earning  
assets:

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Loans, leases, and securitized ARMs (1) ..	\$163,952	\$ 64,293	\$228,245	\$ 91,738	\$(49,802)	\$41,936
Investment securities:						
Taxable.....	1,066	8,534	9,600	18,372	(25)	18,347
Tax-exempt (1).....	8,421	398	8,819	12,065	(3,725)	8,340
Interest bearing deposits in other banks.....	180	702	882	(365)	83	(282)
Funds sold and security resale agreements.....	1,661	1,010	2,671	1,720	(180)	1,540
Trading securities (1) ..	(323)	(48)	(371)	(314)	(17)	(331)
Other short-term investments.....	2,154	1,694	3,848	(4,192)	(275)	(4,467)
	-----	-----	-----	-----	-----	-----
Total interest income change.....	\$177,111	\$ 76,583	\$253,694	\$119,024	\$(53,941)	\$65,083
	=====	=====	=====	=====	=====	=====
Expense on interest bearing liabilities:						
Money market savings deposits.....	\$ 17,494	\$ 55,171	\$ 72,665	\$ 30,998	\$(10,471)	\$20,527
Savings and interest bearing demand deposits.....	(2,999)	(714)	(3,713)	(2,277)	(7,372)	(9,649)
Other time deposits... CDs greater than \$100, brokered and callable CDs.....	26,680	36,584	63,264	31,080	(22,915)	8,165
	-----	-----	-----	-----	-----	-----
Total interest bearing deposits.....	74,312	111,840	186,152	68,312	(46,988)	21,324
Short-term borrowings..	37,265	44,629	81,894	23,986	(8,316)	15,670
Long-term borrowings..	10,622	5,005	15,627	(2,376)	(1,289)	(3,665)
	-----	-----	-----	-----	-----	-----
Total interest expense change.....	\$122,199	\$161,474	\$283,673	\$ 89,922	\$(56,593)	\$33,329
	=====	=====	=====	=====	=====	=====

Notes:

- (1) Fully taxable equivalent basis, assuming a Federal income tax rate of 35% for all years presented, and excluding disallowed interest expense.
- (2) Based on average balances excluding fair value adjustments for available for sale securities.

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Summary of Loan and Lease Loss Experience and Credit Quality

The following tables present comparative credit quality information as of and for the year ended December 31, 2000, as well as the preceding four years:

Consolidated Credit Quality Information  
December 31, (\$000's)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----

Nonperforming Assets by Type

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Loans and Leases:					
Nonaccrual.....	\$121,425	\$106,387	\$101,346	\$ 66,945	\$ 63,459
Renegotiated.....	614	708	978	1,338	1,819
Past Due 90 Days or More...	7,371	9,975	7,631	8,238	7,366
	-----	-----	-----	-----	-----
Total Nonperforming Loans and Leases.....	129,410	117,070	109,955	76,521	72,644
Other Real Estate Owned.....	3,797	6,230	8,751	15,573	8,052
	-----	-----	-----	-----	-----
Total Nonperforming Assets.....	\$133,207	\$123,300	\$118,706	\$ 92,094	\$ 80,696
	=====	=====	=====	=====	=====
Allowance for Loan and Lease Losses.....	\$235,115	\$225,862	\$226,052	\$208,651	\$161,659
	=====	=====	=====	=====	=====
Consolidated Statistics					
Net Charge-offs to Average Loans and Leases.....	0.12%	0.17%	0.07%	0.12%	0.21%
Total Nonperforming Loans and Leases to Total Loans and Leases.....	0.74	0.72	0.79	0.58	0.74
Total Nonperforming Assets to Total Loans and Leases and Other Real Estate Owned.....	0.76	0.75	0.85	0.70	0.82
Allowance for Loan and Lease Losses to Total Loans and Leases.....	1.34	1.38	1.62	1.59	1.64
Allowance for Loan and Lease Losses to Nonperforming Loans and Leases.....	182	193	206	273	223

Major Categories of Nonaccrual Loans and Leases (\$000's)

	December 31, 2000			December 31, 1999		
		% of Nonaccrual	% of Loan Type		% of Nonaccrual	% of Loan Type
Commercial and Lease Financing.....	\$ 51,886	0.9%	42.7%	\$ 56,806	1.1%	53.4%
Real Estate Construction and Land Development.....	2,896	0.5	2.4	2,609	0.5	2.5
Commercial Real Estate..	35,011	0.7	28.9	19,668	0.5	18.5
Residential Real Estate.	29,895	0.7	24.6	25,901	0.5	24.3
	-----	---	-----	-----	---	-----
Total Real Estate...	67,802	0.7	55.9	48,178	0.5	45.3
Personal and Lease Financing.....	1,737	0.1	1.4	1,403	0.1	1.3
	-----	---	-----	-----	---	-----
Total.....	\$121,425	0.7%	100.0%	\$106,387	0.7%	100.0%
	=====	===	=====	=====	===	=====

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	2000	1999	1998	1997	1996
Allowance for Loan and Lease Losses					
At Beginning of Year.....	\$225,862	\$226,052	\$208,651	\$161,659	\$166,815
Provision for Loan and Lease Losses.....	30,352	25,419	27,090	17,633	15,634
Allowance of Banks and Loans Acquired.....	1,270	--	--	42,773	--
Allowance Transfer for Loan Securitizations.....	(1,022)	--	--	--	(440)
Loans and Leases Charged-off:					
Commercial.....	10,623	17,275	6,401	8,474	16,294
Real Estate--Construction.....	4	157	352	87	13
Real Estate--Mortgage.....	9,848	5,719	5,115	3,907	3,446
Personal.....	8,216	7,121	7,886	7,868	6,390
Leases.....	1,327	2,285	1,191	1,166	2,397
Total Charge-offs.....	30,018	32,557	20,945	21,502	28,540
Recoveries on Loans and Leases:					
Commercial.....	4,696	2,696	6,708	4,176	3,231
Real Estate--Construction.....	57	6	164	53	9
Real Estate--Mortgage.....	1,458	1,413	1,369	1,097	2,483
Personal.....	2,199	2,244	2,690	2,501	2,355
Leases.....	261	589	325	261	112
Total Recoveries.....	8,671	6,948	11,256	8,088	8,190
Net Loans and Leases Charged-off.....	21,347	25,609	9,689	13,414	20,350
Allowance for Loan and Lease Losses					
at End of Year.....	\$235,115	\$225,862	\$226,052	\$208,651	\$161,659

Nonperforming assets consist of nonperforming loans and other real estate owned (OREO).

OREO is comprised of commercial and residential properties acquired in partial or total satisfaction of problem loans and branch premises held for sale. OREO acquired in satisfaction of debts amounted to \$2.7 million, \$5.1 million and \$5.6 million at December 31, 2000, 1999 and 1998 respectively. Branch premises held for sale amounted to \$1.1 million, \$1.1 million and \$3.2 million at the end of 2000, 1999 and 1998, respectively.

Nonperforming loans and leases consist of nonaccrual, renegotiated or restructured loans, and loans and leases that are delinquent 90 days or more and still accruing interest. The balance of nonperforming loans and leases can fluctuate widely based on the timing of cash collections, renegotiations and renewals.

Maintaining nonperforming assets at an acceptable level is important to the ongoing success of a financial services institution. The Corporation's comprehensive credit review and approval process is critical to ensuring that the amount of nonperforming assets on a long-term basis is minimized within the overall framework of acceptable levels of credit risk. In addition to the

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negative impact on net interest income and credit losses, nonperforming assets also increase operating costs due to the expense associated with collection efforts.

At December 31, 2000, nonperforming loans and leases amounted to \$129.4 million or 0.74% of consolidated loans and leases compared to \$117.1 million or 0.72% at December 31, 1999 and \$110.0 million or 0.79% at December 31, 1998. Nonaccrual loans increased \$15.0 million at year end 2000 compared to year end 1999. Nonaccrual commercial mortgages accounted for \$15.3 million of the increase. Nonaccrual loans associated with the cranberry industry amounted to \$13.8 million or approximately 11% of total nonaccrual loans at December 31, 2000. Nonaccrual residential real estate and other nonaccrual personal loans were \$31.6 million at December 31, 2000, an increase of \$4.3 million over the prior year. This increase was offset by a decline in commercial loans and leases of \$4.9 million.

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Net charge-offs amounted to \$21.3 million or 0.12% of average loans and leases in 2000 compared with \$25.6 million or 0.17% of average loans and leases in 1999 and \$9.7 million or 0.07% of average loans and leases in 1998. Cranberry industry related net charge-offs amounted to \$6.2 million or 29% of total net charge-offs in 2000. The Corporation does not anticipate further losses in this sector.

The allowance for loan and lease losses represents management's estimate of probable inherent losses which have occurred as of the date of the financial statements. In determining the adequacy of the reserve the Corporation evaluates the reserves necessary for specific nonperforming loans and also estimates losses inherent in other loans and leases. As a result, the allowance for loans and leases contains the following components:

**Specific Reserve.** The amount of specific reserves is determined through a loan-by-loan analysis of nonperforming loans that considers expected future cash flows, the value of collateral and other factors that may impact the borrower's ability to make payments when due. Included in this group are those nonaccrual or renegotiated loans which meet the criteria as being "impaired" under the definition in SFAS 114. A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement.

**Allocated inherent reserve.** The amount of the allocated portion of the inherent loss reserve is determined by reserving factors assigned to loans and leases based on the Corporation's internal loan grading system. Line officers and loan committees are responsible for continually assigning grades to commercial loan types based on standards established in the Corporation's loan policies and adherence to the standards is closely monitored by the Corporation's Loan Review Group. Loan grades are similar to, but generally more conservative than, regulatory classifications. In addition, reserving factors are applied to retail and smaller balance ungraded credits as well as specialty loan products such as credit card, student loans and mortgages. Reserving factors are derived and are determined based on such factors as historical charge-off experience, remaining life, and industry practice for reserve levels. The use of industry practice is intended to prevent an understatement of reserves based upon an over-reliance on historical charge-offs during favorable economic conditions.

**Unallocated inherent reserve.** Management determines the unallocated portion of the inherent loss reserve based on factors that cannot be associated

with a specific credit or loan categories. These factors include management's subjective evaluation of local, national and international economic and business conditions, changes to underwriting standards and marketing channels such as use of centralized retail and small business credit centers, trends towards higher advance rates and longer amortization periods and the impact of acquisitions on the Corporation's credit risk profile. The unallocated portion of the inherent loss reserve also reflects management's attempt to ensure that the overall reserve appropriately reflects a margin for the imprecision necessarily inherent in estimates of expected credit losses.

Management's evaluation of the factors described above resulted in an allowance for loan and lease losses of \$235.1 million at December 31, 2000 compared to \$225.9 million at December 31, 1999 and \$226.1 million at December 31, 1998. The level of reserve reflects management's belief that losses inherent in the loan and lease portfolio were larger than would otherwise be suggested by the Corporation's favorable charge-off experience in recent years; the Corporation's experience, as most recently evidenced in the current year, of larger losses in commercial and commercial real estate loans in brief periods at particular points in economic cycles; and the view that the absolute level of the allowance should not decline appreciably given continuing loan growth and the slowing of economic prosperity.

The resulting provision for loan and lease losses amounted to \$30.4 million for the twelve months ended December 31, 2000, while net charge-offs totaled \$21.3 million.

Charge-offs for 2001 will continue to be affected by the various factors previously discussed. The Corporation anticipates charge-off levels will continue at recent historical levels. However, negative economic events, adverse developments in industry segments within the portfolio, or deterioration of a large loan or loans could have significant adverse impacts on the loss levels. There are no known material loans believed to be in imminent danger of deteriorating or defaulting which would give rise to a large near-term charge-off.

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#### Other Income

Total other income amounted to \$928.3 million in 2000 compared to \$878.5 million in 1999. Excluding securities losses of \$50.6 million associated with the realignment of investment securities previously discussed, total other income in 2000 amounted to \$978.9 million or an increase of \$100.4 million or 11.4%.

In July 2000, the Corporation created an independent subsidiary Metavante Corporation ("Metavante") which consisted of the former Data Services Division of the Corporation except for the payment services or item processing line of business which was transferred to its banking segment. Metavante was created in contemplation of a planned IPO and organized to better reflect its technology-focused business. Data processing services revenue in the Consolidated Statements of Income contained in Item 8 herein have been reclassified to reflect the organizational change and to conform data processing services revenue types to the way it was presented in Metavante's initial registration statement.

Total data processing services revenue amounted to \$546.0 million in 2000 compared to \$494.8 million in 1999, an increase of \$51.2 million or 10.4%. Account processing fees increased \$50.8 million or 15.0% and reflects a full year of revenue from the electronic banking services and plastic card



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personalization and procurement services acquisitions in 1999 as well as growth in electronic payment services and electronic funds transfer services. Other data services revenue increased \$2.2 million. Buyout fees, which vary period to period, increased \$13.5 million primarily due to one large fee recognized in the third quarter of 2000 as a result of an acquisition. Equipment sales were \$10.4 million lower in 2000 compared to 1999.

Item processing revenue increased \$11.2 million due to the addition of a large customer that converted its item processing in the fourth quarter of 1999.

Fees from trust services were \$117.7 million in 2000 compared to \$101.0 million in 1999, an increase of \$16.7 million or 16.6%. All product lines reflected revenue growth. At December 31, 2000 total trust assets were \$1.2 billion higher than the previous year. Assets under management increased \$1.0 billion or 9% and proprietary mutual fund balances increased \$0.5 billion or 11%.

Mortgage banking revenue was \$16.7 million in 2000 compared with \$27.3 million in 1999, a decrease of \$10.6 million. Gains from sales of mortgages to the secondary market and mortgage related fees declined \$9.6 million and loan servicing fees decreased \$1.0 million.

Capital markets revenue increased \$7.6 million in 2000 compared to the prior year. Net gains from the sale of investments, which vary from period to period, accounted for \$7.8 million of the increase.

In addition to the increase in net realizable value, life insurance revenue in 2000 includes death benefit gains of \$0.6 million.

Net securities gains in 2000 excluding the effect of the losses incurred from the investment security portfolio re-alignment previously discussed, amounted to \$1.1 million and principally represents gains from the sale of certain equity securities by the banking segment.

Other noninterest income amounted to \$121.7 million in 2000 compared to \$109.6 million in 1999, an increase of \$12.1 million. Revenue associated with auto securitizations which began in 2000 amounted to \$3.9 million. Gains from the sale of branches and other assets sales were \$7.2 million greater in 2000 compared to 1999. Other increases in commissions and fees in 2000 offset the death benefit gain on life insurance policies of \$6.0 million recognized in 1999.

Total other income amounted to \$878.5 million in 1999 compared to \$794.5 million in 1998, an increase of \$84.0 million or 10%.

Total data processing services revenue increased \$72.9 million or 17.3% from \$421.9 million in 1998 to \$494.8 million in the current year. Account processing fees increased \$90.7 million. Revenues associated with

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acquisitions and a joint venture accounted for \$46.6 million of the increase. Revenue from electronic funds distribution increased \$11.6 million while revenue from other e-commerce related activities increased \$6.0 million. The remainder of the increase in revenue was attributable to traditional processing.

Internet banking revenue is primarily revenue from internet mortgage lending and discount brokerage. Internet mortgage lending began in the fourth quarter of 1998. During the third and fourth quarters of 1999, internet

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product offerings were expanded to include deposit (CDs) and home equity lending.

Fees from trust services were \$101.0 million in 1999 compared to \$88.5 million in 1998, an increase of \$12.5 million or 14.1%. Personal trust fees increased \$3.7 million, commercial trust fees increased \$2.5 million and revenue from outsourcing services increased \$2.7 million over the prior year.

Service charges on deposits increased \$8.0 million or 12.9% from \$61.7 million in 1998 to \$69.7 million in 1999. Service charges on commercial demand accounted for \$6.6 million of the increase.

Mortgage banking revenue was \$27.3 million in 1999 compared with \$53.7 million in 1998, a decrease of \$26.4 million. Gains from sales of mortgages to the secondary market and mortgage related fees declined \$23.0 million and loan servicing fees decreased \$3.4 million. As previously discussed, declining interest rates throughout 1998 resulted in refinancings at record levels in 1998 and early 1999.

Capital markets revenue decreased \$12.4 million in 1999 compared to the prior year. Net gains from the sale of investments, which vary from period to period, accounted for \$11.9 million of the decline.

Life insurance revenue represents the increase in net realizable value primarily associated with the purchase of \$400 million of single premium bank-owned life insurance policies late in 1998 which insure the lives of certain officers of the Corporation and its affiliate banks. This vehicle is being used to fund future employee benefit obligations.

Net securities losses in 1999 amounted to \$4.1 million and principally represent write-offs of investments in housing equity partnerships.

Other noninterest income amounted to \$109.6 million in 1999 compared to \$91.7 million in 1998, an increase of \$17.9 million. Deposit premiums from the sale of eight branches amounted to \$7.8 million. Death benefit gains from life insurance policies amounted to \$6.0 million.

### Other Expense

Total other expense amounted to \$1,100.7 million in 2000, an increase of \$70.2 million or 6.8% from \$1,030.5 million in 1999.

In July, 2000, the Corporation announced the planned IPO of Metavante, its plan to reduce the number of banking charters under which it operates and the sale of assets and investment portfolio realignment. Losses from the investment portfolio realignment of \$50.6 million were previously discussed in Other Income.

The line Single Charter / IPO / Arm Loan Sales in the Consolidated Statements of Income contained in Item 8 reflect the costs incurred for these initiatives and include the following:

Losses from the sale of portfolio ARM loans amounted to \$3.1 million.

IPO expenses amounted to \$4.5 million. Such expenses included registration costs and professional fees incurred in preparation of an initial registration statement as well as professional fees for tax and benefit plan consulting, market assessments, other strategic consulting and name change. Such expenses also included costs that normally would be netted against the IPO proceeds had it proceeded as originally planned.

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Single Charter expenses amounted to \$9.1 million and consist of the cost of programming changes required to support operations and processes to achieve the scale required in the single charter environment, consulting fees and other professional fees, costs incurred to eliminate duplicate loan and deposit customer's accounts and other affiliate shareholder matters and costs associated with employee relocation, retention and severance. The first charter merger was completed in the fourth quarter of 2000.

Total costs for the single charter and IPO were originally estimated to be approximately \$19.0 million (after-tax) beginning in the third quarter of 2000 and in subsequent quarters throughout 2001 as incurred. The Corporation continues to believe the estimate is reasonable.

Excluding the above, operating expenses amounted to \$1,084.0 in 2000 compared to \$1,030.5 in 1999, an increase of \$53.5 million or 5.2%.

The increase in expenses is primarily attributable to the Corporation's nonbanking businesses, particularly its data processing business segment ("Metavante"). Metavante's expense growth of approximately \$30.3 million or 6.4% in 2000 compared to 1999 represents approximately 57% of the Corporation's total operating expense growth.

Expense control is sometimes measured in the financial services industry by the efficiency ratio statistic. The efficiency ratio is calculated by taking total other expense (excluding special charges) divided by the sum of total other income (excluding securities gains or losses other than Capital Markets revenue) and net interest income on a fully taxable equivalent basis. The Corporation's efficiency ratios for the years ended December 31, 2000, 1999, and 1998 were:

Efficiency Ratios	2000	1999	1998
-----	-----	-----	-----
Consolidated Corporation.....	64.4%	63.7%	64.1%
Consolidated Corporation Excluding Data Services:			
Including Intangible Amortization.....	54.8%	53.5%	54.7%
Excluding Intangible Amortization.....	52.6%	50.8%	49.9%

Total salaries and benefits expense amounted to \$623.4 million for 2000 compared to \$583.7 million in 1999, an increase of \$39.7 million or 6.8%. Metavante contributed approximately \$40.5 million to the increase. Compared to 1999, Metavante had over 500 more full-time equivalent employees and contract programmers in 2000 in response to the continued growth in the electronic banking and electronic payment services businesses. Salaries and benefits of the Corporation's banking segment increased \$10.3 million or 4.5%. Incentive compensation based on the Corporation's common stock performance decreased \$11.3 million.

Metavante's expense growth, driven in part by continued investment in infrastructure, accounted for \$16.5 million or all of the corporate-wide expense growth in net occupancy, equipment, software, processing, supplies and printing and professional services.

The increase in shipping and handling reflects the increase in item processing revenue especially from a large new customer as previously discussed.

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Amortization of intangibles decreased \$5.6 million. Amortization of core deposit premiums decreased \$2.9 million. A decrease in goodwill and other amortization associated with acquisitions by Metavante were partially offset by increases in amortization of mortgage loan and auto loan servicing rights.

Other expenses amounted to \$101.6 million in 2000 compared to \$104.9 million in the prior year, a decrease of \$3.3 million or 3.2%. Auto lease residual impairment and off-lease inventory write-downs in 2000 amounted to \$8.6 million.

Other expense is affected by the capitalization of costs, net of amortization, associated with software development and data processing conversions. The amount of capitalized software development costs and

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capitalized conversion costs net of their respective amortization increased \$11.4 million and \$1.6 million in 2000 compared to 1999.

Total other expense amounted to \$1,030.5 million in 1999, an increase of \$75.6 million or 7.9% from \$954.8 million, before merger/restructuring expense in 1998. Including these charges, total other expense for 1998 amounted to \$978.2 million. The merger/restructuring expense of \$23.4 million in 1998 relates to the merger with Advantage.

The increase in expenses is primarily attributable to the Corporation's nonbanking businesses, particularly its data processing business segment. Metavante's expense growth of \$53.2 million or 12.8% in 1999 compared to 1998 represents approximately 69% of the Corporation's total operating expense growth and reflects the cost of adding processing capacity and other related costs associated with increased revenue growth including the impact of acquisitions as well as continued work on Year 2000.

Total salaries and benefits expense amounted to \$583.7 million for 1999 compared to \$523.6 million in 1998, an increase of \$60.1 million or 11.5%. The data processing segment contributed approximately \$33.5 million or 56% of the increase. Salaries and benefits of the Corporation's banking segment increased \$11.9 million or 5.5%. Incentive compensation based on the Corporation's common stock performance increased \$10.7 million.

Metavante's expense growth accounted for \$16.6 million or 69% of the corporate-wide expense growth in net occupancy, equipment, software, processing, supplies and printing and shipping and handling.

Professional services increased \$9.8 million or 38.5% over 1998. Metavante accounted for \$5.5 million of the increase. Banking and all others which includes internet lending and deposit software development and enhancements and fees associated with the moving from NASDAQ to the New York Stock Exchange accounted for the remainder of the increase.

Amortization of intangibles decreased \$4.4 million. Amortization of core deposit premiums decreased \$3.8 million. Amortization of mortgage servicing rights decreased \$8.5 million which reflects the slowing of prepayment activity in 1999. Goodwill amortization increased \$8.0 million.

Other expenses amounted to \$104.9 million in 1999 compared to \$118.9 million in the prior year, a decrease of \$14.0 million or 11.7%. Cost of equipment sales declined \$8.0 million while the cost of card plastic sales increased \$2.2 million.

Other expense is affected by the capitalization of costs, net of

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amortization, associated with software development and data processing conversions. The amount of capitalized software development costs and capitalized conversion costs net of their respective amortization increased \$6.0 million and \$2.0 million in 1999 compared to 1998. During 1999, capitalized software impairment write-downs amounted to \$1.1 million.

### Income Tax Provision

The provision for income taxes was \$152.9 million in 2000, \$173.4 million in 1999 and \$164.0 million in 1998. The effective tax rate in 2000 was 32.5% compared to 32.9% in 1999 and 35.2% in 1998. The decrease in the effective rate in 1999 is due to the increase in tax-exempt income.

### Capital Resources

Shareholders' equity was \$2.24 billion or 8.6% of total consolidated assets at December 31, 2000, compared to \$2.12 billion or 8.7% of total consolidated assets at December 31, 1999. The increase associated with earnings,

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net of dividends paid, and the increase in the fair value of securities available for sale net of related tax effects was offset by the effect of treasury share repurchases. The increase in the fair value of securities available for sale net of related tax effects of \$70.9 million reflects, in part, the securities investment portfolio realignment previously discussed.

The Corporation and its affiliates continue to have a strong capital base and the Corporation's regulatory capital ratios continue to be significantly above the defined minimum regulatory ratios. See Note 14 to the Consolidated Financial Statements contained in Item 8 herein for the Corporation's comparative capital ratios and the capital ratios of its significant subsidiaries.

The Corporation's subsidiaries, primarily its banking subsidiaries, are restricted by regulations from making distributions above prescribed amounts. In addition, banking subsidiaries are limited in making loans and advances to the Corporation. At December 31, 2000, approximately \$222.8 million and \$114.8 million were available for distribution without regulatory approval from the Corporation's banking and nonbanking subsidiaries, respectively.

Under Federal Reserve Board policy, the Corporation is expected to act as a source of financial strength to each subsidiary bank in circumstances when it might not do so absent such policy.

The Corporation has a Stock Repurchase Program under which up to 6 million shares can be repurchased annually. During 2000 and 1999, the Corporation repurchased 3.2 and 5.1 million shares at an aggregate cost of \$156.3 and \$317.1 million, respectively.

During 1999, the holder of the Corporation's Series A convertible preferred stock converted 348,944 shares of Series A into 3,832,957 shares of common stock which were issued from the Corporation's treasury stock.

### Metavante IPO

In July 2000, the Corporation announced that it had filed a registration statement with the Securities and Exchange Commission for the IPO of its Metavante subsidiary. In November 2000, the Corporation withdrew the IPO due to adverse market conditions and the near term slow down in financial account processing markets.

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Year 2000

Year 2000 (Y2K) was the term used to describe the fact that many existing computer programs used only two digits to identify a year in a date field. These programs were designed and developed without considering the impact of the upcoming change in the century. If not corrected, many computer applications could have failed or created erroneous results by or at the year 2000. The term also refers to devices with imbedded technology that are time sensitive and may fail to recognize year 2000 correctly. This issue affected virtually all companies and organizations.

The transition to Year 2000 was successful and there were no material adverse consequences to its systems or customers during the transition.

The majority of Metavante's contracts did not provide for additional reimbursement over and above the previously contracted maintenance amounts. The Corporation estimates that the total net direct cost for the year 2000 effort was approximately \$37.4 million with Metavante representing approximately 94% of that amount. Approximately \$12.1 million was expensed in 1999.

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### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk arises from exposure to changes in interest rates, exchange rates, commodity prices, and other relevant market rate or price risk. The Corporation faces market risk through trading and other than trading activities. While market risk that arises from trading activities in the form of foreign exchange and interest rate risk is immaterial to the Corporation, market risk from other than trading activities in the form of interest rate risk is measured and managed through a number of methods. For additional information on the Corporation's derivative financial instruments and foreign exchange position, see Note 18 to the Consolidated Financial Statements contained in Item 8 herein.

#### Interest Rate Risk

The Corporation uses financial modeling techniques to identify potential changes in income under a variety of possible interest rate scenarios. Financial institutions, by their nature, bear interest rate and liquidity risk as a necessary part of the business of managing financial assets and liabilities. The Corporation has designed strategies to confine these risks within prudent parameters and identify appropriate risk/reward tradeoffs in the financial structure of the balance sheet.

The financial models identify the specific cash flows, repricing timing and embedded option characteristics across the array of assets and liabilities held by the Corporation. Policies are in place to assure that neither earnings nor fair value at risk exceed appropriate limits. The use of a limited array of derivative financial instruments has allowed the Corporation to achieve the desired balance sheet repricing structure while simultaneously meeting the desired objectives of both its borrowing and depositing customers.

The models used include measures of the expected repricing characteristics of administered rate (NOW, savings and money market accounts) and non-rate related products (demand deposit accounts, other assets and other liabilities). These measures recognize the relative insensitivity of these accounts to changes in market interest rates, as demonstrated through current and historical experiences. In addition to information about contractual

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payment information for most other assets and liabilities, the models also include estimates of expected prepayment characteristics for those items that are likely to materially change their payment structures in different rate environments, including residential mortgage products, certain commercial and commercial real estate loans and certain mortgage-related securities. Estimates for these sensitivities are based on industry assessments and are substantially driven by the differential between the contractual coupon of the item and current market rates for similar products.

This information is incorporated into a model that allows the projection of future income levels in several different interest rate environments. Earnings at risk are calculated by modeling income in an environment where rates remain constant, and comparing this result to income in a different rate environment, and then dividing this result into the Corporation's budgeted pre-tax income for the calendar year. Since future interest rate moves are difficult to predict, the following table presents two potential scenarios--a gradual increase of 100bp across the entire yield curve over the course of the year (+25bp per quarter), and a gradual decrease of 100bp across the entire yield curve over the course of the year (-25bp per quarter) for the balance sheet as of December 31, 2000:

Hypothetical Change in Interest Rates	Impact to 2001 Pretax Income
100 basis point gradual rise in rates.....	(6.4%)
100 basis point gradual decline in rates.....	5.3%

These results are based solely on the modeled parallel changes in market rates, and do not reflect the earnings sensitivity that may arise from other factors such as changes in the shape of the yield curve, the changes in spread between key market rates, or accounting recognition for impairment of certain intangibles. These results are also considered to be conservative estimates due to the fact that they do not include any management action to mitigate potential income variances within the simulation process. Such action could potentially include, but

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would not be limited to, adjustments to the repricing characteristics of any on- or off-balance sheet item with regard to short-term rate projections and current market value assessments.

Actual results will differ from simulated results due to timing, magnitude, and frequency of interest rate changes as well as changes in market conditions and management strategies.

Another component of interest rate risk is measuring the fair value at risk for a given change in market interest rates. The Corporation also uses computer modeling techniques to determine the present value of all asset and liability cash flows (both on- and off-balance sheet), adjusted for prepayment expectations, using a market discount rate. The net change in the present value of the assets and liability cash flows in different market rate environments is the amount of fair value at risk from those rate movements. As of December 31, 2000 the fair value of equity at risk for a gradual 100bp shift in rates was less than 0.5% of the market value of the Corporation.

The Corporation uses derivative financial instruments to manage interest

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rate exposure. Such derivatives consisted of \$1.5 billion in notional amount of interest rate swaps and \$275 million in notional amount of interest rate floors at December 31, 2000, respectively. A small amount of derivatives are sold to customers where the Corporation acts as an intermediary. The Corporation through its trading accounts matches off these instruments in order to minimize exposure to market risks. Customer interest rate derivatives held for trading amounted to \$126 million of notional value, consisting of \$63 million in notional value of receive fixed and \$63 million in notional value of pay fixed interest rate swaps as of December 31, 2000. As part of its auto securitization activities, the Corporation has entered into a balance guaranteed receive fixed / pay floating interest rate swap which is designated as a trading activity for accounting purposes. At December 31, 2000, the notional value and fair value were \$202.9 million and \$1.9 million, respectively.

Equity Risk

In addition to interest rate risk, the Corporation incurs market risk in the form of equity risk. M&I's Capital Markets Group invests in private, medium-sized companies to help establish new businesses or recapitalize existing ones and, to a lesser extent, invests in publicly traded equity securities. Exposure to the change in equity values for the nonpublic companies that are held in their portfolio exists, but due to the nature of the investments, cannot be quantified within acceptable levels of precision.

M&I Trust Services administers nearly \$59 billion in assets and directly manages a portfolio of more than \$12 billion. Exposure exists to changes in equity values due to the fact that fee income is partially based on equity balances. While this exposure is present, quantification remains difficult due to the number of other variables affecting fee income. Interest rate changes can also have an effect on fee income for the above stated reasons.

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ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA FOR YEARS ENDED DECEMBER 31, 2000, 1999, AND 1998

Consolidated Balance Sheets  
December 31 (\$000's except share data)

	2000	1999
	-----	-----
<b>Assets</b>		
<b>Cash and Cash Equivalents:</b>		
Cash and Due from Banks.....	\$ 760,103	\$ 705,293
Federal Funds Sold and Security Resale Agreements...	54,443	101,922
Money Market Funds.....	50,147	72,641
	-----	-----
Total Cash and Cash Equivalents.....	864,693	879,856
<b>Investment Securities:</b>		
Trading Securities, at Market Value.....	15,317	40,334
Interest Bearing Deposits at Other Banks.....	43,528	6,828
Available for Sale, at Market Value.....	4,735,722	4,357,196
Held to Maturity, Market Value \$1,124,756 (\$1,137,126 in 1999).....	1,112,545	1,170,734
	-----	-----
Total Investment Securities.....	5,907,112	5,575,092
Loans and Leases, Net of Unearned Income of \$215,125		



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(\$157,499 in 1999).....	17,587,087	16,335,061
Less: Allowance for Loan and Lease Losses.....	235,115	225,862
	-----	-----
Net Loans and Leases.....	17,351,972	16,109,199
Premises and Equipment.....	392,995	370,534
Goodwill and Core Deposit Intangibles.....	310,930	347,489
Other Intangibles.....	34,354	18,927
Accrued Interest and Other Assets.....	1,215,683	1,068,626
	-----	-----
Total Assets.....	\$26,077,739	\$24,369,723
	=====	=====
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest Bearing.....	\$ 3,129,834	\$ 2,830,960
Interest Bearing.....	16,118,793	13,604,222
	-----	-----
Total Deposits.....	19,248,627	16,435,182
Short-term Borrowings.....	2,814,731	4,540,255
Accrued Expenses and Other Liabilities.....	850,916	612,336
Long-term Borrowings.....	921,276	665,024
	-----	-----
Total Liabilities.....	23,835,550	22,252,797
Shareholders' Equity:		
Series A Convertible Preferred Stock, \$1.00 par value, 2,000,000 Shares Authorized; 336,370 Shares Issued; Liquidation Preference \$33,637.....	336	336
Common Stock, \$1.00 par value, 320,000,000 (160,000,000 in 1999) Shares Authorized; 112,757,546 Shares Issued.....	112,757	112,757
Additional Paid-in Capital.....	452,212	457,097
Retained Earnings.....	2,117,759	1,914,128
Net Unrealized Securities Gains/(Losses), Net of Taxes.....	38,127	(32,749)
Less: Treasury Stock, at Cost, 9,910,839 Shares (6,941,684 in 1999).....	458,472	314,513
Deferred Compensation.....	20,530	20,130
	-----	-----
Total Shareholders' Equity.....	2,242,189	2,116,926
	-----	-----
Total Liabilities and Shareholders' Equity.....	\$26,077,739	\$24,369,723
	=====	=====

The accompanying notes are an integral part of the Consolidated Financial Statements.

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Consolidated Statements of Income  
Years ended December 31 (\$000's except share data)

	2000	1999	1998
	-----	-----	-----
Interest Income			
Loans and Leases.....	\$1,391,651	\$1,156,775	\$1,085,829
Investment Securities:			
Taxable.....	272,536	269,668	280,377
Exempt from Federal Income Taxes.....	65,429	58,820	52,969

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Trading Securities.....	1,508	1,864	2,203
Short-term Investments.....	16,858	9,457	12,666
	-----	-----	-----
Total Interest Income.....	1,747,982	1,496,584	1,434,044
Interest Expense			
Deposits.....	772,016	585,864	564,540
Short-term Borrowings.....	224,187	142,294	126,624
Long-term Borrowings.....	78,773	63,145	66,810
	-----	-----	-----
Total Interest Expense.....	1,074,976	791,303	757,974
	-----	-----	-----
Net Interest Income.....	673,006	705,281	676,070
Provision for Loan and Lease Losses.....	30,352	25,419	27,090
	-----	-----	-----
Net Interest Income After Provision for Loan and Lease Losses.....	642,654	679,862	648,980
Other Income			
Data Processing Services:			
Account Processing Fees.....	390,760	339,914	249,210
Professional Services Fees.....	74,032	79,127	80,893
Software Revenues.....	38,061	34,806	36,420
Other Revenues.....	43,188	40,969	55,422
	-----	-----	-----
Total Data Processing Services.....	546,041	494,816	421,945
Item Processing.....	51,409	40,169	41,003
Internet Banking.....	2,481	1,861	59
Trust Services.....	117,680	100,963	88,496
Service Charges on Deposits.....	73,866	69,699	61,730
Mortgage Banking.....	16,695	27,317	53,655
Capital Markets Revenue.....	20,005	12,439	24,860
Net Investment Securities (Losses)/Gains....	(49,515)	(4,083)	7,145
Life Insurance Revenue.....	27,993	25,767	3,893
Other.....	121,697	109,597	91,714
	-----	-----	-----
Total Other Income.....	928,352	878,545	794,500
Other Expense			
Salaries and Employee Benefits.....	623,360	583,659	523,606
Net Occupancy.....	55,226	49,225	44,181
Equipment.....	113,373	107,670	103,180
Software Expenses.....	30,011	26,972	22,181
Processing Charges.....	32,093	30,324	25,286
Supplies and Printing.....	19,891	19,364	18,679
Professional Services.....	33,966	35,086	25,326
Shipping and Handling.....	41,964	35,181	31,066
Amortization of Intangibles.....	32,478	38,046	42,457
Single Charter/IPO/Arm Loan Sales.....	16,678	--	--
Merger/Restructuring.....	--	--	23,373
Other.....	101,616	104,941	118,860
	-----	-----	-----
Total Other Expense.....	1,100,656	1,030,468	978,195
	-----	-----	-----
Income Before Income Taxes and Cumulative Effect of Changes in Accounting Principles.	470,350	527,939	465,285
Provision for Income Taxes.....	152,948	173,428	163,962
	-----	-----	-----
Income Before Cumulative Effect of Changes in Accounting Principles.....	317,402	354,511	301,323
Cumulative Effect of Changes in Accounting Principles, Net of Income Taxes.....	(2,279)	--	--
	-----	-----	-----
Net Income.....	\$ 315,123	\$ 354,511	\$ 301,323
	=====	=====	=====

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Net Income Per Common Share

Basic:

Income Before Cumulative Effect of Changes in Accounting Principles.....	\$ 3.01	\$ 3.32	\$ 2.79
Cumulative Effect of Changes in Accounting Principles.....	(0.02)	--	--
Net Income.....	\$ 2.99	\$ 3.32	\$ 2.79

Diluted:

Income Before Cumulative Effect of Changes in Accounting Principles.....	\$ 2.91	\$ 3.14	\$ 2.61
Cumulative Effect of Changes in Accounting Principles.....	(0.02)	--	--
Net Income.....	\$ 2.89	\$ 3.14	\$ 2.61

The accompanying notes are an integral part of the Consolidated Financial Statements.

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Consolidated Statements of Cash Flows  
Years ended December 31 (\$000's)

	2000	1999	1998
	-----	-----	-----
Cash Flows From Operating Activities:			
Net Income.....	\$ 315,123	\$ 354,511	\$ 301,323
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization.....	69,197	86,156	111,392
Provision for Loan and Lease Losses...	30,352	25,419	27,090
Losses/(Gains) on Sales of Assets.....	7,047	(42,522)	(77,183)
Proceeds from Sales of Trading Securities and Loans Held for Resale.	4,529,322	4,766,956	5,211,992
Purchases of Trading Securities and Loans Held for Resale.....	(3,952,604)	(4,606,316)	(5,245,240)
Other.....	30	40,011	(59,464)
Total Adjustments.....	683,344	269,704	(31,413)
Net Cash Provided by Operating Activities.....	998,467	624,215	269,910
Cash Flows From Investing Activities:			
Net (Increase) Decrease in Shorter Term Securities.....	--	21,400	(14,450)
Proceeds from Maturities of Longer Term Securities.....	735,750	1,026,967	1,461,553
Proceeds from Sales of Securities Available for Sale.....	1,538,995	116,823	160,474
Purchases of Longer Term Securities.....	(2,030,760)	(1,681,037)	(1,054,290)
Decrease in Loans Due to Divestitures...	8,352	30,817	--
Net Increase in Loans.....	(1,721,384)	(2,342,319)	(1,016,336)
Purchases of Assets to be Leased.....	(573,833)	(429,345)	(317,862)

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Principal Payments on Lease Receivables.	360,992	294,891	242,227
Purchases of Premises and Equipment, Net.....	(78,817)	(66,899)	(60,811)
Acquisitions Accounted for as Purchases, Net of Cash Equivalents Acquired and Investments in Joint Ventures.....	--	(84,408)	(5,170)
Purchase of Bank-Owned Life Insurance...	--	--	(400,000)
Other.....	18,163	12,751	14,997
	-----	-----	-----
Net Cash Used in Investing Activities...	(1,742,542)	(3,100,359)	(989,668)
Cash Flows From Financing Activities:			
Decrease in Deposits Due to			
Divestitures.....	(100,791)	(84,191)	--
Net Increase in Deposits.....	2,565,584	607,243	899,591
Proceeds from Issuance of Commercial Paper.....	3,190,712	1,926,791	779,653
Principal Payments on Commercial Paper..	(3,115,064)	(1,740,439)	(829,077)
Net Increase (Decrease) in Other Short- term Borrowings.....	(1,717,077)	2,226,463	41,210
Proceeds from Issuance of Long-term Debt.....	536,587	288,526	87,573
Payment of Long-term Debt.....	(368,469)	(371,832)	(159,963)
Dividends Paid.....	(111,379)	(104,490)	(97,241)
Purchase of Common Stock.....	(156,319)	(317,149)	(29,633)
Proceeds from the Issuance of Common Stock.....	5,241	18,359	15,086
Other.....	(113)	(19)	1,234
	-----	-----	-----
Net Cash Provided by Financing Activities.....	728,912	2,449,262	708,433
	-----	-----	-----
Net Decrease in Cash and Cash Equivalents.....	(15,163)	(26,882)	(11,325)
Cash and Cash Equivalents, Beginning of Year.....	879,856	906,738	918,063
	-----	-----	-----
Cash and Cash Equivalents, End of Year..	\$ 864,693	\$ 879,856	\$ 906,738
	=====	=====	=====
Supplemental Cash Flow Information:			
Cash Paid During the Year for:			
Interest.....	\$ 984,883	\$ 775,065	\$ 759,231
Income Taxes.....	116,363	125,841	141,553

The accompanying notes are an integral part of the Consolidated Financial Statements.

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Consolidated Statements of Shareholders' Equity  
(\$000's except share data)

	Compre- hensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Deferred Compen- sation
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31,							

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1997.....		\$ 685	\$113,185	\$620,899	\$1,460,646	\$(215,787)	\$ (9,297)
Comprehensive Income:							
Net Income.....	\$301,323	--	--	--	301,323	--	--
Unrealized Gains on Securities:							
Unrealized Securities Gains Net of Taxes of \$6,367.....	11,262	--	--	--	--	--	--
Reclassification Adjustment for Gains Included in Net Income Net of Taxes of \$2,940....	(5,258)	--	--	--	--	--	--
	-----						
Total Unrealized Gains on Securities.....	6,004	--	--	--	--	--	--
	-----						
Comprehensive Income...	\$307,327	--	--	--	--	--	--
	=====						
Transactions by Affiliates Prior to Combination.....		--	--	--	(327)	--	--
Issuance of 526,200 Treasury Common Shares in the 1998 Business Combination.....		--	(526)	(14,255)	--	14,781	--
Issuance of 1,133,564 Common and Treasury Common Shares Under Stock Option and Restricted Stock Plans.....		--	139	(10,830)	(592)	28,151	(1,728)
Acquisition of 697,247 Common Shares.....		--	(41)	821	--	(33,799)	486
Dividends Declared on Preferred Stock--\$9.63 Per Share.....		--	--	--	(6,603)	--	--
Dividends Declared on Common Stock--\$0.86 Per Share.....		--	--	--	(90,311)	--	--
Repayment of ESOP Loan.....		--	--	1,246	--	--	1,373
Merger/Restructuring Charge.....		--	--	9,893	--	--	--
Transfer of 246,854 Treasury Common Shares to Directors' Deferred Compensation Trust....		--	--	--	--	12,608	(12,608)
Net Change in Deferred Compensation.....		--	--	175	(10)	--	2,136
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes.....		--	--	13,846	--	--	--
Other.....		--	--	--	(3)	--	1
		-----	-----	-----	-----	-----	-----
Balance, December 31, 1998.....		\$ 685	\$112,757	\$621,795	\$1,664,123	\$(194,046)	\$(19,637)

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The accompanying notes are an integral part of the Consolidated Financial Statements.

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Consolidated Statements of Shareholders' Equity  
(\$000's except share data)

	Compre- hensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Deferred Compen- sation
Balance, December 31, 1998.....		\$ 685	\$112,757	\$621,795	\$1,664,123	\$(194,046)	\$(19,637)
Comprehensive Income:							
Net Income.....	\$354,511	--	--	--	354,511	--	--
Unrealized Gains/(Losses) on Securities:							
Unrealized Securities Losses Net of Taxes of \$51,914.....	(91,851)	--	--	--	--	--	--
Reclassification Adjustment for Gains Included in Net Income Net of Taxes of \$538.....	1,000	--	--	--	--	--	--
Total Unrealized Losses on Securities.....	(90,851)	--	--	--	--	--	--
Comprehensive Income...	\$263,660	--	--	--	--	--	--
Issuance of 3,832,957 Treasury Common Shares on Conversion of 348,944 Shares of Preferred Stock.....		(349)	--	(160,635)	--	160,984	--
Issuance of 988,557 Treasury Common Shares Under Stock Option and Restricted Stock Plans.....		--	--	(16,806)	--	36,503	(1,332)
Acquisition of 5,109,028 Common Shares.....		--	--	(82)	--	(317,954)	198
Dividends Declared on Preferred Stock-- \$10.58 Per Share.....		--	--	--	(6,297)	--	--
Dividends Declared on Common Stock--\$0.94 Per Share.....		--	--	--	(98,193)	--	--

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Net Change in Deferred Compensation.....	--	--	--	--	--	641
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes.....	--	--	12,764	--	--	--
Other.....	--	--	61	(16)	--	--
	-----	-----	-----	-----	-----	-----
Balance, December 31, 1999.....	\$ 336	\$112,757	\$457,097	\$1,914,128	\$(314,513)	\$(20,130)
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the Consolidated Financial Statements.

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Consolidated Statements of Shareholders' Equity  
(\$000's except share data)

	Compre- hensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Deferred Compen- sation
	-----	-----	-----	-----	-----	-----	-----
Balance, December 31, 1999.....		\$ 336	\$112,757	\$457,097	\$1,914,128	\$(314,513)	\$(20,130)
Comprehensive Income:							
Net Income.....	\$315,123	--	--	--	315,123	--	--
Unrealized Gains/(Losses) on Securities:							
Unrealized Securities Gains Net of Taxes of \$56,790.....	104,469	--	--	--	--	--	--
Reclassification Adjustment For Losses Included in Net Income Net of Taxes of \$18,091...	(33,593)	--	--	--	--	--	--
	-----						
Total Unrealized Gains on Securities.....	70,876	--	--	--	--	--	--
	-----						
Comprehensive Income...	\$385,999	--	--	--	--	--	--
	=====						
Issuance of 270,531 Treasury Common Shares Under Stock Option and Restricted Stock Plans.....		--	--	(6,897)	--	12,496	(355)

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Acquisition of 3,239,686 Common Shares.....	--	--	(67)	--	(156,455)	156
Dividends Declared on Preferred Stock-- \$11.83 Per Share.....	--	--	--	(3,979)	--	--
Dividends Declared on Common Stock--\$1.035 Per Share.....	--	--	--	(107,400)	--	--
Net Change in Deferred Compensation.....	--	--	--	--	--	(201)
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes.....	--	--	2,486	--	--	--
Other.....	--	--	(407)	(113)	--	--
	-----	-----	-----	-----	-----	-----
Balance, December 31, 2000.....	\$ 336	\$112,757	\$452,212	\$2,117,759	\$(458,472)	\$(20,530)
	=====	=====	=====	=====	=====	=====

The accompanying notes are an integral part of the Consolidated Financial Statements.

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Notes to Consolidated Financial Statements

December 31, 2000, 1999, and 1998 (\$000's except share data)

Marshall & Ilsley Corporation ("M&I" or the "Corporation") is a bank and savings and loan association holding company that provides financial services to a wide variety of corporate, institutional, government and individual customers. The Corporation's principal activities consist of banking and data processing services. Banking services, lending and accepting deposits from retail and commercial customers are provided through 19 banks located in Wisconsin, one federally chartered thrift located in Nevada with a branch in Florida and one bank in Arizona. Financial and data processing services and software sales are provided through the Corporation's Metavante Corporation subsidiary ("Metavante"), formerly known as M&I's Data Services Division, and its two nonbank subsidiaries. Other financial services provided by M&I include personal property lease financing; investment management and advisory services; commercial and residential mortgage banking; venture capital and financial advisory services; trust services to residents of Wisconsin, Arizona and Florida; and brokerage and insurance services. M&I's largest affiliates and principal operations are in Wisconsin; however, it has activities in other markets, particularly in certain neighboring Midwestern states, and in Arizona, Nevada and Florida.

1. Summary of Significant Accounting Policies

Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the



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reported periods. Actual results could differ from those estimates.

Consolidation principles--The Consolidated Financial Statements include the accounts of Marshall & Ilsley Corporation and all subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation. Certain amounts in the 1999 and 1998 Consolidated Financial Statements have been reclassified to conform to the 2000 presentation.

Cash and cash equivalents--For purposes of the Consolidated Financial Statements, the Corporation defines cash equivalents as short-term investments which have an original maturity of three months or less and are readily convertible into cash.

Securities--Securities, when purchased, are designated as Trading, Investment Securities Held to Maturity, or Investment Securities Available for Sale and remain in that category until they are sold or mature. The specific identification method is used in determining the cost of securities sold.

Investment Securities Held to Maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. The Corporation designates investment securities as held to maturity only when it has the positive intent and ability to hold them to maturity. Investment Securities Available for Sale are carried at fair value with fair value adjustments net of the related income tax effects reported as a separate component of shareholders' equity. Short-term Investments, other than Trading Securities, are carried at cost, which approximates market value. Trading Securities are carried at fair value, with adjustments to the carrying value reflected in the Consolidated Statements of Income.

Loans and leases--Interest on loans, other than direct financing leases, is recognized as income based on the loan principal outstanding during the period. Unearned income on financing leases is recognized over the lease term on a basis that results in an approximate level rate of return on the lease investment. Loans are generally placed on nonaccrual status when they are past due 90 days as to either interest or principal. When a loan is placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. A nonaccrual loan may be restored to an accrual basis when interest and principal payments are brought current and collectibility of future payments is not in doubt.

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

The Corporation defers and amortizes fees and certain incremental direct costs, primarily salary and employee benefit expenses, over the contractual term of the loan or lease as an adjustment to the yield. The unamortized net fees and costs are reported as part of the loan or lease balance outstanding.

Allowance for loan and lease losses--The allowance for loan and lease losses is maintained at a level believed adequate by management to absorb estimated probable losses in the loan and lease portfolio. Management's determination of the adequacy of the allowance is based on a continual review of the loan and lease portfolio, loan and lease loss experience, economic conditions, growth and composition of the portfolio, and other relevant factors. As a result of management's continual review, the allowance is adjusted through provisions for loan and lease losses charged against income.

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Receivable sales--The Corporation regularly sells receivables in securitizations of automobile loans and retains interests in the securitized receivables in the form of servicing rights, interest-only strips, interest rate swaps and a cash reserve account. Gain or loss on sale of the receivables depends in part on the carrying amount assigned to the assets sold and the retained interests. The value of the retained interests is based on the present value of future expected cash flows. Future expected cash flows represent management's best estimates of the key assumptions--credit losses, prepayment speeds, forward yield curves and discount rates commensurate with the risks involved.

Premises and equipment--Land is recorded at cost. Premises and equipment are recorded at cost and depreciated principally on the straight-line method with annual rates varying from 10 to 50 years for buildings and 3 to 10 years for equipment. Long-lived assets, which are considered impaired, are carried at fair value and long-lived assets to be disposed of are carried at the lower of the carrying amount or fair value less cost to sell. Maintenance and repairs are charged to expense and betterments are capitalized.

Other real estate owned--Other real estate owned includes assets that have been acquired in satisfaction of debts and bank branch premises held for sale. Other real estate acquired in satisfaction of debts is recorded at fair value, less estimated selling costs, and bank branch premises are recorded at the lower of cost or fair value, less estimated selling costs, at the date of transfer. Valuation adjustments required at the date of transfer for assets acquired in satisfaction of debts are charged to the allowance for loan and lease losses, whereas any valuation adjustments on premises are reported in other expense. Subsequent to transfer, other real estate owned is carried at the lower of cost or fair value, less estimated selling costs, based upon periodic evaluations. Rental income from properties and gains on sales are included in other income, and property expenses, which include carrying costs, required valuation adjustments and losses on sales, are recorded in other expense. At December 31, 2000 and 1999, other real estate amounted to \$3,797 and \$6,230, respectively.

Mortgage servicing--Fees related to the servicing of mortgage loans are recorded as income when payments are received from mortgagors. Mortgage loans held for sale to investors are carried at the lower of cost or market, determined on an aggregate basis, based on outstanding firm commitments received for such loans or on current market prices. Mortgage loans held for sale amounted to \$38,762 at December 31, 2000 and \$15,956 at December 31, 1999.

Data processing services--Data processing and related revenues are recognized as services performed based on amounts billable under the contracts. Processing services performed that have not been billed to customers are accrued. Revenue includes shipping and handling costs associated with such income producing activities as prescribed by Emerging Issues Task Force Issue No. 00-10, ("EITF 00-10"), "Accounting for Shipping and Handling Fees and Costs".

Previously, amounts charged to customers for shipping and handling were netted against the related cost for financial statement purposes. Consolidated Statements of Income for the years ended December 31, 1999 and 1998 have been restated in accordance with EITF 00-10.

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Revenues attributable to the licensing of software are generally recognized upon delivery and performance of certain contractual obligations, provided that no significant vendor obligations remain and collection of the resulting receivable is deemed probable. Service revenues from customer maintenance fees for ongoing customer support and product updates are recognized ratably over the term of the maintenance period. Service revenues from training and consulting are recognized when the services are performed. Conversion revenues associated with the conversion of customers' processing systems to Metavante's processing systems are deferred and amortized over the period of the related processing contract, generally five years. See Note 2 regarding the change in accounting for conversion revenues.

Direct costs associated with the production of computer software which will be marketed or used in data processing operations are capitalized and amortized on the straight-line method over the estimated economic life of the product, generally four years. Such capitalized costs are periodically evaluated for impairment and adjusted to net realizable value when impairment is indicated. Direct costs associated with customer system conversions to the data services operations are capitalized and amortized on the straight-line method over the terms of the related servicing contract. Routine maintenance of software products including maintenance required for the year 2000, design costs and development costs incurred prior to establishment of a product's technological feasibility for software to be sold, are expensed as incurred.

Net unamortized costs at December 31 were:

	2000	1999
	-----	-----
Software.....	\$ 98,666	\$70,904
Conversions.....	56,142	11,788
	-----	-----
Total.....	\$154,808	\$82,692
	=====	=====

See Note 2 for the effect on conversion costs due to the change in accounting.

Amortization expense was \$40,731, \$23,836 and \$18,308, for 2000, 1999 and 1998, respectively.

Intangibles--Unamortized intangibles resulting from acquisitions consist of goodwill, core deposit premiums, purchased data processing contract rights and loan servicing rights. The Corporation recognizes as separate assets rights to service loans when the loans are purchased or originated and sold with servicing retained. Servicing rights are amortized over the periods during which the corresponding loan servicing revenues are anticipated to be generated. Purchased data processing contract rights represent the costs to acquire the rights to data processing and software distribution. Such costs are generally amortized over the average contract lives. Goodwill is amortized on the straight-line basis over periods ranging from 10 to 25 years while core deposit premiums are amortized principally on an accelerated basis over periods ranging up to 10 years. The Corporation continually evaluates whether later events and circumstances have occurred to indicate that the carrying value of intangibles should be reduced for possible impairment and utilizes estimates of undiscounted net income over the remaining life to measure recoverability. A valuation allowance is established through a charge to income to the extent that the fair value of any stratum of its loan servicing

rights are less than its carrying value.

The Corporation also has negative goodwill included in other liabilities, the majority of which arose from an acquisition in 1992. Negative goodwill amounted to \$2,809 and \$4,371 at December 31, 2000 and 1999, respectively. The negative goodwill is being accreted on a straight-line basis over a period of 10 years and amounted to \$1,562 in 2000, 1999, and 1998, respectively.

Long-term borrowings--The guaranteed preferred beneficial interest of the Corporation's special purpose finance subsidiary which holds as its sole asset, junior subordinated deferrable interest debentures issued by the

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Corporation, is classified as long-term borrowings and shown net of its related discount. The distributions, including the related accretion of discount, are classified as interest expense for purposes of the Consolidated Financial Statements.

Interest risk management instruments--As a service to customers and as part of its asset/liability management activities, the Corporation may enter into interest rate futures, forwards, swaps, floors, caps and option contracts. These derivative financial instruments are carried at fair value unless the instrument qualifies for hedge accounting treatment. Fair value adjustments on risk management instruments carried at fair value are reflected in other income. Gains and losses realized on futures and forward contracts qualifying as hedges are deferred and amortized over the terms of the related assets or liabilities and are included as adjustments to interest income or expense. Settlement on interest rate swaps and option contracts are recognized over the lives of the agreements as adjustments to interest income or expense.

The hedge accounting method is applied to interest rate swaps that meet the hedge criteria which is discussed below. Under this method, accrued income or expense associated with the swap is recognized as a component of the interest income or expense of the hedged asset or liability. Unrealized gains and losses are recognized on a basis that is consistent with the method of accounting for the hedged asset or liability. Unrealized gains or losses are not recognized for hedged assets or liabilities carried at amortized cost. Unrealized gains and losses on derivative financial instruments which hedge investment securities available for sale are reported as a component of shareholders' equity, net of applicable income tax effects.

The criteria to qualify an interest rate swap for the hedge accounting method is as follows:

1. The swap must be designated as a hedge and reduce the interest rate risk of the designated asset or liability.
2. The notional amount of the swap must be less than or equal to the amortized cost of the asset or liability to be hedged.
3. The swap must achieve its intended objective of converting the yield on the hedged asset or liability to the desired rate. This criteria is assumed to have been met if the interest rate on the hedged asset or liability is identical to the offsetting rate on the swap. If the two rates are not identical, the correlation between the levels of the two rates since inception of the swap must be measured to ensure that the swap is

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meeting its intended objective.

If an interest risk management instrument is terminated or ceases to qualify for the hedge accounting method, any realized or unrealized gain or loss at that time is deferred and amortized over the remaining period of the original hedge. Any subsequent realized or unrealized gains or losses on instruments that no longer meet the hedge criteria are included in the determination of net income. If the item being hedged is sold, any deferred or unrealized gain or loss on the interest risk management instrument at the time of sale is considered in the determination of the gain or loss on the sale. If the interest risk management instrument is not terminated, it must be carried at fair value on a prospective basis, with changes in fair value included in the determination of periodic net income.

Cash flows from interest risk management instruments are reported in the Consolidated Statements of Cash Flows as operating activities.

Foreign exchange contracts--Foreign exchange contracts include such commitments as foreign currency spot, forward, future and option contracts. Foreign exchange contracts and the premiums on options written or sold are carried at market value, with realized and unrealized gains and losses included in other income.

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### Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Treasury stock--Treasury stock acquired is recorded at cost and is shown as a reduction of shareholders' equity in the Consolidated Balance Sheets. Treasury stock issued is valued based on average cost. The difference between the consideration received upon issuance and the average cost is charged or credited to additional paid-in capital.

#### New accounting pronouncements--

In June 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. In June 1999, the FASB issued SFAS 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of SFAS 133. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivatives fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative instrument's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

Statement 133, as amended, is effective for fiscal years beginning after June 15, 2000. Statement 133 cannot be applied retroactively. Statement 133 must be applied to (a) derivative instruments and (b) certain derivative instruments embedded in hybrid contracts. With respect to hybrid instruments, a company may elect to apply SFAS 133, as amended, to (1) all hybrid contracts, (2) only those hybrid instruments that were issued, acquired or substantively modified after December 31, 1997, or (3) only those hybrid instruments that were issued, acquired or substantively

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modified after December 31, 1998.

The Corporation adopted SFAS 133 effective January 1, 2001. Note 19, Fair Value of Financial Instruments, presents the fair value of the freestanding derivatives held by the Corporation. Statement 133 requires that those derivative instruments be recognized in the Corporation's Consolidated Balance Sheets as assets or liabilities at their fair value. The Corporation has determined that those freestanding derivatives previously designated as hedges will continue to be eligible for the special hedge accounting prescribed by SFAS 133. The impact resulting from the transition adjustment of adopting SFAS 133 will be a charge to accumulated other comprehensive income (equity) of \$10.2 million and an decrease to net income of \$0.4 million which will be presented as a cumulative-type change in accounting. The Corporation does not expect that SFAS 133 will result in a material difference to income compared to current accounting.

In September, 2000, the FASB issued SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS replaces SFAS 125, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS 125's provisions without reconsideration. SFAS 140 is generally effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The disclosure requirements are effective for financial statements for fiscal years ending after December 15, 2000. See Note 9. The Corporation does not anticipate the adoption of SFAS 140 will materially impact its present securitization activities.

### 2. Change in Method of Accounting

During the fourth quarter of 2000, the Corporation adopted the Securities and Exchange Commission's Staff Accounting Bulletin No. 101--Revenue Recognition in Financial Statements (SAB 101). SAB 101 provides guidance on a variety of revenue recognition matters. Under SAB 101, certain conversion services provided by

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### Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Metavante did not qualify as discrete earnings events. As a result, the revenue and the cost of providing those services should be deferred and recognized on a straight-line basis over the term of the total processing contract. The cumulative change in accounting represents the impact of applying the guidance to services provided in previous years and resulted in the following:

Conversion revenue deferred.....	\$46,224
Conversion cost deferred.....	42,413
	-----
Net revenue deferred.....	3,811
Income tax benefit.....	1,532
	-----
Cumulative effect of change in accounting principles.....	\$ 2,279

=====

The cumulative effect of change in accounting principles was retroactively recorded as of January 1, 2000, and Quarterly Financial Information (Unaudited) has been restated to reflect application of the guidance contained in SAB 101. The impact of restating quarterly financial information was not material.

### 3. Earnings Per Share

A reconciliation of the numerators and denominators of the basic and diluted per share computations are as follows (dollars and shares in thousands, except per share data):

	Year Ended December 31, 2000		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
	-----	-----	-----
Net income.....	\$315,123		
Convertible preferred dividends.....	(3,979)		
	-----		
Basic earnings per share			
Income available to common shareholders.	\$311,144	104,027	\$2.99
			=====
Effect of dilutive securities			
Convertible preferred stock.....	3,979	3,844	
Stock option, restricted stock and performance plans.....	--	1,012	
	-----	-----	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions.....	\$315,123	108,883	\$2.89
			=====

	Year Ended December 31, 1999		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
	-----	-----	-----
Net income.....	\$354,511		
Convertible preferred dividends.....	(6,297)		
	-----		
Basic earnings per share			
Income available to common shareholders.	\$348,214	104,859	\$3.32
			=====
Effect of dilutive securities			
Convertible preferred stock.....	6,297	6,543	
Stock option, restricted stock and performance plans.....	--	1,603	
	-----	-----	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions.....	\$354,511	113,005	\$3.14
			=====

## Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

	Year Ended December 31, 1998		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Net income.....	\$301,323		
Convertible preferred dividends.....	(6,603)		
-----			
Basic earnings per share			
Income available to common shareholders.	\$294,720	105,810	\$2.79
			=====
Effect of dilutive securities			
Convertible preferred stock.....	6,603	7,677	
Stock option, restricted stock and performance plans.....	--	1,753	
	-----	-----	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions.....	\$301,323	115,240	\$2.61
			=====

Options to purchase shares of common stock not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares for the year ended December 31, are as follows:

Grant Date	Exercise Price	2000	1999	1998
09/18/2000.....	48.125	2,500	--	--
03/20/2000.....	49.688	1,500	--	--
10/01/1997.....	50.125	3,500	--	--
04/25/2000.....	50.438	37,500	--	--
12/27/2000.....	50.960	1,500	--	--
08/13/1998.....	51.063	4,500	--	--
12/10/1998.....	51.813	1,137,079	--	--
06/11/1998.....	53.719	--	--	8,000
04/03/2000.....	55.313	1,500	--	--
12/11/1997.....	57.000	865,576	--	954,350
02/16/1999.....	57.094	3,000	--	--
01/11/2000.....	57.188	3,000	--	--
04/28/1998.....	57.625	57,000	--	59,000
02/01/1999.....	59.125	1,500	--	--
10/04/1999.....	60.000	3,000	--	--
10/14/1999.....	60.188	6,000	--	--
10/11/1999.....	60.531	4,500	--	--
12/16/1999.....	61.500	1,430,458	--	--



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12/14/1999.....	62.188	500	--	--
08/12/1999.....	62.250	27,500	--	--
04/27/1999.....	67.000	59,500	60,000	--
10/29/1999.....	67.125	2,000	2,000	--
05/20/1999.....	67.875	2,500	2,500	--
05/10/1999.....	70.063	1,500	1,500	--
		-----	-----	-----
Total options excluded from earnings per share.....		3,657,113	66,000	1,021,350
		=====	=====	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

4. Business Combinations

The Corporation has consummated the following business combinations during the three years ended December 31, 2000:

Organization	Date Consummated	Consideration		Method of Accounting
		Cash	Common Stock	
Cardpro Services, Inc.....	October 1, 1999	\$13,110	--	Purchase
Electronic Banking Services...	April 1, 1999	66,153	--	Purchase
Moneyline Express.....	December 31, 1998	6,750	--	Purchase
Advantage Bancorp, Inc.....	April 1, 1998	--	3,981,152	Pooling

On October 1, 1999, the Corporation through its Metavante subsidiary acquired certain assets of Cardpro Services, Inc., a provider of plastic card personalization and procurement services located in Illinois. The assets were acquired for cash in a transaction accounted for using the purchase method of accounting. Goodwill amounted to \$2.9 million and is being amortized on a straight-line basis over ten years. Additional payments, contingent upon earnings, may be made through 2005. The total cumulative maximum payout over the contingency period is \$2.16 million. Contingency payments, if made, will be charged to goodwill. There was no in-process research and development acquired in this transaction.

On April 1, 1999, the Corporation, through its Metavante subsidiary, completed the acquisition of the assets, operational processes and customer relationships of the Electronic Banking Services business unit of ADP in a cash transaction using the purchase method of accounting. The acquired software products and outsourcing solutions are designed to provide businesses with access to their banking information and transactions through a spectrum of delivery methods. Goodwill amounted to \$44.0 million and is being amortized on a straight-line basis over fifteen years. There was no in-process research and development acquired in this transaction.

Moneyline Express, Inc. ("Moneyline") specializes in electronic bill payment. Moneyline provides consumer bill-payment processing to financial institution customers including M&I's home-banking customers. On December 31,

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1998, the Corporation, through its Metavante subsidiary, acquired certain assets of Moneyline in a cash transaction accounted for as a purchase. Goodwill recorded in this transaction amounted to \$5.4 million and is being amortized on a straight-line basis over fifteen years. There was no in-process research and development acquired in this transaction.

The April 1, 1998 merger of Advantage Bancorp, Inc. ("Advantage") with and into the Corporation was a tax-free reorganization accounted for as a pooling of interests. In accordance with the terms of the merger, each share of Advantage Common Stock was converted into a right to receive 1.2 shares of the Corporation's Common Stock. In conjunction with this transaction the Corporation recorded a merger/restructuring charge of \$23.4 million (\$16.3 million after-tax). During 1999, the remaining obligation associated with a closed facility was satisfied and the merger/restructuring has been completed. There were no material adjustments to the initial amount recorded.

### 5. Cash and Due from Banks

At December 31, 2000, \$3,147 of cash and due from banks was restricted, primarily due to requirements of the Federal Reserve System to maintain certain reserve balances.

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### Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

### 6. Securities

The book and market values of securities at December 31 were:

	2000		1999	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Investment Securities Available for Sale:				
U.S. Treasury and government agencies.....	\$3,303,366	\$3,342,952	\$3,924,183	\$3,852,731
States and political subdivisions.....	143,883	151,041	111,882	109,971
Mortgage backed securities.....	342,385	342,171	179,677	176,780
Other.....	887,702	899,558	192,643	217,714
	-----			
Total.....	\$4,677,336	\$4,735,722	\$4,408,385	\$4,357,196
	=====			
Investment Securities Held to Maturity:				
U.S. Treasury and government agencies.....	\$ --	\$ --	\$ 9	\$ 9
States and political subdivisions.....	1,107,476	1,119,687	1,165,756	1,132,148
Other.....	5,069	5,069	4,969	4,969
	-----			
Total.....	\$1,112,545	\$1,124,756	\$1,170,734	\$1,137,126

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The unrealized gains and losses of securities at December 31 were:

	2000		1999	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
Investment Securities Available for Sale:				
U.S. Treasury and government agencies.....	\$42,371	\$2,785	\$ 9,199	\$80,651
States and political subdivisions.....	7,158	--	5	1,916
Mortgage backed securities.....	786	1,000	124	3,021
Other.....	11,940	84	25,257	186
	-----	-----	-----	-----
Total.....	\$62,255	\$3,869	\$34,585	\$85,774
	=====	=====	=====	=====
Investment Securities Held to Maturity:				
States and political subdivisions.....	\$17,850	\$5,639	\$ 3,477	\$37,085
Other.....	--	--	--	--
	-----	-----	-----	-----
Total.....	\$17,850	\$5,639	\$ 3,477	\$37,085
	=====	=====	=====	=====

The book value and market value of securities by contractual maturity at December 31, 2000 were:

	Investment Securities Available for Sale		Investment Securities Held to Maturity	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Within one year.....	\$ 998,525	\$ 999,103	\$ 47,268	\$ 47,388
From one through five years.....	2,769,078	2,801,326	376,080	380,663
From five through ten years.....	504,663	514,198	217,545	223,018
After ten years.....	405,070	421,095	471,652	473,687
	-----	-----	-----	-----
Total.....	\$4,677,336	\$4,735,722	\$1,112,545	\$1,124,756
	=====	=====	=====	=====

The gross realized gains and losses amounted to \$22,876 and \$52,861 in 2000, \$12,074 and \$4,382 in 1999, and \$31,421 and \$638 in 1998, respectively. Net securities gains of \$19,530, \$11,775, and \$23,638 in 2000, 1999

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

and 1998, respectively, are included in the line Capital Markets Revenue in the Consolidated Statements of Income.

At December 31, 2000, securities with a value of approximately \$586,536 were pledged to secure public deposits, short-term borrowings, and for other purposes required by law.

Approximately \$511 million of adjustable rate mortgage loans (ARMs) were transferred to investment securities available for sale during 2000. There were no ARMs transferred during 1999. The Corporation has agreed to guarantee the first 4% of the loan pools securitized through government agencies against potential loss for transfers occurring prior to 2000. These are noncash transactions for purposes of the Consolidated Statements of Cash Flows.

### 7. Loans and Leases

Loans and Leases at December 31 were:

	2000	1999
	-----	-----
Commercial, financial and agricultural.....	\$ 5,289,537	\$ 4,754,857
Real estate:		
Construction.....	619,281	494,558
Residential mortgage.....	5,049,557	4,941,450
Commercial mortgage.....	4,359,812	4,034,771
Personal.....	1,174,248	1,299,416
Lease financing.....	1,094,652	810,009
	-----	-----
Total loans and leases.....	\$17,587,087	\$16,335,061
	=====	=====

The Corporation's lending activities are concentrated primarily in the Midwest. Approximately 5% of its portfolio consists of loans granted to customers located in Arizona. The Corporation had \$0.2 million in foreign credits at December 31, 2000. The Corporation's loan portfolio consists of business loans extending across many industry types, as well as loans to individuals. As of December 31, 2000, total loans to any group of customers engaged in similar activities and having similar economic characteristics, as defined by standard industrial classifications, did not exceed 10% of total loans.

The Corporation evaluates the credit risk of each customer on an individual basis and, where deemed appropriate, collateral is obtained. Collateral varies by individual loan customer but may include accounts receivable, inventory, real estate, equipment, deposits, personal and government guaranties, and general security agreements. Access to collateral is dependent upon the type of collateral obtained. On an on-going basis, the Corporation monitors its collateral and the collateral value related to the loan balance outstanding.

An analysis of loans outstanding to directors and officers, including their related interests, of the Corporation and its significant subsidiaries for 2000 is presented in the following table. All of these loans were made in the ordinary course of business with normal credit terms, including interest rates and collateral. The beginning balance has been adjusted to reflect the activity of newly-appointed directors and executive officers.

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Loans to directors and executive officers:

Balance, beginning of year.....	\$ 285,178
New loans.....	173,861
Repayments.....	(176,034)
	-----
Balance, end of year.....	\$ 283,005
	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

8. Allowance for Loan and Lease Losses

An analysis of the allowance for loan and lease losses follows:

	2000	1999	1998
	-----	-----	-----
Balance, beginning of year.....	\$225,862	\$226,052	\$208,651
Allowance of loans acquired.....	1,270	--	--
Allowance of loans transferred to			
Investment Securities.....	(1,022)	--	--
Provision charged to expense.....	30,352	25,419	27,090
Charge-offs.....	(30,018)	(32,557)	(20,945)
Recoveries.....	8,671	6,948	11,256
	-----	-----	-----
Balance, end of year.....	\$235,115	\$225,862	\$226,052
	=====	=====	=====

During 2000, the Corporation acquired approximately \$341 million of home equity loans and lines of credit. The allowance of loans acquired is consistent with the estimate of probable losses as determined by the seller financial institution.

As of December 31, 2000 and 1999, nonaccrual loans and leases totaled \$121,425 and \$106,387, respectively.

At December 31, 2000 and 1999 the Corporation's recorded investment in impaired loans and leases and the related valuation allowance are as follows:

	2000	1999
	-----	-----
	Recorded Investment	Recorded Investment
	Valuation Allowance	Valuation Allowance
	-----	-----
Total impaired loans and leases (nonaccrual and renegotiated).....	\$122,039	\$107,095

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Loans and leases excluded from individual evaluation.....	(34,167)		(32,255)	
	-----		-----	
Impaired loans evaluated.....	\$ 87,872		\$ 74,840	
	=====		=====	
Valuation allowance required.....	\$ 5,727	\$2,137	\$ 3,533	\$ 980
No valuation allowance required.....	82,145	--	71,307	--
	-----	-----	-----	-----
Impaired loans evaluated.....	\$ 87,872	\$2,137	\$ 74,840	\$ 980
	=====	=====	=====	=====

The recorded investment in impaired loans for which no allowance is required is net of applications of cash interest payments and net of previous direct writedowns of \$21,332 in 2000 and \$13,862 in 1999 against the loan balance outstanding. The required valuation allowance is included in the allowance for loan and lease losses in the Consolidated Balance Sheets.

The average recorded investment in total impaired loans and leases for the years ended December 31, 2000 and 1999 amounted to \$118,832 and \$116,835, respectively.

Interest payments received on impaired loans and leases are recorded as interest income unless collection of the remaining recorded investment is doubtful at which time payments received are recorded as reductions of principal. Interest income recognized on total impaired loans and leases amounted to \$6,410 in 2000, \$6,253 in 1999, and \$6,808 in 1998. The gross income that would have been recognized had such loans and leases been performing in accordance with their original terms would have been \$11,415 in 2000, \$9,980 in 1999, and \$8,795 in 1998.

9. Sales of Receivables

During 2000, automobile loans were sold in securitization transactions. Servicing responsibilities and subordinated interests were retained. The Corporation receives annual servicing fees equal to 1% of the outstanding balance and rights to future cash flows arising after investors in the securitization trust have received

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

their contractual return and after certain administrative costs of operating the trust. The investors and the securitization trust have no recourse to the Corporation's other assets for failure of debtors to pay when due. The Corporation's retained interests are subordinate to investor's interests. Their value is subject to credit, prepayment and interest rate risks on the transferred financial assets.

During 2000, the Corporation recognized gains and trading income of \$3,155 on the securitization of automobile loans.

Key economic assumptions used in measuring the retained interests at the date of securitization resulting from securitizations completed during the year were as follows (rate per annum):

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Prepayment speed.....	28.4%
Weighted average life (in months).....	20.8
Expected credit losses.....	0.16%
Residual cash flow discount rate.....	12.0%
Variable returns to transferees.....	Forward one month LIBOR yield curve

At December 31, 2000, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions are as follows (\$ in millions):

	Adverse Change in Assumptions	
	10%	20%
Carrying amount retained interests--		
automobile loans.....	\$13.7	
Weighted average life (in months).....	21.4	
Prepayment speed (per annum).....	28.4%	
Impact on fair value of adverse change...	\$ 0.2	\$ 0.5
Expected credit losses (annual rate).....	0.16%	
Impact on fair value of adverse change...	0.0	0.1
Residual cash flows discount rate (annual).....	12.0%	
Impact on fair value of adverse change...	0.1	0.2
Interest rate returns to transferees.....	Forward one month LIBOR yield curve	
Impact on fair value of adverse change...	1.6	3.2

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

Actual and projected credit losses represented 0.15% of total automobile loans securitized in 2000.

The following table summarizes certain cash flows received from and paid to the securitization trust for the year ended December 31, 2000:

Proceeds from new securitizations.....	\$223,098
Servicing fees received.....	533
Net charge-offs.....	(31)
Cash collateral account transfers, net.....	(5,071)
Other cash flows received on retained interests, net.....	600

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

At December 31, 2000, securitized automobile loans and other automobile loans managed together with them along with delinquency and credit loss information consisted of the following:

	Securitized Portfolio	Total Managed	
	-----	-----	-----
Loan balances.....	\$197,306	\$303,702	\$501,008
Principal amounts of loans 60 days or more past due.....	104	1,034	1,138
Net credit losses.....	31	651	682

### 10. Premises and Equipment

The composition of premises and equipment at December 31 was:

	2000	1999
	-----	-----
Land.....	\$ 47,893	\$ 46,896
Buildings and leasehold improvements.....	347,566	325,889
Furniture and equipment.....	458,242	421,028
	-----	-----
	853,701	793,813
Less accumulated depreciation.....	460,706	423,279
	-----	-----
Total premises and equipment.....	\$392,995	\$370,534
	=====	=====

Depreciation expense was \$62,018 in 2000, \$62,845 in 1999, and \$66,107 in 1998.

The Corporation leases certain of its facilities and equipment. Rent expense under such operating leases was \$56,555 in 2000, \$50,200 in 1999, and \$39,338 in 1998.

The future minimum lease payments under operating leases that have initial or remaining noncancellable lease terms in excess of one year for 2001 through 2005 are \$24,013, \$20,815, \$18,100, \$15,097, and \$12,831, respectively.

### 11. Deposits

The composition of deposits at December 31 was:

	2000	1999
	-----	-----
Noninterest bearing demand.....	\$ 3,129,834	\$ 2,830,960
Savings and NOW.....	7,486,094	6,966,423



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CDs \$100,000 and over.....	2,663,050	1,885,933
Other time deposits.....	3,532,310	3,419,333
Foreign deposits.....	2,437,339	1,332,533
	-----	-----
Total deposits.....	\$19,248,627	\$16,435,182
	=====	=====

At December 31, 2000, the scheduled maturities for CDs \$100,000 and over, other time deposits, and foreign deposits were:

2001.....	\$6,556,858
2002.....	1,126,562
2003.....	193,583
2004.....	166,670
2005 and thereafter.....	589,026
	-----
	\$8,632,699
	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

12. Short-term Borrowings

Short-term borrowings at December 31 were:

	2000	1999
	-----	-----
Funds purchased and security repurchase agreements.....	\$1,092,723	\$1,402,077
U.S. Treasury demand notes.....	81,930	169,615
U.S. Treasury demand notes--special direct.....	--	1,874,714
Senior bank notes--Puttable Reset Securities.....	1,008,060	--
Senior bank notes.....	99,988	549,825
Commercial paper.....	322,161	246,514
Current maturities of long-term borrowings.....	209,355	292,890
Other.....	514	4,620
	-----	-----
Total short-term borrowings.....	\$2,814,731	\$4,540,255
	=====	=====

U.S. Treasury demand notes--special direct represent secured borrowings of three banking affiliates with a maximum term of 21 days.

In September, 1999, eight of the Corporation's affiliate banking subsidiaries began offering bank notes. Bank notes may be senior or subordinated in ranking, have maturities ranging from 7 days to 30 years at a fixed or floating rate up to a maximum of \$5.0 billion aggregate principal amount outstanding at any time. The bank notes are offered through certain designated agents and are offered and sold only to institutional investors.

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The bank notes are sole obligations of the respective issuing banks and are not obligations of or guaranteed by the Corporation.

The senior bank notes--Puttable Reset Securities ("PRS") will mature on December 1, 2007. In certain circumstances, the notes will be put back to the issuing bank at par prior to final maturity by the noteholders and the notes are subject to exercise of a call option by certain broker/dealers. Beginning December 3, 2001 and each December 1 thereafter until and including December 1, 2006, certain broker/dealers have the right to purchase all of the outstanding notes from the noteholders at a price equal to 100% of the principal amount of the notes and then remarket the notes at an interest rate that was previously agreed upon. However, if the broker/ dealers do not purchase the notes on the aforementioned date(s), each holder of outstanding notes will be deemed to have put all of the holder's notes to the issuing bank at a price equal to 100% of the principal amount of the notes and the notes will be completely retired. The initial interest rate is 6.75% and, to the extent the notes are purchased and remarketed, the interest rate will reset each date the notes are remarketed at 6% plus an applicable credit spread as defined in the offering circular. The call and put are considered clearly and closely related for purposes of recognition and measurement under SFAS 133.

The amount of other senior bank notes outstanding at December 31, 2000, represents the borrowing of one banking subsidiary at a fixed rate of 6.81% and matures in March of 2001. Senior bank notes outstanding at December 31, 1999, represent the aggregate borrowing of four banking subsidiaries that matured in September and October of 2000. Each bank note outstanding had a fixed rate, which ranged from 6.07% to 6.36%. Interest is paid at maturity.

Unused lines of credit, primarily to support commercial paper borrowings, were \$75.0 million at December 31, 2000 and \$ 70.0 million at December 31, 1999.

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### Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

#### 13. Long-term Borrowings

Long-term borrowings at December 31 were:

	2000	1999
	-----	-----
Corporation:		
6.375% subordinated notes due in 2003.....	\$ 99,794	\$ 99,722
Medium-term Series C, D and E notes.....	130,900	151,130
7.65% cumulative company-obligated mandatorily redeemable capital trust pass-through securities.....	199,160	199,128
Other.....	--	9,628
Subsidiaries:		
Borrowings from Federal Home Loan Bank (FHLB):		
Floating rate advances.....	100,000	250,000
Fixed rate advances.....	260,151	208,795
Senior bank notes.....	199,628	--
Subordinated bank note.....	98,854	--
Nonrecourse notes.....	29,008	24,999

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9.75% obligation under capital lease due through 2006.	3,083	3,472
Other.....	10,053	11,040
	-----	-----
	1,130,631	957,914
Less current maturities.....	209,355	292,890
	-----	-----
Total long-term borrowings.....	\$ 921,276	\$665,024
	=====	=====

The 6.375% subordinated notes are not redeemable prior to maturity and qualify as Tier 2 or supplementary capital for regulatory capital purposes. Interest is payable semiannually.

At December 31, 2000, there were \$16,900 of medium-term Series C notes outstanding. The medium-term Series C notes have fixed interest rates of 6.35% to 6.75% and mature at various amounts and times through 2002. No additional borrowings may occur under the Series C notes. At December 31, 2000, medium-term Series D notes outstanding amounted to \$89,300 with fixed interest rates of 6.27% to 7.20% and \$23,700 at three month LIBOR plus 26 basis points. Series D notes mature at various times and amounts in 2001 through 2004. No additional borrowings may occur under the Series D notes. In May, 2000, the Corporation filed a registration statement with the Securities and Exchange Commission to issue up to \$500 million of medium-term Series E notes. These issues may have maturities ranging from 9 months to 30 years and may be at fixed or floating rates. At December 31, 2000, series E notes outstanding amounted to \$1,000 with fixed rates of 6.90% to 7.19%. Series E notes outstanding mature in 2002 and 2005.

In December 1996, the Corporation formed M&I Capital Trust A (the "Trust") and issued \$200 million in liquidation or principal amount of cumulative preferred capital securities. Holders of the capital securities are entitled to receive cumulative cash distributions at an annual rate of 7.65% payable semiannually.

Concurrently with the issuance of the capital securities, the Trust invested the proceeds, together with the consideration paid by the Corporation for the common interest in the Trust, in junior subordinated deferrable interest debentures ("subordinated debt") issued by the Corporation. The subordinated debt, which represents the sole asset of the Trust, bears interest at an annual rate of 7.65% payable semiannually and matures on December 1, 2026.

The subordinated debt is junior in right of payment to all present and future senior indebtedness of the Corporation. The Corporation may redeem the subordinated debt in whole or in part at any time on or after

Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

December 1, 2006 at specified call premiums, and at par on or after December 1, 2016. In addition, in certain circumstances the subordinated debt may be redeemed at par upon the occurrence of certain events. The Corporation's right to redeem the subordinated debt is subject to regulatory approval.

The Corporation has the right, subject to certain conditions, to defer payments of interest on the subordinated debt for extension periods, each period not exceeding ten consecutive semiannual periods. As a consequence of

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the Corporation's extension of the interest payment period, distributions on the capital securities would be deferred. In the event the Corporation exercises its right to extend an interest payment period, the Corporation is prohibited from making dividend or any other equity distributions during such extension period.

The payment of distributions, liquidation of the Trust or payment upon the redemption of the capital securities are guaranteed by the Corporation.

The Corporation, as owner of the common interest in the Trust, has the right at any time to terminate the Trust, subject to certain conditions. In circumstances other than maturity or redemption of the subordinated debt, the subordinated debt would be distributed to the holders of the Trust securities on a pro rata basis in liquidation of the holders' interests in the Trust.

The capital securities qualify as Tier 1 capital for regulatory capital purposes.

Fixed rate FHLB advances have interest rates, which range from 5.23% to 8.47% and mature at various times in 2001 through 2012. A portion of the advances are subject to periodic principal payments. \$28.5 million may be repaid without penalty at six month intervals. All other advances are subject to a prepayment penalty if they are repaid prior to maturity. Fixed rate advances in the amount of \$100 million are callable every three months beginning in February 1998 upon five days notice.

The floating rate advances mature in 2001. The interest rate is reset monthly based on the London Interbank Offered Rate (LIBOR).

The Corporation is required to maintain unencumbered first mortgage loans and mortgage-related securities such that the outstanding balance of FHLB advances does not exceed 60% of the book value of this collateral. In addition, a portion of these advances are collateralized by all FHLB stock.

Senior Bank notes represent the aggregate borrowings of two banking affiliates at December 31, 2000. The senior bank notes have a fixed interest rate of 7.25% and pay interest semi-annually. The notes mature in 2002.

The subordinated bank note has a fixed rate of 7.875% and matures in 2010. Interest is paid semi-annually. The subordinated bank note qualifies as Tier 2 or supplementary capital for regulatory capital purposes.

The nonrecourse notes are reported net of prepaid interest and represent borrowings by the commercial leasing subsidiary from banks and other financial institutions. These notes have a weighted average interest rate of 8.42% at December 31, 2000 and are due in installments over varying periods through 2007. Lease financing receivables at least equal to the amount of the notes are pledged as collateral.

Scheduled maturities of long-term borrowings are: \$460,712, \$120,210, \$5,156, and \$3,549 for 2002 through 2005, respectively.

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The Corporation has 5,000,000 shares of preferred stock authorized, of which the Board of Directors has designated 2,000,000 shares as Series A convertible, with a \$100 value per share for conversion purposes. Series A is nonvoting preferred stock. The same cash dividends will be paid on Series A as would have been paid on the common stock exchanged for Series A. Except under limited circumstances, the holder may not sell, transfer or otherwise dispose of stock acquired by conversion, and then, only under prescribed conditions and subject to the Corporation's right of first refusal.

The holder has the option to convert Series A into common stock at the same ratio that the common stock was exchanged for Series A. During 1999, the holder of Series A converted 348,944 shares of Series A into 3,832,957 shares of common stock which were issued out of the Corporation's treasury common stock. This is a noncash transaction for purposes of the Consolidated Statements of Cash Flows. At December 31, 2000 and 1999, there were 336,370 shares of Series A outstanding which are convertible into 3,844,228 shares of common stock.

The preferred stock is treated as a common stock equivalent in all applicable per share calculations.

In 1998, the Corporation began sponsoring a deferred compensation plan for its non-employee directors and the non-employee directors of its affiliates. Participants may elect to have their deferred fees used to purchase M&I common stock with dividend reinvestment. Such shares will be distributed to plan participants in accordance with the plan provisions. At December 31, 2000 and 1999, 288,858 and 267,535 shares of M&I common stock, respectively, were held in a grantor trust. The aggregate cost of such shares is included in Deferred Compensation as a reduction of shareholders' equity in the Consolidated Balance Sheets and amounted to \$14,940 at December 31, 2000 and \$13,525 at December 31, 1999.

In conjunction with previous acquisitions, the Corporation assumed certain deferred compensation and nonqualified retirement plans for former directors and executive officers of acquired companies. At December 31, 2000 and 1999, 93,552 and 106,333 common shares of M&I Stock, respectively, were maintained in a grantor trust with such shares to be distributed to plan participants in accordance with the provisions of the plans. The aggregate cost of such shares of \$3,731 and \$4,218 at December 31, 2000 and 1999, respectively, is included in Deferred Compensation as a reduction of shareholders' equity in the Consolidated Balance Sheets.

The Corporation issues treasury common stock in conjunction with exercises of stock option and restricted stock, acquisitions, and conversions of convertible securities. Treasury shares are acquired from restricted stock forfeitures, shares tendered to cover tax withholding associated with stock option exercises and vesting of key restricted stock, mature shares tendered for stock option exercises in lieu of cash and open market purchases in accordance with approved share repurchase programs. The Corporation is currently authorized to repurchase up to 6.0 million shares per year. Shares repurchased in accordance with the approved plan amounted to 3.2 million shares with an aggregate cost of \$156.3 million in 2000 and 5.1 million shares with an aggregate cost of \$317.1 million in 1999.

Federal banking regulatory agencies have established capital adequacy rules which take into account risk attributable to balance sheet assets and off-balance sheet activities. All banks and bank holding companies must meet a minimum total risk-based capital ratio of 8%. Of the 8% required, at least half must be comprised of core capital elements defined as Tier 1 capital. The federal banking agencies also have adopted leverage capital guidelines which banking organizations must meet. Under these guidelines, the most highly rated banking organizations must meet a minimum leverage ratio of at least 3% Tier 1

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capital to total assets, while lower rated banking organizations must maintain a ratio of at least 4% to 5%. Failure to meet minimum capital requirements

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

can initiate certain mandatory--and possibly additional discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Consolidated Financial Statements.

At December 31, 2000 and 1999, the most recent notification from the Federal Reserve Board categorized the Corporation as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Corporation's category.

To be well capitalized under the regulatory framework, the Tier 1 capital ratio must meet or exceed 6%, the total capital ratio must meet or exceed 10% and the leverage ratio must meet or exceed 5%.

The Corporation's risk-based capital and leverage ratios are as follows (\$ in millions):

Risk-Based Capital Ratios				
As of December 31, 2000		As of December 31, 1999		
Amount	Ratio	Amount	Ratio	
Tier 1 capital.....	\$ 2,070.8	10.20%	\$ 1,992.8	11.11%
Tier 1 capital adequacy minimum requirement.....	811.7	4.00	717.5	4.00
Excess.....	\$ 1,259.1	6.20%	\$ 1,275.3	7.11%
Total capital.....	\$ 2,444.6	12.05%	\$ 2,277.0	12.69%
Total capital adequacy minimum requirement.....	1,623.5	8.00	1,435.0	8.00
Excess.....	\$ 821.1	4.05%	\$ 842.0	4.69%
Risk-adjusted assets.....	\$ 20,293.6		\$ 17,937.1	

Leverage Ratio				
As of December 31, 2000		As of December 31, 1999		
Amount	Ratio	Amount	Ratio	
Tier 1 capital to adjusted total assets.....	\$ 2,070.8	8.25%	\$ 1,992.8	8.49%
Minimum leverage adequacy				

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requirement.....	752.9-1,254.8	3.00-5.00	704.4-1,174.1	3.00-5.00
	-----	-----	-----	-----
Excess.....	\$1,317.9-816.0	5.25-3.25%	\$1,288.4-818.7	5.49-3.49%
	=====	=====	=====	=====
Adjusted average total assets.....	\$ 25,096.4		\$ 23,481.0	
	=====		=====	

All of the Corporation's banking subsidiaries' risk-based capital and leverage ratios meet or exceed the defined minimum requirements, and have been deemed well capitalized as of December 31, 2000 and 1999. The following table presents the risk-based capital ratios for the Corporation's significant banking subsidiaries:

Subsidiary	Tier 1	Total	Leverage
-----	-----	-----	-----
M&I Marshall & Ilsley Bank			
December 31, 2000.....	8.46%	10.42%	7.12%
December 31, 1999.....	9.11	10.28	6.93
M&I Bank of Southern Wisconsin			
December 31, 2000.....	9.88	11.13	7.61
December 31, 1999.....	9.35	10.60	7.20

Banking subsidiaries are restricted by banking regulations from making dividend distributions above prescribed amounts and are limited in making loans and advances to the Corporation. At December 31, 2000, the retained earnings of subsidiaries available for distribution as dividends without regulatory approval was approximately \$337.6 million.

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

15. Income Taxes

Total income tax expense for the years ended December 31, 2000, 1999, and 1998 was allocated as follows:

	2000	1999	1998
	-----	-----	-----
Income before income taxes and cumulative effect of changes in accounting principles.....	\$152,948	\$173,428	\$163,962
Cumulative effect of changes in accounting principles.....	(1,532)	--	--
Shareholders' Equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes.....	(2,486)	(12,764)	(13,846)
Unrealized (losses)/gains on investment			

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securities available for sale.....	38,699	(51,376)	3,427
	-----	-----	-----
	\$187,629	\$109,288	\$153,543
	=====	=====	=====

The current and deferred portions of the provision for income taxes were:

	2000	1999	1998
	-----	-----	-----
Current:			
Federal.....	\$115,789	\$126,358	\$140,649
State.....	22,652	7,059	20,556
	-----	-----	-----
	138,441	133,417	161,205
Deferred:			
Federal.....	20,618	31,860	3,565
State.....	(6,111)	8,151	(808)
	-----	-----	-----
	14,507	40,011	2,757
	-----	-----	-----
Total provision for income taxes.....	\$152,948	\$173,428	\$163,962
	=====	=====	=====

The following is a reconciliation between the amount of the provision for income taxes and the amount of tax computed by applying the statutory Federal income tax rate (35%):

	2000	1999	1998
	-----	-----	-----
Tax computed at statutory rates.....	\$164,623	\$184,779	\$162,850
Increase (decrease) in taxes resulting from:			
Federal tax-exempt income.....	(19,428)	(18,145)	(15,836)
State income taxes, net of Federal tax benefit.....	10,824	10,050	13,082
Bank owned life insurance.....	(9,837)	(9,018)	(1,362)
Other.....	6,766	5,762	5,228
	-----	-----	-----
Total provision for income taxes.....	\$152,948	\$173,428	\$163,962
	=====	=====	=====

Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

The tax effects of temporary differences that give rise to significant elements of the deferred tax assets and deferred tax liabilities at December 31, are as follows:



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	2000	1999
	-----	-----
Deferred tax assets:		
Deferred compensation.....	\$ 29,356	\$ 28,069
Allowance for loan and lease losses.....	93,507	83,945
Accrued postretirement benefits.....	27,430	26,016
Conversion revenue deferred.....	19,414	--
Unrealized gains and losses.....	--	18,440
State NOLs and other.....	90,311	66,353
	-----	-----
Total deferred tax assets before valuation allowance.....	260,018	222,823
Valuation allowance.....	(40,653)	(25,727)
	-----	-----
Net deferred tax assets.....	219,365	197,096
Deferred tax liabilities:		
Lease revenue reporting.....	134,373	99,518
Deferred expense, net of unearned income.....	61,647	30,596
Premises and equipment, principally due to depreciation.....	12,216	13,064
Pension funding versus expense.....	--	5,234
Purchase accounting adjustments.....	8,750	14,841
Unrealized gains and losses.....	20,259	--
Other.....	38,859	38,237
	-----	-----
Total deferred tax liabilities.....	276,104	201,490
	-----	-----
Net deferred tax liability.....	\$ 56,739	\$ 4,394
	=====	=====

The valuation allowance has been provided to reduce certain state deferred tax assets to the amount of tax benefit management believes it will more likely than not realize. At December 31, 2000 and 1999, the Corporation recognized \$14,558 and \$15,061, respectively of deferred tax assets related to state net operating losses that may be offset against future taxable income through 2015 and 2014, respectively. At December 31, 2000, the Corporation believes there is at least a 50% chance that the carryforward may expire unused. However, as time passes the Corporation will be able to better assess the amount of tax benefit it will realize from using the carryforward. Accordingly, the tax benefit of the carryforward has been offset by a valuation allowance which is the primary cause of the change in valuation allowance compared to December 31, 1999.

The amount of income tax expense or (benefit) related to net securities gains or losses amounted to (\$9,512), \$3,292, and \$11,136, in 2000, 1999, and 1998, respectively.

#### 16. Stock Option and Restricted Stock Plans

The Corporation has Executive Stock Option and Restricted Stock Plans which provide for the grant of nonqualified and incentive stock options, stock appreciation rights and rights to purchase restricted shares to key employees at prices ranging from not less than the par value of the common shares to the market value of the shares at the date of grant.

The nonqualified and incentive stock option plans generally provide for the grant of options to purchase shares of the Corporation's common stock for a period of ten years from the date of grant. Options granted generally become

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exercisable over a period of two or three years from the date of grant however, options granted to Directors of the Corporation vest immediately and options granted after 1996 provide accelerated or immediate vesting for grants to individuals who meet certain age and years of service criteria at the date of grant.

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Activity relating to nonqualified and incentive stock options was:

	Number of Shares	Option Price Per Share	Weighted Average Exercise Price
	-----	-----	-----
Shares under option at December 31, 1997.....	6,099,602	\$ 7.67-57.00	\$26.19
Options granted.....	1,312,150	45.88-57.63	52.06
Options lapsed or surrendered...	(59,003)	7.67-57.63	49.57
Options exercised.....	(1,102,814)	7.67-40.13	15.01
	-----	-----	-----
Shares under option at December 31, 1998.....	6,249,935	\$ 7.67-57.63	\$33.38
Options granted.....	1,606,725	57.09-70.06	61.72
Options lapsed or surrendered...	(81,789)	10.92-62.25	52.15
Options exercised.....	(967,557)	7.67-57.63	19.01
	-----	-----	-----
Shares under option at December 31, 1999.....	6,807,314	\$ 7.68-70.06	\$41.88
Options granted.....	1,756,350	41.52-62.19	44.26
Options lapsed or surrendered...	(185,613)	13.38-67.00	48.72
Options exercised.....	(262,531)	7.68-57.00	19.95
	-----	-----	-----
Shares under option at December 31, 2000.....	8,115,520	\$11.56-70.06	\$42.95
	=====	=====	=====

The range of options outstanding at December 31, 2000 were:

Price Range	Number of Shares		Weighted-Average Exercise Price		Weighted-Average Remaining Contractual Life (In Years)
-----	-----	-----	-----	-----	-----
	Outstanding	Exercisable	Outstanding	Exercisable	
\$ 7-18	624,779	624,779	\$16.14	\$16.14	1.1
19-29	1,504,181	1,504,181	22.36	22.36	3.8
30-40	615,097	615,097	32.08	32.08	6.0
41-52	2,902,429	1,542,779	47.22	50.13	9.0
53-61	945,076	928,449	57.09	57.05	7.0
Over \$61	1,523,958	771,297	61.75	61.96	8.9

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-----	-----	-----	-----	---
8,115,520	5,986,582	\$42.95	\$40.35	7.0
=====	=====	=====	=====	===

Options exercisable at December 31, 1999 and 1998 were 5,031,588 and 4,759,535, respectively. The weighted average exercise price for options exercisable was \$35.96 at December 31, 1999 and \$27.10 at December 31, 1998.

Statement of Financial Accounting Standards No. 123 (SFAS 123), "Accounting for Stock-Based Compensation," establishes financial accounting and reporting standards for stock based employee compensation plans.

SFAS 123 defines a fair value based method of accounting for employee stock option or similar equity instruments. Under the fair value based method, compensation cost is measured at the grant date based on the fair value of the award using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock, expected dividends and the risk-free interest rate over the expected life of the option. The resulting compensation cost is recognized over the service period, which is usually the vesting period.

Compensation cost can also be measured and accounted for using the intrinsic value based method of accounting prescribed in Accounting Principles Board Opinion No. 25 (APBO 25), "Accounting for Stock Issued

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

to Employees." Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount paid to acquire the stock.

The largest difference between SFAS 123 and APBO 25 as it relates to the Corporation is the amount of compensation cost attributable to the Corporation's fixed stock option plans. Under APBO 25 no compensation cost is recognized for fixed stock option plans because the exercise price is equal to the quoted market price at the date of grant and therefore there is no intrinsic value. SFAS 123 compensation cost would equal the calculated fair value of the options granted.

As permitted by SFAS 123, the Corporation continues to measure compensation cost for such plans using the accounting method prescribed by APBO 25.

Had compensation cost for the Corporation's options granted after January 1, 1995 been determined consistent with SFAS 123, the Corporation's net income and earnings per share would have been reduced to the following pro forma amounts:

	2000	1999	1998
	-----	-----	-----
Net income:			
As reported.....	\$315,123	\$354,511	\$301,323
Pro forma.....	300,793	341,355	292,227

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Basic earnings per share:			
As reported.....	\$ 2.99	\$ 3.32	\$ 2.79
Pro forma.....	2.85	3.20	2.70
Diluted earnings per share:			
As reported.....	\$ 2.89	\$ 3.14	\$ 2.61
Pro forma.....	2.78	3.03	2.54

The fair value of each option grant was estimated as of the date of grant using the Black-Scholes option pricing model. The resulting compensation cost was amortized over the vesting period. No compensation cost associated with such options was included in determining pro forma net income.

The grant date fair values and assumptions used to determine such value are as follows:

	2000	1999	1998
	-----	-----	-----
Weighted-average grant date fair value.....	\$13.82	\$19.54	\$13.31
Assumptions:			
Risk-free interest rates.....	5.14-6.79%	4.75-6.45%	4.53-5.88%
Expected volatility.....	24.36-31.33%	22.00-24.62%	18.38-22.01%
Expected term (in years).....	6.0	6.0	6.0
Expected dividend yield.....	2.11%	1.56%	1.69%

Activity relating to the Corporation's Restricted Purchase Rights was:

	December 31		
	2000	1999	1998
	-----	-----	-----
Restricted stock purchase rights outstanding--			
Beginning of Year.....	--	--	10,500
Restricted stock purchase rights granted.....	8,000	21,000	20,250
Restricted stock purchase rights exercised....	(8,000)	(21,000)	(30,750)
Restricted stock purchase rights outstanding--			
End of Year	--	--	--
Weighted-average grant date market value.....	\$45.35	\$ 64.41	\$ 56.40
Aggregate compensation expense.....	\$ 726	\$ 534	\$ 556
Unamortized deferred compensation.....	\$1,859	\$ 2,387	\$ 1,964

Notes to Consolidated Financial Statements--(Continued)

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Restrictions on stock issued pursuant to the exercise of stock purchase rights lapse within a seven year period. Accordingly, the compensation related to issuance of the rights is deferred and amortized over the vesting period.

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Unamortized deferred compensation is reflected as a reduction of shareholders' equity.

Shares reserved for the granting of options and stock purchase rights at December 31, 2000 were 5,208,605.

The Corporation also has a Long-term Incentive Plan. Under the plan, performance units may be awarded from time to time. Once awarded, additional performance units will be credited to each participant based on dividends paid by the Corporation on its common stock. At the end of a designated vesting period, participants will receive an amount equal to some percent (0%-275%) of the initial performance units credited plus those additional units credited as dividends based on the established performance criteria. Units awarded to certain executives of the Corporation were 46,850 in 2000, 50,000 in 1999, and 103,250 in 1998. The vesting period is three years from the date the performance units were awarded. At December 31, 2000, based on the performance criteria, approximately \$3,841 would be due to the participants under the 1998 and 1999 awards. In addition, the amount payable to participants under the 1997 award, which was fully vested, was \$6,019 at December 31, 2000.

Compensation expense in 1998 associated with the accelerated vesting of Advantage's stock options outstanding amounted to \$10,372, which is included in Merger/Restructuring in the Consolidated Statements of Income.

### 17. Employee Retirement and Health Plans

The Corporation has a defined contribution retirement plan and an incentive savings plan for substantially all employees. The retirement plan provides for a guaranteed contribution to eligible participants equal to 2% of compensation. At the Corporation's option, a profit sharing amount may also be contributed and may vary from year to year up to a maximum of 6% of eligible compensation. Under the incentive savings plan, employee contributions up to 6% of eligible compensation are matched up to 50% by the Corporation based on the Corporation's return on equity as defined by the plan. Total expense relating to these plans was \$40,016, \$37,378, and \$32,108 in 2000, 1999, and 1998, respectively.

The Corporation also has supplemental retirement plans to provide retirement benefits to certain of its key executives. Total expense relating to these plans amounted to \$1,174 in 2000, \$174 in 1999, and \$1,393 in 1998.

Advantage sponsored a defined contribution ESOP plan for substantially all of its employees. In conjunction with the merger, such plan was terminated and distributions were made to the former participants in the plan. Advantage sponsored a defined contribution 401(k) plan that merged with the Corporation's incentive savings plan at October 1, 1998. Total expense relating to these plans amounted to \$127 in 1998. In addition, expense associated with the termination of the ESOP in 1998 amounted to \$1,246, which is included in Merger/Restructuring in the Consolidated Statements of Income.

The Corporation sponsors a defined benefit health plan that provides health care benefits to eligible current and retired employees. Eligibility for retiree benefits is dependent upon age, years of service, and participation in the health plan during active service. The plan is contributory and in 1997 the plan was amended. Employees hired or retained from mergers after September 1, 1997 will be granted access to the Corporation's plan upon retirement however, such retirees must pay 100% of the cost of health care benefits. The plan continues to contain other cost-sharing features such as deductibles and coinsurance. The plan is not funded.

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The changes during the year of the accumulated postretirement benefit obligation (APBO) for retiree health benefits are as follows:

	2000	1999
	-----	-----
APBO, beginning of year.....	\$46,867	\$49,176
Service cost.....	2,593	3,044
Interest cost on APBO.....	3,601	3,381
Actuarial losses/(gains).....	9,042	(7,132)
Change due to acquisitions/divestitures.....	--	64
Benefits paid.....	(1,853)	(1,666)
	-----	-----
APBO, end of year.....	60,250	46,867
Unrecognized net gain.....	2,432	12,215
Unrecognized prior service cost.....	1,584	1,788
	-----	-----
Accrued postretirement benefit cost.....	\$64,266	\$60,870
	=====	=====
Weighted average discount rate used in determining APBO.....	8.00%	7.75%
	=====	=====

The assumed health care cost trend for 2001 was 6.25%. The rate was assumed to decrease gradually to 5.00% in 2006 and remain at that level thereafter.

Net periodic postretirement benefit cost for the years ended December 31, 2000, 1999, and 1998 includes the following components:

	2000	1999	1998
	-----	-----	-----
Service cost.....	\$2,593	\$3,044	\$3,475
Interest on APBO.....	3,601	3,381	3,804
Net amortization and deferral.....	(944)	(157)	(263)
	-----	-----	-----
	\$5,250	\$6,268	\$7,016
	=====	=====	=====

The assumed health care cost trend rate has a significant effect on the amounts reported for the health care plans. A one percentage point change on assumed health care cost trend rates would have the following effects:

One Percentage Point Increase	One Percentage Point Decrease
-----	-----

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Effect on total of service and interest cost components.....	\$1,103	\$ (853)
Effect on postretirement benefit obligation.....	8,738	(7,176)

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### Notes to Consolidated Financial Statements--(Continued)

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#### 18. Financial Instruments with Off-Balance Sheet Risk

Financial instruments with off-balance sheet risk at December 31 were:

	2000	1999
	-----	-----
Financial instruments whose amounts represent credit risk:		
Commitments to extend credit:		
To commercial customers.....	\$6,397,068	\$6,042,131
To individuals.....	1,778,514	1,529,355
Standby letters of credit, net of participations.....	606,539	536,466
Commercial letters of credit.....	38,090	22,423
Mortgage loans sold with recourse.....	1,613	1,972
Financial instruments whose amounts exceed the amount of credit risk:		
Foreign exchange contracts:		
Commitments to purchase foreign exchange.....	758,407	382,528
Commitments to deliver foreign exchange.....	760,593	383,118
Options written/purchased.....	--	9,715
Interest risk management instruments:		
Interest rate swaps.....	1,530,000	1,007,000
Interest rate floors.....	275,000	275,000

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require payment of a fee. The majority of the Corporation's commitments to extend credit generally provide for the interest rate to be determined at the time the commitment is utilized. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Corporation evaluates each customer's credit worthiness on an individual basis. Collateral obtained, if any, upon extension of credit, is based upon management's credit evaluation of the customer. Collateral requirements and the ability to access collateral is generally similar to that required on loans outstanding as discussed in Note 7.

Standby and commercial letters of credit are contingent commitments issued by the Corporation to support the financial obligations of a customer to a third party. Standby letters of credit are issued to support public and private financing, and other financial or performance obligations of

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customers. Commercial letters of credit are issued to support payment obligations of a customer as buyer in a commercial contract for the purchase of goods. Letters of credit have maturities which generally reflect the maturities of the underlying obligations. The credit risk involved in issuing letters of credit is the same as that involved in extending loans to customers. If deemed necessary, the Corporation holds various forms of collateral to support letters of credit.

Certain mortgage loans sold to government agencies have limited recourse provisions.

Foreign exchange contracts are commitments to purchase or deliver foreign currency at a specified exchange rate. The Corporation enters into foreign exchange contracts primarily in connection with trading activities to enable customers involved in international trade to hedge their exposure to foreign currency fluctuations and to minimize the Corporation's own exposure to foreign currency fluctuations resulting from the above. Foreign exchange contracts include such commitments as foreign currency spot, forward, future and, to a much lesser extent, option contracts. The risks in these transactions arise from the ability of the counterparties to perform

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### Notes to Consolidated Financial Statements--(Continued)

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under the terms of the contracts and the risk of trading in a volatile commodity. The Corporation actively monitors all transactions and positions against predetermined limits established on traders and types of currency to ensure reasonable risk taking.

The Corporation's market risk from unfavorable movements in currency exchange rates is minimized by essentially matching commitments to deliver foreign currencies with commitments to purchase foreign currencies.

At December 31, 2000, the Corporation's foreign currency position resulting from foreign exchange contracts by major currency was as follows (\$000's US):

	Commitments To Deliver Foreign Exchange	Commitments To Purchase Foreign Exchange
	-----	-----
Currency		
Euros.....	\$313,939	\$314,028
English Pound Sterling.....	240,411	240,527
Japanese Yen.....	96,967	95,434
Swiss Franc.....	33,388	33,304
Deutsche Mark.....	25,150	24,502
Australian Dollars.....	12,551	12,640
Danish Kronor.....	11,611	11,572
Canadian Dollars.....	10,017	9,716
New Zealand Dollars.....	5,536	5,536
Italian Lire.....	3,865	3,970
Norwegian Kronor.....	3,917	3,916
All Other.....	3,241	3,262
	-----	-----
Total.....	\$760,593	\$758,407



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	=====	=====
Average amount of contracts to		
deliver/purchase foreign exchange.....	\$600,581	\$595,504
	=====	=====

These amounts do not represent the actual credit or market exposure.

Interest rate swaps are contractual agreements between counterparties to exchange interest payment streams based on notional principal amounts over a set period of time. Swap agreements normally involve the exchange of fixed and floating rate payment obligations without the exchange of the underlying principal amounts.

The Corporation enters into interest rate swaps to manage the interest rate volatility associated with variable rate loans, brokered callable CDs, brokered callable step-up CDs, retail callable time deposits and equity indexed CDs at the Corporation's affiliate banks. The Corporation also enters into interest swaps in connection with trading activities to enable customers to manage their interest rate risks. The Corporation's market risk from unfavorable movements in interest rates associated with trading swaps is generally minimized by concurrently entering into offsetting positions with nearly identical notional values, terms and indexes. Interest rate swaps held for trading consisted of \$63.0 million in notional amount of receive fixed and \$63.0 million in notional amount of pay fixed at December 31, 2000. By comparison interest rate swaps held for trading consisted of \$47.5 million in notional amount of receive fixed and \$47.5 million in notional amount of pay fixed at December 31, 1999.

In addition to the above, as part of its auto securitization activities which began in 2000, the Corporation has entered into a balance guaranteed receive fixed pay floating interest rate swap which has been designated as

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Notes to Consolidated Financial Statements--(Continued)

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trading. The floating leg index is based on the cost of commercial paper used to fund the purchase of the collateral. The receive index is fixed at 6.60%. As of December 31, 2000 there was \$202.9 million in notional value outstanding. The fair value at December 31, 2000 was \$1,877. Net trading gains amounted to \$2,111 in 2000.

At December 31, 2000, the Corporation's interest rate swap portfolio held for other than trading consisted of the following (\$ in millions):

Other	Remaining Maturity in Years						Total
	0-1 Yrs	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	Over 5 Yrs	
Notional value.....	\$ 171	\$ 75	\$ 219	\$ 122	\$ 145	\$ 798	\$1,530
Weighted average receive rate.....	6.42%	5.38%	5.74%	5.75%	6.38%	6.95%	6.49%
Weighted average pay rate (variable).....	6.65%	6.70%	6.68%	6.57%	6.55%	6.68%	6.65%

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The impact on net interest income from interest rate swaps was a negative \$2.64 million in 2000 and a positive \$7.19 and \$5.21 million in 1999 and 1998, respectively.

Interest caps and floors are contracts with notional principal amounts that require the seller, in exchange for a fee, to make payments to the purchaser if a specified market rate rises/falls above/below the fixed ceiling or floor or index rate on specified future dates.

The Corporation purchases standard interest rate caps and floors to manage the interest volatility associated with variable rate loans and the risk associated with embedded prepayment options in asset-backed available for sale investment securities. At December 31, 2000, the Corporation's interest rate floor portfolio held for other than trading consisted of the following (\$ in millions):

Type	Weighted-Average			Remaining Term (years)
	Notional Amount	Strike Rate	Index	
Floors.....	\$275.0	6.386%	6.661%	5.38

No payments were received in 2000 or 1999. The effect of amortization of the fee premiums were \$833 in 2000, \$227 in 1999 and \$117 in 1998, respectively. Unamortized premium associated with floors amounted to \$4,569 at December 31, 2000 and \$5,402 at December 31, 1999.

The market risk due to potential fluctuations in interest rates is inherent in swap, cap and floor agreements. Credit risk arises from the potential failure of counterparties to perform in accordance with the terms of the contracts. The Corporation maintains risk management policies that define parameters of acceptable market risk within the framework of its overall asset/liability management strategies and monitor and limit exposure to credit risk. The Corporation believes its credit and settlement procedures serve to minimize its exposure to credit risk. Credit exposure resulting from swaps, caps and floors is represented by their fair value amounts, increased by an estimate of potential adverse position exposure arising from changes over time in interest rates, maturities and other relevant factors. At December 31, 2000 the estimated credit exposure arising from swaps and floors was approximately \$14.6 million.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

19. Fair Value of Financial Instruments

The book values and estimated fair values for on and off-balance sheet financial instruments as of December 31, 2000 and 1999 are reflected below:

Balance Sheet Financial Instruments (\$ in millions)

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	2000		1999	
	Book Value	Fair Value	Book Value	Fair Value
<b>Financial Assets:</b>				
Cash and short-term investments.....	\$ 908.2	\$ 908.2	\$ 886.7	\$ 886.7
Trading securities.....	15.3	15.3	40.3	40.3
Investment securities available for sale.....	4,735.7	4,735.7	4,357.2	4,357.2
Investment securities held to maturity.....	1,112.5	1,124.8	1,170.7	1,137.1
Net loans and leases.....	17,352.0	17,877.1	16,109.2	16,201.0
Interest receivable.....	211.1	211.1	146.4	146.4
<b>Financial Liabilities:</b>				
Deposits.....	19,248.6	19,496.3	16,435.2	16,496.0
Short-term borrowings.....	2,605.4	2,605.4	4,247.4	4,247.4
Long-term borrowings.....	1,130.6	1,252.8	957.9	961.8
Interest payable.....	203.5	203.5	113.4	113.4

Where readily available, quoted market prices were utilized by the Corporation. If quoted market prices were not available, fair values were based on estimates using present value or other valuation techniques. These techniques were significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The calculated fair value estimates, therefore, cannot be substantiated by comparison to independent markets and, in many cases, could not be realized upon immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all nonfinancial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the entire Corporation.

The following methods and assumptions were used in estimating the fair value for financial instruments.

**Cash and Short-term Investments**

The carrying amounts reported for cash and short-term investments approximates the fair values for those assets.

**Trading and Investment Securities**

Fair value is based on quoted market prices or dealer quotes where available. See Note 6, Securities, for additional information. Estimated fair values for residual interests in the form of interest-only strips from automobile loan securitizations are based on discounted cash analysis as described in Note 9.

**Loans**

Loans that reprice or mature within three months of December 31 were assigned fair values based on their book value. Market values were used on performing loans where available. Most remaining loan balances were assigned fair values based on a discounted cash flow analysis. The discount rate was based on the treasury yield curve, with rate adjustments for credit quality, cost and profit factors.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Deposits

The fair value for demand deposits or any interest bearing deposits with no fixed maturity date was considered to be equal to the carrying value. Time deposits with defined maturity dates were considered to have a fair value equal to the book value if the maturity date was within three months of December 31. The remaining time deposits were assigned fair values based on a discounted cash flow analysis using discount rates which approximate interest rates currently being offered on time deposits with comparable maturities.

Borrowings

Short-term borrowings are carried at cost which approximates fair value. Long-term debt was generally valued using a discounted cash flow analysis with a discount rate based on current incremental borrowing rates for similar types of arrangements or, if not readily available, based on a build up approach similar to that used for loans and deposits. Long-term borrowings include their related current maturities.

Off-Balance Sheet Financial Instruments (\$ in millions)

Fair values of loan commitments and letters of credit have been estimated based on the equivalent fees, net of expenses, that would be charged for similar contracts and customers at December 31.

	2000	1999
	----	----
Loan commitments.....	\$6.8	\$3.8
Letters of credit.....	4.8	4.2

Foreign exchange contracts are carried at market value (U.S. dollar equivalent of the underlying contract). The fair value of options written/purchased are based on the market value as of the reporting date.

	2000	1999
	-----	-----
Commitments to purchase foreign exchange.....	\$758.4	\$382.5
Commitments to deliver foreign exchange.....	760.6	383.1
Options written/purchased.....	--	2.1

Interest rate swaps and floors are assigned a value based on a discounted cash flow analysis utilizing the forward yield curve.

2000      1999

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	-----	-----
Interest rate swaps.....	\$(6.2)	\$(31.9)
Interest rate floors.....	10.2	4.0

See Note 18 for additional information on off-balance sheet financial instruments.

20. Business Segments

Generally, the Corporation organizes its segments based on legal entities. Each entity offers a variety of products and services to meet the needs of its customers and the particular market served. Each entity has its own president and is separately managed subject to adherence to corporate policies. Discrete financial information is reviewed by senior management to assess performance on a monthly basis. Certain segments are combined and consolidated for purposes of assessing financial performance.

The Metavante Corporation ("Metavante") subsidiary, formerly the Data Services Division of the Corporation, was created on July 1, 2000. Certain assets and liabilities of the Data Services Division which

Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

represent the payment services or item processing line of business, were transferred to the Banking segment. Current year information and all prior periods presented have been restated for the transfer for the Banking segment and the Data Services Segment.

The Corporation evaluates the profit or loss performance of its segments based on operating income. Operating income is after-tax income excluding nonrecurring charges and charges for services from the holding company. Operating income for the banking entities and certain other entities also excludes certain assets, liabilities, equity, revenues and expenses associated with adjustments, charges or credits arising from acquisitions accounted for as purchases (hereinafter called acquisition costs). The accounting policies of the Corporation's segments are the same as those described in Note 1. Intersegment revenues may be based on cost, current market prices or negotiated prices between the providers and receivers of services.

Based on the way the Corporation organizes its segments, the Corporation has determined that it has two reportable segments. Information with respect to M&I's segments is as follows:

Banking

Banking represents the aggregation of nineteen separately chartered banks located in Wisconsin, one bank in Arizona, one federally chartered thrift headquartered in Nevada with a branch in Florida and an operational support subsidiary which beginning in the third quarter of 2000, includes item processing as previously discussed. Banking consists of accepting deposits, making loans and providing other services such as cash management, foreign exchange and correspondent banking to a variety of commercial and retail customers. Products and services are provided through a variety of delivery channels including traditional branches, supermarket branches, telephone centers, ATMs and the Internet. In addition, the Corporation's larger

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affiliate banks provide numerous services such as cash management, regional credit, and centralized accounting to M&I's community banking affiliates. Intrasegment revenues, expenses and assets have been eliminated in the following information and prior periods have been restated to include the item processing line of business. (\$ in millions)

	2000	1999	1998
	-----	-----	-----
Revenue:			
Net interest income.....	\$ 679.4	\$ 701.5	\$ 664.8
Other revenues:			
Unaffiliated customers....	255.8	222.0	208.4
Affiliated customers.....	22.0	16.5	13.5
	-----	-----	-----
Total revenues.....	957.2	940.0	886.7
Expenses:			
Intersegment charges.....	61.9	61.3	65.5
Other operating expense.....	407.6	376.4	356.9
	-----	-----	-----
Total expenses.....	469.5	437.7	422.4
Provision for loan and lease losses.....	29.9	25.0	26.1
Income tax expense.....	139.3	152.7	149.0
	-----	-----	-----
Operating income.....	\$ 318.5	\$ 324.6	\$ 289.2
	=====	=====	=====
Identifiable assets.....	\$24,626.5	\$22,860.4	\$20,239.4
	=====	=====	=====
Net purchases of premises and equipment.....	\$ 28.9	\$ 28.3	\$ 31.8
	=====	=====	=====
Return on tangible equity.....	18.4%	20.1%	18.3%
	=====	=====	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

The following tables present revenue and operating income by line of business for Banking. This information is based on the Corporation's product profitability measurement system and is an aggregation of the revenues and expenses associated with the products and services within each line of business. Net interest income is derived from the Corporation's internal funds transfer pricing system, expenses are allocated based on available transaction volumes and the provision for loan and lease losses is allocated based on credit risk. Equity is assigned to products and services on a basis that considers market, operational and reputation risk. (\$ in millions)

2000	Commercial Banking	Retail Banking	Investments and Other	Total Banking
----	-----	-----	-----	-----

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Revenue:				
Net interest income.....	\$352.8	\$344.6	\$ (18.0)	\$679.4
Other revenue.....	56.2	71.4	150.2	277.8
	-----	-----	-----	-----
Total revenues.....	\$409.0	\$416.0	\$132.2	\$957.2
	=====	=====	=====	=====
Percent of total.....	42.7%	43.5%	13.8%	100.0%
	=====	=====	=====	=====
Operating income.....	\$159.5	\$ 98.5	\$ 60.5	\$318.5
	=====	=====	=====	=====
Percent of total.....	50.1%	30.9%	19.0%	100.0%
	=====	=====	=====	=====
Return on tangible equity.....	20.8%	19.1%		18.4%
	=====	=====		=====

1999

----

Revenue:				
Net interest income.....	\$337.0	\$323.2	\$ 41.3	\$701.5
Other revenue.....	54.6	60.0	123.9	238.5
	-----	-----	-----	-----
Total revenues.....	\$391.6	\$383.2	\$165.2	\$940.0
	=====	=====	=====	=====
Percent of total.....	41.6%	40.8%	17.6%	100.0%
	=====	=====	=====	=====
Operating income.....	\$157.5	\$ 94.1	\$ 73.0	\$324.6
	=====	=====	=====	=====
Percent of total.....	48.5%	29.0%	22.5%	100.0%
	=====	=====	=====	=====
Return on tangible equity.....	23.3%	20.3%		20.1%
	=====	=====		=====

1998

----

Revenue:				
Net interest income.....	\$303.8	\$292.4	\$ 68.6	\$664.8
Other revenue.....	48.9	70.3	102.7	221.9
	-----	-----	-----	-----
Total revenues.....	\$352.7	\$362.7	\$171.3	\$886.7
	=====	=====	=====	=====
Percent of total.....	39.8%	40.9%	19.3%	100.0%
	=====	=====	=====	=====
Operating income.....	\$148.5	\$ 91.2	\$ 49.5	\$289.2
	=====	=====	=====	=====
Percent of total.....	51.3%	31.6%	17.1%	100.0%
	=====	=====	=====	=====
Return on tangible equity.....	23.1%	20.1%		18.3%
	=====	=====		=====

Data Services

Data Services includes Metavante as well as its two nonbank subsidiaries. Metavante provides data processing services, develops and sells software and provides consulting services to M&I affiliates as well as banks, thrifts, credit unions, trust companies and other financial services companies throughout the world although its activities are primarily domestic. In addition, Metavante derives revenue from the Corporation's

## Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

credit card merchant operations. The majority of Metavante's revenue is derived from internal and external processing. Intrasegment revenues, expenses and assets have been eliminated in the following information and prior periods have been restated to exclude the item processing business. (\$ in millions)

	2000	1999	1998
	-----	-----	-----
Revenue:			
Net interest expense.....	\$ (2.8)	\$ (4.1)	\$ (2.4)
Other revenues:			
Unaffiliated customers.....	542.4	492.8	422.1
Affiliated customers.....	64.1	56.1	59.4
	-----	-----	-----
Total revenues.....	603.7	544.8	479.1
Expenses:			
Intersegment charges.....	8.5	3.5	2.2
Other operating expense.....	499.7	469.4	416.2
	-----	-----	-----
Total expenses.....	508.2	472.9	418.4
Income tax expense.....	39.6	31.6	25.2
	=====	=====	=====
Operating income.....	\$ 55.9	\$ 40.3	\$ 35.5
	=====	=====	=====
Identifiable assets.....	\$636.3	\$475.1	\$340.4
	=====	=====	=====
Net purchases of premises and equipment.....	\$ 45.9	\$ 35.2	\$ 25.7
	=====	=====	=====
Return on equity.....	21.5%	18.2%	19.6%
	=====	=====	=====

## All Others

M&I's primary other operating segments includes Trust Services, Mortgage Banking (residential and commercial), Capital Markets Group, Brokerage and Insurance Services and Commercial Leasing. Trust Services provide investment management and advisory services as well as personal, commercial and corporate trust services in Wisconsin, Florida and Arizona. Capital Markets Group provide venture capital and advisory services. Intrasegment revenues, expenses and assets for the entities that comprise Trust Services and Capital Markets Group have been eliminated in the following information. (\$ in millions)

	2000	1999	1998
	-----	-----	-----
Revenue:			
Net interest income.....	\$ 21.5	\$ 22.8	\$ 34.6
Other revenues:			
Unaffiliated customers.....	175.0	152.5	157.8



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Affiliated customers.....	14.2	17.8	23.0
	-----	-----	-----
Total revenues.....	210.7	193.1	215.4
Expenses:			
Intersegment charges.....	28.2	26.2	28.3
Other operating expense.....	105.5	101.6	104.9
	-----	-----	-----
Total expenses.....	133.7	127.8	133.2
Provision for loan and lease losses.....	0.5	0.4	1.0
Income tax expense.....	30.3	25.5	31.9
	=====	=====	=====
Operating income.....	\$ 46.2	\$ 39.4	\$ 49.3
	=====	=====	=====
Identifiable assets.....	\$633.1	\$650.3	\$647.9
	=====	=====	=====
Net purchases of premises and equipment.....	\$ 2.8	\$ 2.3	\$ 1.3
	=====	=====	=====
Return on tangible equity.....	20.5%	18.9%	26.2%
	=====	=====	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Total Revenues by type in All Others consist of the following:

	2000	1999	1998
	-----	-----	-----
Trust Services.....	\$120.1	\$103.6	\$ 90.4
Residential Mortgage Banking.....	25.8	33.5	48.6
Capital Markets.....	22.7	16.8	33.4
Brokerage and Insurance.....	22.1	20.2	18.1
Commercial Leasing.....	10.3	10.9	13.7
Commercial Mortgage Banking.....	2.2	1.6	7.3
Others.....	7.5	6.5	3.9
	-----	-----	-----
Total.....	\$210.7	\$193.1	\$215.4
	=====	=====	=====

Segment information reconciled to the Consolidated Financial Statements is as follows (\$ in millions):

	2000	1999	1998
	-----	-----	-----
Revenues:			
Banking.....	\$ 957.2	\$ 940.0	\$ 886.7
Data Services.....	603.7	544.8	479.1
All Others.....	210.7	193.1	215.4
Corporate overhead.....	(20.9)	(4.4)	(4.9)
Acquisition costs.....	1.4	0.8	(10.3)

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Nonrecurring securities losses.....	(50.6)	--	--
Intersegment eliminations.....	(100.1)	(90.5)	(95.4)
	-----	-----	-----
Consolidated revenues.....	\$1,601.4	\$1,583.8	\$1,470.6
	=====	=====	=====
Expenses:			
Banking.....	\$ 469.5	\$ 437.7	\$ 422.4
Data Services.....	508.2	472.9	418.4
All Others.....	133.7	127.8	133.2
Corporate overhead.....	53.2	60.0	49.5
Acquisition costs.....	19.5	22.6	26.7
Merger/restructuring.....	--	--	23.4
Single Charter/IPO/Arm loan sales.....	16.7	--	--
Intersegment eliminations.....	(100.1)	(90.5)	(95.4)
	-----	-----	-----
Consolidated expenses.....	\$1,100.7	\$1,030.5	\$ 978.2
	=====	=====	=====
Provision for loan and lease losses:			
Banking.....	\$ 29.9	\$ 25.0	\$ 26.1
All Others.....	0.5	0.4	1.0
	-----	-----	-----
Consolidated provision for loan and lease losses.	\$ 30.4	\$ 25.4	\$ 27.1
	=====	=====	=====
Income tax expense (benefit):			
Banking.....	\$ 139.3	\$ 152.7	\$ 149.0
Data Services.....	39.6	31.6	25.2
All Others.....	30.3	25.5	31.9
Corporate overhead.....	(30.6)	(32.3)	(25.0)
Acquisition costs.....	(2.6)	(4.1)	(10.0)
Merger/restructuring.....	--	--	(7.1)
Securities losses/Single charter/IPO/Arm loan sales.....	(23.1)	--	--
	-----	-----	-----
Consolidated income tax expense.....	\$ 152.9	\$ 173.4	\$ 164.0
	=====	=====	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Segment information reconciled to the Consolidated Financial Statements (continued) (\$ in millions)

	2000	1999	1998
	-----	-----	-----
Net income (loss) before change in accounting:			
Operating income:			
Banking.....	\$ 318.5	\$ 324.6	\$ 289.2
Data Services.....	55.9	40.3	35.5
All Others.....	46.2	39.4	49.3
Corporate overhead.....	(43.5)	(32.1)	(29.4)
Acquisition costs.....	(15.5)	(17.7)	(27.0)
Merger/restructuring.....	--	--	(16.3)
Securities losses/Single charter/IPO/Arm			

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loan sales.....	(44.2)	--	--
	-----	-----	-----
Consolidated net income before change in accounting.....	\$ 317.4	\$ 354.5	\$ 301.3
	=====	=====	=====
Assets:			
Banking.....	\$24,626.5	\$22,860.4	\$20,239.4
Data Services.....	636.3	475.1	340.4
All Others.....	633.1	650.3	647.9
Corporate overhead.....	241.7	174.6	196.7
Acquisition costs.....	249.7	269.0	290.7
Intersegment eliminations.....	(309.6)	(59.7)	(148.8)
	-----	-----	-----
Consolidated assets.....	\$26,077.7	\$24,369.7	\$21,566.3
	=====	=====	=====
Depreciation and amortization:			
Banking.....	\$ (20.9)	\$ 5.4	\$ 23.6
Data Services.....	86.6	73.8	63.2
All Others.....	(18.7)	(18.3)	(15.7)
Corporate overhead.....	4.2	3.7	3.2
Acquisition costs.....	18.0	21.6	37.1
	-----	-----	-----
Consolidated depreciation and amortization....	\$ 69.2	\$ 86.2	\$ 111.4
	=====	=====	=====
Purchases of premises and equipment, net:			
Banking.....	\$ 28.9	\$ 28.3	\$ 31.8
Data Services.....	45.9	35.2	25.7
All Others.....	2.8	2.3	1.3
Corporate overhead.....	1.2	1.1	2.0
	-----	-----	-----
Consolidated purchases of premises and equipment, net.....	\$ 78.8	\$ 66.9	\$ 60.8
	=====	=====	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

21. Condensed Financial Information--Parent Corporation Only

On July 1, 2000, the Corporation contributed certain assets and liabilities of its Data Services division as well as its investment in two related nonbank subsidiaries into a new subsidiary, Metavante, and contributed the remainder of the division's assets and liabilities (consisting of the payment services or item processing business) to its banking support subsidiary. These are noncash transactions for purposes of the Condensed Statements of Cash Flows. The Condensed Statements of Income reflect the operating activity of the Data Services division through the six months ended June 30, 2000.

Condensed Balance Sheets  
December 31

2000                      1999

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Assets		
Cash and cash equivalents.....	\$ 145,480	\$ 33,850
Data processing services receivables.....	--	132,572
Commercial loans purchased from affiliates.....	--	75,000
Indebtedness of nonbank affiliates.....	249,408	315,965
Investments in affiliates:		
Banks.....	2,062,316	1,848,189
Nonbanks.....	558,278	263,544
Premises and equipment, net.....	7,281	137,246
Other assets.....	115,222	281,899
	-----	-----
Total assets.....	\$3,137,985	\$3,088,265
	=====	=====

Liabilities and Shareholders' Equity		
Commercial paper issued.....	\$ 322,161	\$ 246,514
Other liabilities.....	137,595	259,031
Long-term borrowings:		
7.65% Junior Subordinated Deferrable Interest		
Debentures due to M&I Capital Trust A.....	205,346	205,314
Other.....	230,694	260,480
	-----	-----
Total long-term borrowings.....	436,040	465,794
	-----	-----
Total liabilities.....	895,796	971,339
Shareholders' equity.....	2,242,189	2,116,926
	-----	-----
Total liabilities and shareholders' equity.....	\$3,137,985	\$3,088,265
	=====	=====

Scheduled maturities of long-term borrowings are \$67,950 in 2001, \$48,450 in 2002, \$113,000 in 2003, \$1,000 in 2004, and \$500 in 2005. See Note 13 for a description of the junior subordinated debt due to M&I Capital Trust A.

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Condensed Statements of Income  
Years Ended December 31

	2000	1999	1998
	-----	-----	-----
Income			
Cash dividends:			
Bank affiliates.....	\$117,812	\$172,920	\$186,149
Nonbank affiliates.....	22,961	49,729	67,114
Interest from affiliates.....	30,320	22,530	19,019
Data processing income.....	304,365	568,269	482,567
Service fees and other.....	67,794	70,197	64,406
	-----	-----	-----

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Total income.....	543,252	883,645	819,255
Expense			
Interest.....	57,409	41,143	32,979
Salaries and employee benefits.....	186,075	322,399	274,929
Administrative and general.....	128,653	215,039	217,469
Single Charter.....	2,960	--	--
	-----	-----	-----
Total expense.....	375,097	578,581	525,377
Income before income taxes, cumulative effect of changes in accounting principles and equity in undistributed net income of affiliates.....	168,155	305,064	293,878
Provisions for income taxes.....	10,893	27,904	16,296
	-----	-----	-----
Income before cumulative effect of changes in accounting principles and equity in undistributed net income of affiliates.....	157,262	277,160	277,582
Cumulative effect of changes in accounting principles, net of income taxes.....	(2,279)	--	--
	-----	-----	-----
Income before equity in undistributed net income of affiliates.....	154,983	277,160	277,582
Equity in undistributed net income of affiliates, net of dividends paid:			
Banks.....	113,368	103,114	44,611
Nonbanks.....	46,772	(25,763)	(20,870)
	-----	-----	-----
Net income.....	\$315,123	\$354,511	\$301,323
	=====	=====	=====

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Notes to Consolidated Financial Statements--(Continued)

December 31, 2000, 1999, and 1998 (\$000's except share data)

Condensed Statements of Cash Flows  
Years Ended December 31

	2000	1999	1998
	-----	-----	-----
Cash Flows From Operating Activities			
Net income.....	\$ 315,123	\$ 354,511	\$ 301,323
Noncash items included in income:			
Equity in undistributed net income of affiliates.....	(160,140)	(77,351)	(23,741)
Depreciation and amortization.....	35,526	72,343	68,957
Merger/Restructuring.....	--	--	11,615
Other.....	(26,682)	(32,605)	(57,085)
	-----	-----	-----
Net cash provided by operating activities.....	163,827	316,898	301,069
Cash Flows From Investing Activities			
Increases in indebtedness of affiliates.....	(1,906,477)	(1,356,937)	(1,462,564)
Decreases in indebtedness of affiliates.....	2,125,433	1,294,864	1,409,058

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Increases in investments in affiliates.....	(36,177)	(399)	(5,434)
Net capital expenditures.....	(19,500)	(36,739)	(30,874)
Acquisitions accounted for as purchases, net of cash equivalents acquired and investments in joint ventures.....	--	(84,408)	(5,170)
Purchase of Bank-Owned Life Insurance.....	--	--	(32,625)
Other.....	(5,993)	1,135	14,416
	-----	-----	-----
Net cash provided by (used) in investing activities.....	157,286	(182,484)	(113,193)
Cash Flows From Financing Activities			
Dividends paid.....	(111,379)	(104,490)	(97,241)
Proceeds from issuance of commercial paper.....	3,190,712	1,926,791	779,653
Principal payments on commercial paper.....	(3,115,064)	(1,740,439)	(829,077)
Proceeds from issuance of long-term debt.....	1,000	75,200	--
Payments on long-term debt.....	(23,561)	(35,857)	(13,913)
Purchase of common stock.....	(156,319)	(317,149)	(29,633)
Proceeds from exercise of stock options.....	5,241	18,359	15,086
Other.....	(113)	(19)	(25)
	-----	-----	-----
Net cash used in financing activities...	(209,483)	(177,604)	(175,150)
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents.....	111,630	(43,190)	12,726
Cash and cash equivalents, beginning of year.....	33,850	77,040	64,314
	-----	-----	-----
Cash and cash equivalents, end of year..	\$ 145,480	\$ 33,850	\$ 77,040
	=====	=====	=====

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Quarterly Financial Information (Unaudited)

Following is unaudited financial information for each of the calendar quarters during the years ended December 31, 2000 and 1999. Quarterly financial information for the year ended December 31, 2000, has been restated for the change in accounting as discussed in Note 2 to the Consolidated Financial Statements.

	Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31
	-----	-----	-----	-----
2000				
Total Interest Income.....	\$457,503	\$443,265	\$432,589	\$414,625
Net Interest Income.....	174,765	164,065	165,055	169,121
Provision for Loan and Lease Losses.....	8,979	5,938	9,616	5,819
Income before Income Taxes and Change in Accounting.....	125,104	74,634	133,882	136,730
Income before Change in Accounting.....	84,330	51,610	90,747	90,715

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Change in Accounting, Net of Income Taxes.	--	--	--	(2,279)
Net Income.....	84,330	51,610	90,747	88,436
Net Income Per Share:*				
Basic Before Change in Accounting.....	\$ 0.80	\$ 0.49	\$ 0.86	\$ 0.86
Basic.....	0.80	0.49	0.86	0.84
Diluted Before Change in Accounting.....	0.78	0.47	0.83	0.83
Diluted.....	0.78	0.47	0.83	0.81
1999				
Total Interest Income.....	\$398,819	\$380,477	\$364,702	\$352,586
Net Interest Income.....	176,919	177,803	177,742	172,817
Provision for Loan and Lease Losses.....	10,938	4,797	4,811	4,873
Income before Income Taxes.....	130,038	135,379	133,513	129,009
Net Income.....	90,626	90,836	87,518	85,531
Net Income Per Share:*				
Basic.....	\$ 0.84	\$ 0.86	\$ 0.82	\$ 0.79
Diluted.....	0.81	0.81	0.77	0.75

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
Common Dividends Declared					
First Quarter.....	\$0.240	\$0.220	\$0.200	\$0.185	\$0.165
Second Quarter.....	0.265	0.240	0.220	0.200	0.185
Third Quarter.....	0.265	0.240	0.220	0.200	0.185
Fourth Quarter.....	0.265	0.240	0.220	0.200	0.185
	-----	-----	-----	-----	-----
	\$1.035	\$0.940	\$0.860	\$0.785	\$0.720
	=====	=====	=====	=====	=====

\* May not add due to rounding

Price Range of Stock  
(Low and High Close)

	2000	1999	1998	1997	1996
	-----	-----	-----	-----	-----
First Quarter					
Low.....	\$43.88	\$55.38	\$53.25	\$32.75	\$24.63
High.....	60.44	59.25	59.50	40.25	26.25
Second Quarter					
Low.....	41.52	54.75	50.44	35.06	24.88
High.....	55.31	71.94	61.63	42.50	28.13
Third Quarter					
Low.....	43.56	55.88	44.00	40.88	25.50
High.....	51.63	69.75	59.00	52.63	30.13
Fourth Quarter					
Low.....	38.63	57.81	40.50	50.06	30.00
High.....	51.49	69.31	58.44	62.13	35.38

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To the Shareholders and the Board of Directors of Marshall & Ilsley Corporation:

We have audited the accompanying consolidated balance sheets of Marshall & Ilsley Corporation (a Wisconsin corporation) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2000, 1999 and 1998. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marshall & Ilsley Corporation and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for the years ended December 31, 2000, 1999 and 1998, in conformity with auditing principles generally accepted in the United States.

As discussed in Note 2 to the Consolidated Financial Statements, effective January 1, 2000, the Corporation changed its method of accounting for certain conversion services.

/s/ Arthur Andersen LLP

Milwaukee, Wisconsin,  
January 12, 2001

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### ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

### PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 24, 2001, except for information as to executive officers which is set forth in Part I of this report.

### ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 24, 2001.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT



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Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 24, 2001.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 24, 2001.

### PART IV

### ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

#### (a) 1. Financial Statements

##### Consolidated Financial Statements:

Balance Sheets--December 31, 2000 and 1999  
Statements of Income--years ended December 31, 2000, 1999 and 1998  
Statements of Cash Flows--years ended December 31, 2000, 1999 and 1998  
Statements of Shareholders' Equity--years ended December 31, 2000, 1999 and 1998  
Notes to Consolidated Financial Statements  
Quarterly Financial Information (Unaudited)  
Report of Independent Public Accountants

#### 2. Financial Statement Schedules

All schedules are omitted because they are not required, not applicable or the required information is contained elsewhere.

#### 3. Exhibits

See Index to Exhibits of this Form 10-K which is incorporated herein by reference.

#### (b) Reports on Form 8-K

On November 6, 2000, the Company reported Items 5 and 7 in a Current Report on Form 8-K in connection with the withdrawal of the initial public offering for its Metavante Corporation subsidiary. An Exhibit in the Form 8-K consists of a Press Release dated November 1, 2000. No financial statements were required to be filed.

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### SIGNATURES

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

MARSHALL & ILSLEY CORPORATION

/s/ J.B. Wigdale

By: \_\_\_\_\_

J.B. Wigdale  
Chairman of the Board

Date: March 5, 2001

Pursuant to the requirements of the Securities Exchange Act of 1934, this

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report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated:

/s/ J.B. Wigdale

\_\_\_\_\_  
J.B. Wigdale  
Chairman of the Board and a Director  
(Chief Executive Officer)

Date: March 5, 2001

/s/ D.J. Kuester

\_\_\_\_\_  
D.J. Kuester  
President and a Director  
(Acting Chief Financial Officer)

Date: March 5, 2001

/s/ P.R. Justiliano

\_\_\_\_\_  
P.R. Justiliano  
Senior Vice President and Corporate Controller  
(Principal Accounting Officer)

Date: March 5, 2001

Directors: Oscar C. Boldt, Wendell F. Bueche, Timothy E. Hoeksema, Burleigh E. Jacobs, Ted D. Kellner, D.J. Kuester, Katharine C. Lyall, Don R. O'Hare, San W. Orr, Jr., Peter M. Platten, III, Robert A. Schaefer, Stuart W. Tisdale, George E. Wardeberg and J.B. Wigdale.

/s/ M.A. Hatfield

Date: March 5, 2001

By: \_\_\_\_\_

M.A. Hatfield  
As Attorney-In-Fact\*

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\*Pursuant to authority granted by powers of attorney, copies of which are filed herewith.

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MARSHALL & ILSLEY CORPORATION

INDEX TO EXHIBITS  
(Item 14(a)3)

ITEM  
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- (3) (a) Restated Articles of Incorporation, as amended, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, SEC File No. 1-15403
- (b) By-laws, as amended, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, SEC File No. 1-15403
- (4) (a) Indenture between M&I and Chemical Bank (as successor to Manufacturers Hanover Trust Company) dated as of November 15, 1985 ("Senior Indenture"), incorporated by reference to M&I's Registration Statement on Form S-3 (Registration No. 33-21377), as

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supplemented by the First Supplemental Indenture to the Senior Indenture dated as of May 31, 1990, incorporated by reference to M&I's Current Report on Form 8-K dated May 31, 1990, and as supplemented by the Second Supplemental Indenture to the Senior Indenture dated as of July 15, 1993, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, SEC File No. 1-15403

- (b) Form of Medium Term Notes, Series C, Series D and Series E issued pursuant to the Senior Indenture, included in Exhibit 4(a)
- (c) Indenture between M&I and Chemical Bank dated as of July 15, 1993 ("Subordinated Indenture"), incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, SEC File No. 1-15403
- (d) Form of Subordinated Note issued pursuant to the Subordinated Indenture, included in Exhibit 4(c)
- (e) Designation of Rights and Preferences of holders of Series A Preferred Stock, incorporated by reference to M&I's Current Report on Form 8-K dated May 20, 1985, SEC File No. 1-15403
- (f) Amended and Restated Declaration of Trust dated as of December 9, 1996 among Marshall & Ilsley Corporation, as Sponsor, The Chase Manhattan Bank, as Institutional Trustee, Chase Manhattan Bank Delaware, as Delaware Trustee, the Regular Trustees identified thereon, and the holders from time to time of undivided interests in the assets of the Trust, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809
- (g) Indenture, dated as of December 9, 1996, between Marshall & Ilsley Corporation and The Chase Manhattan Bank, as Indenture Trustee, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809
- (h) First Supplemental Indenture, dated as of December 9, 1996, between Marshall & Ilsley Corporation and The Chase Manhattan Bank, as Indenture Trustee, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809
- (i) Form of Capital Security Certificate for M&I Capital Trust A, included as Exhibit A-2 to Exhibit 4(h)
- (j) Capital Securities Guarantee Agreement, dated as of December 9, 1996, between Marshall & Ilsley Corporation and The Chase Manhattan Bank, as Guarantee Trustee, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809
- (k) Registration Rights Agreement dated December 2, 1996, by and among Marshall & Ilsley Corporation, M&I Capital Trust A and Salomon Brothers Inc, as Representative of the Initial Purchasers, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809
- (l) Form of Subordinated Debt Security, included as part of Exhibit 4(j)

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- (m) Issuing and Paying Agency Agreement, dated as of September 17, 1999, between M&I Marshall & Ilsley Bank, M&I Bank of Southern Wisconsin, M&I Bank Northeast, M&I Bank Fox Valley, M&I Thunderbird Bank, M&I Bank South, M&I Mid-State Bank and M&I Community State Bank and The Chase Manhattan Bank
- (10) (a) 1983 Executive Stock Option and Restricted Stock Plan, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, SEC File No. 1-15403\*
- (b) 1985 Executive Stock Option and Restricted Stock Plan, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, SEC File No. 1-15403\*
- (c) M&I Marshall & Ilsley Bank Supplementary Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1983, SEC File No. 1-15403\*
- (d) Deferred Compensation Trust between Marshall & Ilsley Corporation and Bessemer Trust Company dated April 28, 1987, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, SEC File No. 1-15403\*
- (e) 1989 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, as amended by M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, SEC File No. 1-15403\*
- (f) Marshall & Ilsley Corporation Supplemental Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, SEC File No. 1-15403\*
- (g) Marshall & Ilsley Trust Company Supplemental Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, SEC File No. 1-15403\*
- (h) Marshall & Ilsley Corporation 1993 Executive Stock Option Plan, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, SEC File No. 1-15403\*
- (i) Marshall & Ilsley Corporation 1995 Directors Stock Option Plan, incorporated by reference to M&I's Proxy Statement for the 1995 Annual Meeting of Shareholders, SEC File No. 1-15403\*
- (j) Marshall & Ilsley Corporation Assumption Agreement dated May 31, 1994 assuming rights, obligations and interests of Valley Bancorporation under various stock option plans, incorporated by reference to M&I's Registration Statement on Form S-8 (Reg. No. 33-53897)\*
- (k) Valley Bancorporation 1992 Outside Directors' Stock Option Plan, incorporated by reference to the Valley 1992 Proxy Statement\*
- (l) Employment agreement between M&I and Mr. Peter M. Platten, III, incorporated by reference to M&I's Registration Statement on Form S-4 (Reg. No. 33-51753)\*

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- (m) Letter agreement dated January 25, 1994 between Valley Bancorporation and Mr. Peter M. Platten, III incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, SEC File No. 1-15403\*
- (n) Marshall & Ilsley Corporation 1997 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Proxy Statement for the 1997 Annual Meeting of Shareholders\*
- (o) Marshall & Ilsley Corporation Executive Deferred Compensation Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-15403\*
- (p) Deferred Compensation Trust II between Marshall & Ilsley Corporation and Marshall & Ilsley Trust Company, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-15403\*
- (q) Marshall & Ilsley Corporation Annual Executive Incentive Compensation Plan, incorporated by reference to M&I's Proxy Statement for the 1997 Annual Meeting of Shareholders\*
- (r) Marshall & Ilsley Corporation Amended and Restated Supplementary Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-15403\*
- (s) Security Capital Corporation 1993 Incentive Stock Option Plan, incorporated by reference to M&I's Registration Statement on Form S-8 (Reg. No. 333-36909)\*
- (t) Security Bank S.S.B. Deferred Compensation Plans for Key Executive Officers and Directors, incorporated by reference to Security Capital Corporation's Registration Statement on Form S-1 (Reg. No. 33-68982)\*
- (u) Security Bank S.S.B. Supplemental Pension Plan, incorporated by reference to Security Capital Corporation's Registration Statement on Form S-1 (Reg. No. 33-68982)\*
- (v) Directors Deferred Compensation Plan, incorporated by reference to M&I's Proxy Statement for the 1998 Annual Meeting of Shareholders\*
- (w) Marshall & Ilsley Corporation 1994 Long-Term Incentive Plan for Executives, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, SEC File No. 1-15403\*
- (x) Marshall & Ilsley Corporation Amended and Restated Executive Deferred Compensation Plan, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403\*
- (y) Marshall & Ilsley Corporation Amended and Restated 1997 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403\*
- (z) Marshall & Ilsley Corporation Amended and Restated 1994 Long-Term Incentive Plan for Executives, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended

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September 30, 1999, SEC File No. 1-15403\*

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- (aa) Marshall & Ilsley Corporation Amended and Restated Annual Executive Compensation Plan, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403\*
  - (bb) Marshall & Ilsley Corporation 2000 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Proxy Statement for the 2000 Annual Meeting of Shareholders\*
  - (cc) Early Retirement and Consulting Agreements dated as of September 18, 2000 between Marshall & Ilsley Corporation and G.H. Gunnlaugsson, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, SEC File No. 1-15403\*
  - (dd) Form of Change of Control Agreements between M&I and Messrs. Wigdale, Kuester, Bolger and Delgadillo\*
  - (ee) Change of Control Agreement, dated August 12, 1999, between M&I and Mr. Hatfield\*
  - (ff) Form of Change of Control Agreements between M&I and Ms. Justiliano and Messrs. O'Neill, Renard, Roberts, Root, Sherman, Williams and Wilson\*
  - (gg) Amended and Restated Marshall & Ilsley Corporation Nonqualified Retirement Benefit Plan\*
- (11) Computation of Net Income Per Common Share, incorporated by reference to Note 3 of Notes to Consolidated Financial Statements included in Item 8, Consolidated Financial Statements.
  - (12) Computation of Ratio of Earnings to Fixed Charges
  - (21) Subsidiaries
  - (23) Consent of Arthur Andersen LLP
  - (24) Powers of Attorney

M&I will provide a copy of any instrument defining the rights of holders of long-term debt to the Commission upon request.

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\* Management contract or compensatory plan or arrangement.

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