MARSHALL & ILSLEY CORP
Form 10-K
March 01, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2009

OR

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

Commission File No. 1-33488

MARSHALL & ILSLEY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin	**20-8995389**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
770 North Water Street Milwaukee, Wisconsin	**53202**
(Address of principal executive offices)	**(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 if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ 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 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. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

(Check one): Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨ Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 30, 2009 was approximately $1,745,009,000. As of January 31, 2010, the number of shares of Common Stock outstanding was 526,675,708, and the number of shares of Senior Preferred Stock, Series B outstanding was 1,715,000.

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 27, 2010.

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MARSHALL & ILSLEY CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

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PART I

ITEM 1. BUSINESS

General

Marshall & Ilsley Corporation (M&I or the Corporation), a Wisconsin corporation, is a registered bank holding company under the Bank Holding Company Act of 1956 (the BHCA) and is certified as a financial holding company under the Gramm-Leach-Bliley Act. As of December 31, 2009, M&I had consolidated total assets of approximately $57.2 billion and consolidated total deposits of approximately $41.6 billion, making M&I the 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, which, as of February 15, 2010, consisted of five bank and trust subsidiaries and a number of companies engaged in businesses that the Board of Governors of the Federal Reserve System (the Federal Reserve Board) 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, auditing, compliance, asset and liability management, investment administration and portfolio planning, business development, advertising and human resources management.

M&I provides diversified financial services to a wide variety of corporate, institutional, government and individual customers. 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. The Corporation s principal activities consist of banking and wealth management services.

M&I provides banking services, which include lending to and accepting deposits from commercial and community banking customers, through its lead bank, M&I Marshall & Ilsley Bank (M&I Bank); Southwest Bank, an M&I Bank (Southwest Bank), which is headquartered in St. Louis, Missouri; and M&I Bank FSB, a federal savings bank subsidiary of M&I located in Las Vegas, Nevada. M&I provides these services through branch offices of M&I s subsidiary banks located throughout Wisconsin and Arizona, in western and central Florida, central Indiana, the metropolitan areas of Minneapolis, Minnesota, Kansas City, Missouri and St. Louis, Missouri, and Duluth, Minnesota, Belleville, Illinois, and Las Vegas, Nevada, and through the Internet.

Wealth Management includes Marshall & Ilsley Trust Company National Association (M&I Trust Company), M&I Financial Advisors, Inc. (M&I Financial Advisors), the private banking divisions of M&I s bank subsidiaries and other subsidiaries related to the wealth management business. Wealth Management services include trust services, brokerage and insurance services, and investment management and advisory services, which are provided to residents of Wisconsin, Arizona, Minnesota, Missouri, Kansas, Florida, Nevada and Indiana.

Other financial services provided by M&I include personal property lease financing, wholesale lending, investment services to institutional clients and venture capital.

Based on the way M&I organizes its business, M&I has four reportable segments: Commercial Banking, Community Banking, Wealth Management and Treasury. Each of these segments is described in detail below. More information on M&I s business segments is contained in Note 24 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Commercial Banking

The Commercial Banking segment provides products and services to middle market businesses, large corporate businesses and public sector entities primarily within M&I s footprint states. These products and services include: secured and unsecured loans and lines of credit, letters of credit, asset-based lending, equipment financing, mezzanine financing, global trade services, treasury management, demand deposit accounts, interest bearing accounts and time deposits. Commercial Banking also supports the commercial real estate market with products and services including secured and unsecured lines of credit, letters of credit, construction loans for commercial and residential development and land acquisition and development loans.

Community Banking

M&I s Community Banking segment provides consumer and business banking products and services to customers primarily within the states in which M&I offers banking services. Community Banking services are provided through branches located throughout Wisconsin and Arizona, in western and central Florida, central Indiana, the metropolitan areas of Minneapolis, Minnesota, Kansas City, Missouri and St. Louis, Missouri, and Duluth, Minnesota, Belleville, Illinois, and Las Vegas, Nevada, and through the Internet. Consumer products include loan and deposit products such as mortgages, home equity loans and lines, credit cards, student loans, personal lines of credit and term loans, demand deposit accounts, interest bearing transaction accounts and time deposits. Business banking products include secured and unsecured lines and term loans for working capital, inventory and general corporate use, commercial real estate construction loans, agricultural loans, demand deposit accounts, interest bearing transaction accounts and time deposits.

Wealth Management

The Wealth Management segment, which includes M&I s trust, brokerage and private banking business, provides integrated asset management, trust and banking services through three business lines: Investment Management, Personal Services and Institutional Services. Investment Management is a multi-dimensional asset management service with a broad range of strategies, styles and product delivery options such as separately managed equity and fixed income strategies, managed asset allocation strategies, alternative investments and The Marshall Funds, M&I s family of mutual funds. Personal Services includes Cedar Street Advisors, Personal Wealth Management and M&I Financial Advisors. Cedar Street Advisors manages the complex financial affairs of ultra-high net worth individuals and their families. Personal Wealth Management services assemble and implement an all-inclusive financial roadmap for high net worth individuals and families, providing for their private banking (credit and deposits), investment, estate and tax planning needs. M&I Financial Advisors uses a formulized financial planning process based on an individual s resources, goals, and risk tolerance to develop a personalized financial plan, and then offers a full array of brokerage and insurance solutions to meet that plan. The Institutional Services business includes Retirement Plan Services, Taft-Hartley Services, Not-for-Profit Services, North Star Deferred Exchange and Trust Operations Outsourcing.

Treasury

Treasury provides management of interest rate risk, capital, liquidity, funding and investments to the Corporation and to all of its subsidiary banks.

Others

The Other segment includes a Capital Markets Division and a National Consumer Banking Division. The Capital Markets Division provides a variety of products and services designed to address its customers risk management and investment needs. These services include derivative solutions and investment services, currency conversion and foreign exchange services and risk management. These services are provided primarily to corporate, business banking and financial institution clients. The National Consumer Banking Division provides mortgage and home equity consumer lending, indirect automobile financing, and affinity banking services.

Explanatory Note Separation of Marshall & Ilsley Corporation and Metavante Corporation

Prior to November 1, 2007, Marshall & Ilsley Corporation consisted of two reportable business segments: Banking and Data Services (or Metavante). On November 1, 2007, Marshall & Ilsley Corporation separated the Banking and Data Services businesses into two separate publicly-traded companies: new Marshall & Ilsley Corporation and Metavante Technologies, Inc. (formerly known as Metavante Corporation and referred to in this report as Metavante). This event and the related transactions are referred to in this report as the Separation. In October 2009, Metavante merged with and into Fidelity National Information Services, Inc. The company known as Marshall & Ilsley Corporation prior to November 1, 2007 became a wholly-owned subsidiary of new Marshall & Ilsley Corporation (the parent company of the Banking business) and was converted into a Wisconsin limited liability company named M&I LLC. M&I LLC was merged into Marshall & Ilsley Corporation as of December 31, 2009.

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Where applicable, the company formerly known as Marshall & Ilsley Corporation is referred to in this report as Old M&I. Also on November 1, 2007, the company that is now the parent company of the Banking business changed its name to Marshall & Ilsley Corporation. Where it is necessary to distinguish this new entity from Marshall & Ilsley Corporation as a whole, the company that is now the parent company of the Banking business is referred to in this report as New M&I. In all other instances, unless otherwise noted, the terms M&I or the Corporation refer to Marshall & Ilsley Corporation, the ultimate parent of the Banking business, since November 1, 2007, and to Old M&I prior to November 1, 2007.

Additional information regarding the Separation may be found in Note 4 of the Notes to Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Risk Management

Managing risk is an essential component of successfully operating a financial services company. M&I has an enterprise-wide approach to risk governance, measurement, management and reporting risks inherent in its businesses. Risk management practices include key elements such as independent checks and balances, formal authority limits, policies and procedures and portfolio management. M&I s internal audit department also evaluates risk management activities. These evaluations include performing internal audits and reporting the results to management and the Audit and Risk Management Committees, as appropriate.

M&I has established a number of management committees responsible for assessing and evaluating risks associated with the Corporation s businesses including the Credit Policy Committee, Asset Liability Committee and the Enterprise Risk Committee. M&I has in place a Risk Management Committee of the Board of Directors for oversight and governance of its risk management function. The Risk Management Committee consists of four non-management directors and has the responsibility of overseeing management s actions with respect to credit, market, liquidity, fiduciary, operational, compliance, legal and reputational risks as well as M&I s overall risk profile. M&I s Chief Risk Officer is responsible for reporting to the Risk Management Committee of the Board of Directors.

Operational Risk Management

Operational risk is the risk of loss from human errors, failed or inadequate processes or systems and external events. This risk is inherent in all businesses. Resulting losses could take the form of explicit charges, increased operational costs, harm to M&I s reputation or lost opportunities.

M&I seeks to mitigate operational risk through a system of internal controls to manage this risk at appropriate levels. Primary responsibility for managing internal controls lies with the managers of M&I s various business lines. M&I monitors and assesses the overall effectiveness of its system of internal controls on an ongoing basis. The Enterprise Risk Committee oversees M&I s monitoring, management and measurement of operational risk. In addition, M&I has established several other executive management committees to monitor, measure and report on specific operational risks to the Corporation, including business continuity planning, customer information security and compliance. These committees report to the Risk Management Committee of the Board of Directors on a regular basis.

Corporate Governance Matters

M&I has adopted a Code of Business Conduct and Ethics that applies to all of M&I s employees, officers and directors, including M&I s Chief Executive Officer, Chief Financial Officer and Controller. The Code of Business Conduct and Ethics is incorporated as an exhibit to this report and is also available on M&I s website at www.micorp.com. M&I intends to disclose any amendment to or waiver of the Code of Business Conduct and Ethics that applies to M&I s Chief Executive Officer, Chief Financial Officer or Controller on its website within five business days following the date of the amendment or waiver.

M&I makes available free of charge through its website its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and its insiders Section 16 reports, and all amendments to these reports, as soon as reasonably practicable after these materials are filed with or furnished to the Securities and Exchange Commission. In addition, certain documents relating to corporate governance matters are available on M&I s website described above. These documents include, among others, the following:

- Charter for the Audit Committee of the Board of Directors;
- Charter for the Compensation and Human Resources Committee of the Board of Directors;
- Charter for the Nominating and Corporate Governance Committee of the Board of Directors;
- Categorical Standards for Lending, Banking and Other Business Relationships Involving M&I s Directors;
- Corporate Governance Guidelines; and
- Code of Business Conduct and Ethics.

Shareholders also may obtain a copy of any of these documents free of charge by calling the M&I Shareholder Information Line at 1 (800) 642-2657. Information contained on any of M&I s websites is not deemed to be a part of this Annual Report.

Acquisition Completed in 2009

On May 29, 2009, M&I acquired the investment team and managed accounts of Delta Asset Management (Delta), an institutional large-cap core equity money manager based in Los Angeles, California. Delta, which was an operating division of Berkeley Capital Management LLC, had approximately $1.2 billion in assets under management as of April 30, 2009.

More information on M&I s acquisitions can be found in Note 7 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

M&I continues to evaluate opportunities to acquire banking institutions and other financial service providers and frequently conducts due diligence activities in connection with possible transactions. As a result, M&I may engage in discussions, and in some cases, negotiations with prospective targets and may make future acquisitions for cash, equity or debt securities. The issuance of additional shares of M&I common stock would dilute a shareholder s ownership interest in M&I. In addition, M&I s acquisitions may involve the payment of a premium over book value, and therefore, some dilution of book value may occur with any future acquisition. Generally, it is M&I s policy not to comment on such discussions or possible acquisitions until a definitive agreement has been signed. M&I s strategy for growth includes strengthening its presence in core markets, expanding into attractive markets and broadening its product offerings.

Principal Sources of Revenue

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

	Interest and Fees on Loans and Leases		Interest on Investment Securities		Wealth Management Revenues		
Years Ended December 31,	Amount	Percent of Total Revenues	Amount	Percent of Total Revenues	Amount	Percent of Total Revenues	Total Revenues
2009	$ 2,208,427	65.3%	$ 251,882	7.4%	$ 265,146	7.8%	$ 3,383,495
2008	2,926,334	72.7	339,804	8.4	282,182	7.0	4,025,809
2007	3,243,109	73.7	371,074	8.4	262,835	6.0	4,398,231

M&I business segment information is contained in Note 24 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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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 areas, many of which offer products functionally equivalent to bank products. M&I s nonbank operations compete with numerous banks, finance companies, leasing companies, mortgage bankers, brokerage firms, financial advisors, trust companies, mutual funds and investment bankers in Wisconsin and throughout the United States.

Employees

As of December 31, 2009, M&I and its subsidiaries employed, in the aggregate, 9,410 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 Federal Reserve Board under the BHCA. As of February 15, 2010, M&I owned a total of five bank and trust subsidiaries, including two Wisconsin state banks, a Missouri state bank, a federal savings bank, and a national banking association. M&I s two Wisconsin state bank subsidiaries are subject to regulation and examination by the Wisconsin Department of Financial Institutions, as well as by the Federal Reserve Board. M&I s Missouri state bank subsidiary is subject to regulation and examination by the Missouri Department of Economic Development, Division of Finance, and the Federal Reserve Board. M&I s federal savings bank subsidiary is subject to regulation and examination by the Office of Thrift Supervision. M&I s national bank, through which trust operations are conducted, is subject to regulation and examination by the Office of the Comptroller of the Currency. In addition, four of M&I s five bank subsidiaries are subject to examination by the Federal Deposit Insurance Corporation (FDIC).

Under Federal Reserve Board 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 officers, directors and affiliates, loan limits, consumer protection laws, privacy of financial information, predatory lending, 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, 2009 can be found in Note 18 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 have not opted out of interstate branching. M&I Bank currently maintains interstate branches in Arizona, Florida, Indiana, Kansas, Minnesota and Missouri and Southwest Bank maintains an interstate branch in Illinois.

The laws and regulations to which M&I is subject are constantly under review by Congress, regulatory agencies and state legislatures. In 1999, Congress enacted the Gramm-Leach-Bliley Act (the Act). Among other things, the Act repealed certain restrictions on affiliations between banks and securities firms. The Act also amended the BHCA to

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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 Federal Reserve Board, 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.

Under the Act, a bank holding company may become certified as a financial holding company by filing a notice with the Federal Reserve Board, together with a certification that the bank holding company meets certain criteria, including capital, management, and Community Reinvestment Act requirements. M&I has registered as a financial holding company.

The Federal Reserve Board has authority to prohibit bank holding companies from paying dividends if it deems such payment to be an unsafe or unsound practice. The Federal Reserve Board has indicated generally that it may be an unsafe or unsound practice for a bank holding company to pay dividends unless the company s net income is sufficient to fund the dividends and the company s expected rate of earnings retention is consistent with its capital needs, asset quality and overall financial condition. M&I depends, in part, upon dividends received from its subsidiary banks to fund its activities, including the payment of dividends. These subsidiary banks are subject to regulatory limitations on the amount of dividends they may pay.

In October 2008, Congress enacted the Emergency Economic Stabilization Act of 2008 (the EESA). Among other things, the EESA enabled the federal government to insure troubled assets, including mortgage-backed securities, and collect premiums from participating financial institutions. Under the EESA, the United States Department of the Treasury (the UST) authorized a voluntary capital purchase program (CPP) to purchase up to $250 billion of senior preferred shares of qualifying financial institutions that elected to participate.

On November 14, 2008, as part of the Corporation s participation in the CPP, the Corporation entered into a Letter Agreement with the UST. Pursuant to the Securities Purchase Agreement Standard Terms (the Securities Purchase Agreement) attached to the Letter Agreement, the Corporation sold 1,715,000 shares of the Corporation s Senior Preferred Stock, Series B (the Senior Preferred Stock), having a liquidation preference of $1,000 per share, for a total purchase price of $1,715 million. The Senior Preferred Stock qualifies as Tier 1 capital and pays cumulative compounding dividends at a rate of 5% per year for the first five years and 9% per year thereafter.

As long as any Senior Preferred Stock is outstanding, the Corporation is permitted to pay quarterly common stock cash dividends of up to $0.32 per share, and may redeem or repurchase its common stock, provided that all accrued and unpaid dividends for all past dividend periods on the Senior Preferred Stock are fully paid. Prior to the third anniversary of the UST s purchase of the Senior Preferred Stock, unless Senior Preferred Stock has been redeemed or the UST has transferred all of the Senior Preferred Stock to third parties, the consent of the UST will be required for the Corporation to increase its common stock dividend to more than $0.32 per share per quarter or repurchase its common stock or other equity or capital securities, other than in connection with benefit plans consistent with past practice and certain other circumstances specified in the Securities Purchase Agreement. In 2009, the Corporation reduced its quarterly common stock cash dividend to $0.01 per share. The Senior Preferred Stock is non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Senior Preferred Stock.

As a condition to participating in the CPP, the Corporation issued and sold to the UST a warrant (the Warrant) to purchase 13,815,789 shares (the Warrant Shares) of the Corporation s common stock, at an initial per share exercise price of $18.62, for an aggregate purchase price of approximately $257.25 million. The term of the Warrant is ten years. The Warrant is not subject to any contractual restrictions on transfer, provided that the UST may only transfer a portion or portions of the Warrant with respect to, or exercise the Warrant for, more than one-half of the initial Warrant Shares prior to the earlier of (a) the date on which the Corporation has received aggregate gross proceeds of at least $1,715 million from one or more Qualified Equity Offerings, and (b) December 31, 2009.

In February 2009, Congress enacted the American Recovery and Reinvestment Act (the ARRA). The ARRA amended the EESA to significantly expand the scope of executive compensation standards. The Interim Final Rule relating to TARP Standards for Compensation and Corporate Governance (the Interim Final Rule), adopted by the

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UST in June 2009, further clarified the requirements for compliance with the EESA and the ARRA. Under the EESA, the ARRA and the Interim Final Rule, an institution participating in the CPP, such as the Corporation, will be subject to significant restrictions on the types and amounts of compensation that may be paid to senior executive officers and certain other employees, and to a number of other corporate governance, disclosure and certification requirements throughout the period in which any obligation arising from financial assistance provided under the CPP remains outstanding.

In addition to federal and state banking laws and regulations, M&I and certain of its subsidiaries and affiliates, including those that engage in securities brokerage, dealing and investment advisory activities, are subject to other federal and state laws and regulations, and to supervision and examination by other regulatory authorities, including the SEC, the Financial Institution Regulatory Authority (FINRA), the New York Stock Exchange and others.

In 2001, Congress enacted the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA PATRIOT Act). The USA PATRIOT Act was designed to deny terrorists and criminals the ability to obtain access to the United States financial system, and has significant implications for depository institutions, brokers, dealers and other businesses involved in the transfer of money. The USA PATRIOT Act mandates financial services companies to implement additional policies and procedures with respect to, or additional measures designed to address, any or all of the following matters, among others: money laundering, terrorist financing, identifying and reporting suspicious activities and currency transactions, and currency crimes.

M&I s banking subsidiaries are also subject to a variety of other regulations with respect to the operation of their businesses, including, but not limited to, the Truth in Lending Act, the Truth in Savings Act, the Equal Credit Opportunity Act, the Electronic Funds Transfer Act, the Fair Housing Act, the Home Mortgage Disclosure Act, the Fair Debt Collections Practices Act and the Fair Credit Reporting Act. Changes in these or similar regulations could affect the operations of the banking subsidiaries.

The earnings and business of M&I and its banking 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 Federal Reserve Board 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 Condition 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 Condition and Results of Operations.

(3) The amortized cost of the consolidated investment securities for each of the last three years is included in Item 6, Selected Financial Data.

(4) The maturities of consolidated investment securities, at amortized cost, and the weighted average yields for each range of maturities as of the end of the latest reporting period are included in Item 6, Selected Financial Data.

(5) The end of period loans and leases by type for each of the last five years is included in Item 6, Selected Financial Data.

(6) The maturities of selected categories of the loan portfolio, including those loans due after one year which have predetermined interest rates or have floating or adjustable rates are included in Item 6, Selected Financial Data.

(7) 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 Condition and Results of Operations.

(8) Potential Problem Loans and Leases for the last two years can be found in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

(9) Summary of Loan and Lease Loss Experience for each of the last five years (including the allocation of the allowance for loans and leases) is included in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

(10) Average Deposits for selected categories and the average rate paid for each category for each of the last three years is included in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

(11) 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.

(12) Amounts outstanding and weighted average interest rate for certain categories of short-term borrowings are included in Note 16 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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ITEM 1A. RISK FACTORS

The Corporation is subject to a number of risks that may adversely affect its financial condition and results of operations. Many of these risks are outside of the Corporation s direct control. In addition to the other information included or incorporated by reference into this report, readers should carefully consider the following important factors which, among others, could materially impact the Corporation s business, financial condition and results of operations.

The Corporation s earnings are significantly affected by general business and economic conditions, including credit risk and interest rate risk.

The Corporation s business and earnings are sensitive to general business and economic conditions in the United States and, in particular, the states where it has significant operations, including Wisconsin, Arizona, Indiana, Minnesota, Missouri, Kansas and Florida. M&I Bank FSB, a subsidiary of the Corporation, is headquartered in Nevada, but its activities are primarily outside of Nevada and it has no significant exposure to economic conditions in that state. The general business and economic conditions described above include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, the strength of the U.S. and local economies, real estate values, consumer spending, borrowing and saving habits, all of which are beyond the Corporation s control. For example, an economic downturn, increase in unemployment or higher interest rates could decrease the demand for loans and other products and services and/or result in a deterioration in credit quality and/or loan performance and collectability. Nonpayment of loans could have an adverse effect on the Corporation s financial condition and results of operations and cash flows. Higher interest rates also could increase the Corporation s cost to borrow funds and increase the rate the Corporation pays on deposits.

The Corporation s real estate loans expose the Corporation to increased credit risks.

A substantial portion of the Corporation s loan and lease portfolio consists of real estate-related loans, including construction and development, commercial and residential mortgage loans, as well as home equity loans and lines of credit. As a result, the deterioration in the U.S. real estate markets, along with the deterioration in the U.S. economy as a whole, has led to an increase in nonperforming loans and charge-offs, and the Corporation has had to increase its allowance for loan and lease losses. In addition, lower property values have resulted in lower values for collateral securing some of these loans. Further deterioration in the commercial or residential real estate markets and in the U.S. economy would increase the Corporation s exposure to real estate-related credit risk and cause the Corporation to further increase its allowance for loan and lease losses, all of which would have a material adverse effect on the Corporation s financial condition and results of operations.

Various factors may cause the Corporation s allowance for loan and lease losses to increase.

The Corporation s allowance for loan and lease losses represents management s estimate of probable losses inherent in the Corporation s loan and lease portfolio. Management evaluates the allowance each quarter to determine that it is adequate to absorb these inherent losses. This evaluation is supported by a methodology that identifies estimated losses based on assessments of individual problem loans and historical loss patterns of homogeneous loan pools. In addition, environmental factors unique to each measurement date are also considered, including economic conditions in certain geographic or industry segments of the loan portfolio, economic trends, risk profile and portfolio composition. The determination of the appropriate level of the allowance for loan and lease losses is highly subjective and requires management to make significant estimates of current credit risks and future trends, all of which may undergo material changes. If actual losses exceed the estimate, the excess losses could adversely affect the Corporation s net income and capital. Such excess losses may require an increase in the allowance for loan and lease losses. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, many of which are outside of the Corporation s control, may also require an increase in the allowance for loan and lease losses. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the adequacy of the Corporation s allowance for loan and lease losses. These agencies may require the Corporation to establish additional allowances for loan and lease losses based on their judgment of the information available at the time of their examinations. Any increase in the allowance for loan and lease losses will result in a decrease in net income and capital, and would have a material adverse effect on the Corporation s financial condition and results of operations. The Corporation cannot provide any assurance that it will not sustain losses in excess of its allowance for loan and lease losses or that the Corporation will not be required to increase such allowance.

Federal and state agency regulation and enforcement actions could limit the Corporation s activities, increase the Corporation s cost structures or have other negative effects on the Corporation.

The Corporation, its subsidiary banks and many of its non-bank subsidiaries are heavily regulated at the federal and state levels. This regulation is designed primarily to protect consumers, depositors and the banking system as a whole, not shareholders. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in their interpretation or implementation, could affect the Corporation in substantial and unpredictable ways, including limiting the types of financial services and products the Corporation may offer, increasing the ability of non-banks to offer competing financial services and products and/or increasing the Corporation s cost structures.

Federal and state regulators also have the ability to impose substantial restrictions and requirements on the Corporation s bank and non-bank subsidiaries to the extent they determine that the Corporation or its subsidiaries have violated laws to which they are subject or have weaknesses or failures with respect to general standards of safety or soundness. Enforcement of these restrictions may be formal or informal, and can include directors resolutions, memoranda of understanding, written agreements, cease and desist orders, civil money penalties or termination of deposit insurance and bank closures. Certain enforcement actions are not publicly disclosed by federal and state regulators. While enforcement actions may be taken without regard to the capital level of an institution, institutions that are not sufficiently capitalized in accordance with regulatory standards may also face capital directives or prompt corrective action. Enforcement actions may require corrective steps, impose limits on activities such as acquisitions, branching, lending or deposit taking, prescribe lending parameters or require additional capital to be raised, any of which could adversely affect the Corporation s financial condition and results of operations, damage the Corporation s reputation, cause it to incur significant expenses or restrict it from engaging in potentially profitable activities.

In addition, the Federal Reserve and the Office of the Comptroller of the Currency have issued policy statements generally requiring insured banks and bank holding companies only to pay dividends out of current operating earnings. On February 24, 2009, the Federal Reserve released supervisory letter SR 09-4 advising bank holding companies, among other things, that as a general matter a bank holding company should inform the Federal Reserve and should eliminate, defer or significantly reduce its dividends if (i) the bank holding company s net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the bank holding company s prospective rate of earnings is not consistent with the bank holding company s capital needs and overall current and prospective financial condition, or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios. The Corporation informs the Federal Reserve prior to declaring any dividends, and there can be no assurance that the Federal Reserve will not object to the payment of future dividends by the Corporation.

A failure by the Corporation to maintain required levels of capital could have a material adverse effect on the Corporation.

Banking regulations require the Corporation to maintain adequate levels of capital, in order to support its operations and fund outstanding liabilities. Furthermore, given current economic conditions, bank regulators expect banks to maintain capital levels well above statutory requirements. Each of the Corporation s subsidiary banks is required, or expected, to maintain specific capital levels. If any of the subsidiary banks fails to maintain the required, or expected, capital levels, the subsidiary banks could be subject to various sanctions by federal regulators that could adversely impact the Corporation. Such sanctions could potentially include, without limitation, the termination of deposit insurance by the Federal Deposit Insurance Corporation, limitations on the subsidiary banks ability to pay dividends to the Corporation and the issuance of a capital directive by a federal regulatory authority requiring an increase in capital.

The Corporation s ability and the ability of its subsidiary banks to raise additional capital, if needed, may be impaired by changes and trends in the capital markets that are outside the Corporation s control. Accordingly, there can be no assurance that the Corporation or its subsidiary banks will be able to raise additional capital, if needed, on terms acceptable to the Corporation or its subsidiary banks.

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There can be no assurance that legislation enacted to help stabilize the U.S. financial system will be effective in doing so.

The EESA was signed into law in 2008 in response to the financial crises affecting the banking system and financial markets and going concern threats to investment banks and other financial institutions. Pursuant to the EESA, the UST was granted the authority to, among other things, purchase up to $700 billion of mortgages, mortgage-backed securities and certain other financial instruments from financial institutions for the purpose of stabilizing and providing liquidity to the U.S. financial markets. The UST announced a Capital Purchase Program (the CPP) under the EESA pursuant to which has purchased and will continue to purchase senior preferred stock in participating financial institutions. On November 14, 2008, the Corporation entered into a Letter Agreement, and the related Securities Purchase Agreement Standard Terms attached thereto, with the UST providing for the issuance to the UST of the Corporation s Senior Preferred Stock, Series B and a warrant to purchase shares of the Corporation s common stock at a specified price.

On February 17, 2009, the ARRA was signed into law. The purpose of the ARRA is to make supplemental appropriations for job preservation and creation, infrastructure investment, energy efficiency and science, assistance to the unemployed, and state and local fiscal stabilization. Several other economic stabilization measures, including measures that would directly affect the banking industry, have been proposed and are at various stages of the legislative process.

There can be no assurance as to the actual impact that these legislative initiatives will have on the financial markets or on the Corporation. The failure of these programs to help stabilize the financial markets and a continuation or worsening of current financial market conditions could materially and adversely affect the Corporation s business, financial condition, results of operations, access to credit or the trading price of the Corporation s common stock.

The failure of other financial institutions could adversely affect the Corporation.

The Corporation s ability to engage in funding transactions could be adversely affected by the actions and failure of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, counterparty or other relationships. The Corporation has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial industry, including brokers and dealers, commercial banks, investment banks, insurers, mutual and hedge funds, and other institutional clients. As a result, defaults by, or even questions or rumors about, one or more financial services institutions, or the financial services industry generally, have led to market-wide liquidity problems and could lead to losses or defaults by the Corporation or other institutions. Many of these transactions expose the Corporation to credit risk in the event of default of its counterparty or client. In addition, the Corporation s credit risk may be exacerbated when collateral it holds cannot be relied upon or is liquidated at prices not sufficient to recover the full amount of exposure of the Corporation. Any such losses could materially and adversely affect the Corporation s results of operations.

Current levels of market volatility are unprecedented.

The capital and credit markets have been experiencing volatility and disruption for over a year. Recently, this volatility and disruption has reached unprecedented levels, and in many cases has produced downward pressure on stock prices and credit availability for certain issuers without regard to the underlying financial strength of those issuers. If current levels of market disruption and volatility continue or worsen, there can be no assurance that such conditions will not have a material adverse effect on the Corporation s business, financial condition and results of operations.

The Corporation s stock price can be volatile.

The Corporation s stock price can fluctuate widely in response to a variety of factors, including the factors described elsewhere in these Risk Factors and the following additional factors:

- actual or anticipated variations in the Corporation s quarterly results;
- changes or contemplated changes in government regulations;

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- unanticipated losses or gains due to unexpected events, including losses or gains on securities held for investment purposes;
- credit quality ratings;
- new technology or services offered by the Corporation s competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors;
- changes in accounting policies or practices; or
- failure to successfully integrate the Corporation s acquisitions or realize anticipated benefits from the Corporation s acquisitions.

Changes in the Corporation s credit ratings could adversely affect the Corporation s liquidity and financial condition.

The credit ratings of the Corporation and its subsidiaries are important factors in the Corporation s ability to access certain types of liquidity. A downgrade in the credit ratings of the Corporation or any of its subsidiaries could potentially increase the cost of debt, limit the Corporation s access to capital markets, require the Corporation to post collateral, or negatively impact the Corporation s profitability. Furthermore, a downgrade of the credit rating of securities issued by the Corporation or its subsidiaries could adversely affect the ability of the holders to sell those securities.

Sales or other dilution of the Corporation s equity may adversely affect the market price of the Corporation s common stock.

During 2009, the Corporation issued a significant number of shares of its common stock. The issuance of these additional shares of common stock resulted in a material increase of outstanding shares of common stock at December 31, 2009, compared with December 31, 2008, and those additional shares were significantly dilutive to existing common shareholders. The Corporation is not restricted from issuing additional authorized shares of common stock or securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The Corporation continually evaluates opportunities to access capital markets, taking into account its regulatory capital ratios, financial condition, and other relevant conditions. Subject to market conditions, it is possible that the Corporation may take further capital actions.

Terrorism, acts of war, international conflicts and natural disasters could negatively affect the Corporation s business and financial condition.

Acts or threats of war or terrorism, international conflicts (including conflict in the Middle East), natural disasters, and the actions taken by the U.S. and other governments in response to such events, could disrupt business operations and negatively impact general business and economic conditions in the U.S. If terrorist activity, acts of war, other international hostilities or natural disasters disrupt business operations, trigger technology delays or failures, or damage physical facilities of the Corporation, its customers or service providers, or cause an overall economic decline, the financial condition and operating results of the Corporation could be materially adversely affected. The potential for future occurrences of these events has created many economic and political uncertainties that could seriously harm the Corporation s business and results of operations in ways that cannot presently be predicted.

The Corporation s earnings also are significantly affected by the fiscal and monetary policies of the federal government and its agencies, which could affect repayment of loans and thereby materially adversely affect the Corporation.

The policies of the Federal Reserve Board impact the Corporation significantly. The Federal Reserve Board regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest-bearing deposits and can also affect the value of financial instruments the Corporation holds. Those policies determine to a significant extent the Corporation s cost of funds for lending and investing. Changes in those policies are beyond the Corporation s control and are difficult to predict.

Federal Reserve Board policies can affect the Corporation s borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve Board could reduce the demand for a borrower s products and services. This could adversely affect the borrower s earnings and ability to repay its loan, which could materially adversely affect the Corporation.

The banking and financial services industry is highly competitive, which could adversely affect the Corporation s financial condition and results of operations.

The Corporation operates in a highly competitive environment in the products and services the Corporation offers and the markets in which the Corporation serves. The competition among financial services providers to attract and retain customers is intense. Customer loyalty can be easily influenced by a competitor s new products, especially offerings that provide cost savings to the customer. Some of the Corporation s competitors may be better able to provide a wider range of products and services over a greater geographic area.

The Corporation believes the banking and financial services industry will become even more competitive as a result of legislative, regulatory and technological changes and the continued consolidation of the industry. Technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic funds transfer and automatic payment systems. Also, investment banks and insurance companies are competing in more banking businesses such as syndicated lending and consumer banking. Many of the Corporation s competitors are subject to fewer regulatory constraints and have lower cost structures. The Corporation expects the consolidation of the banking and financial services industry to result in larger, better-capitalized companies offering a wide array of financial services and products.

The Corporation is subject to examinations and challenges by tax authorities, which, if not resolved in the Corporation s favor, could adversely affect the Corporation s financial condition and results of operations and cash flows.

In the normal course of business, the Corporation and its affiliates are routinely subject to examinations and challenges from federal and state tax authorities regarding the amount of taxes due in connection with investments it has made and the businesses in which it is engaged. Recently, federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in the Corporation s favor, they could have an adverse effect on the Corporation s financial condition and results of operations and cash flows.

Consumers may decide not to use banks to complete their financial transactions, which could result in a loss of income to the Corporation.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks at one or both ends of the transaction. For example, consumers can now pay bills and transfer funds directly without banks. The process of eliminating banks as intermediaries, known as disintermediation, could result in the loss of fee income, as well as the loss of customer deposits and income generated from those deposits.

Maintaining or increasing the Corporation s market share depends on market acceptance and regulatory approval of new products and services and other factors, and the Corporation s failure to achieve such acceptance and approval could harm its market share.

The Corporation s success depends, in part, on its ability to adapt its products and services to evolving industry standards and to control expenses. There is increasing pressure on financial services companies to provide products and services at lower prices. This can reduce the Corporation s net interest margin and revenues from its fee-based products and services. In addition, the Corporation s success depends in part on its ability to generate significant levels of new business in its existing markets and in identifying and penetrating new markets. Growth rates for card-based payment transactions and other product markets may not continue at recent levels. Further, the widespread adoption of new technologies, including Internet-based services, could require the Corporation to make substantial expenditures to modify or adapt its existing products and services or render the Corporation s existing products obsolete. The Corporation may not successfully introduce new products and services, achieve market acceptance of its products and services, develop and maintain loyal customers and/or break into targeted markets.

The Corporation relies on dividends from its subsidiaries for most of its revenue, and the banking subsidiaries hold a significant portion of their assets indirectly.

The Corporation is a separate and distinct legal entity from its subsidiaries, and receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Corporation s common stock and interest on its debt. The payment of dividends by a banking subsidiary is subject to federal law restrictions and to the laws of the subsidiary s state of incorporation. In addition, a parent company s right to participate in a distribution of assets upon a subsidiary s liquidation or reorganization is subject to the prior claims of the subsidiary s creditors. Furthermore, the Company s banking and federal savings bank subsidiaries hold a significant portion of their mortgage loan and investment portfolios indirectly through their ownership interests in direct and indirect subsidiaries.

In addition, if, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, such authority may require, after notice and hearing, that such bank cease and desist from such practice. Depending on the financial condition of the Corporation s banking subsidiaries, the applicable regulatory authority might deem the Corporation to be engaged in an unsafe or unsound practice if its banking subsidiaries were to pay dividends. The Federal Reserve and the Office of the Comptroller of the Currency have issued policy statements generally requiring insured banks and bank holding companies only to pay dividends out of current operating earnings. The Federal Reserve recently released a supervisory letter advising bank holding companies, among other things, that as a general matter a bank holding company should inform the Federal Reserve and should eliminate, defer or significantly reduce its dividends if (i) the bank holding company s net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends, (ii) the bank holding company s prospective rate of earnings is not consistent with the bank holding company s capital needs and overall current and prospective financial condition, or (iii) the bank holding company will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

The Corporation depends on the accuracy and completeness of information about customers and counterparties, and inaccurate or incomplete information could negatively impact the Corporation s financial condition and results of operations.

In deciding whether to extend credit or enter into other transactions with customers and counterparties, the Corporation may rely on information provided to it by customers and counterparties, including financial statements and other financial information. The Corporation may also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, the Corporation may assume that the customer s audited financial statements conform to generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. The Corporation may also rely on the audit report covering those financial statements. The Corporation s financial condition and results of operations could be negatively impacted to the extent it relies on financial statements that do not comply with GAAP or that are materially misleading.

An interruption or breach in security of the Corporation s or the Corporation s third party service providers communications and information technologies could have a material adverse effect on the Corporation s business.

The Corporation relies heavily on communications and information technology to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Corporation s customer relationship management, general ledger, deposit, loan and other systems. Despite the Corporation s policies and procedures designed to prevent or limit the effect of such a failure, interruption or security breach of its information systems, there can be no assurance that any such events will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of the Corporation s

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information systems could damage the Corporation s reputation, result in a loss of customers or customer business, subject the Corporation to additional regulatory scrutiny, or expose the Corporation to civil litigation and possible financial liability, any of which could have a material adverse effect on the Corporation s financial condition and results of operations.

In addition, the Corporation relies on third-party service providers for a substantial portion of its communications, information, operating and financial control systems technology. If any of these third-party service providers experiences financial, operational or technological difficulties, or if there is any other disruption in the Corporation s relationships with them, the Corporation may be required to locate alternative sources for these services. There can be no assurance that the Corporation could negotiate terms as favorable to the Corporation or obtain services with similar functionality as it currently has without the expenditure of substantial resources, if at all. Any of these circumstances could have a material adverse effect the Corporation s business.

The Corporation s accounting policies and methods are the basis of how the Corporation reports its financial condition and results of operations, and they may require management to make estimates about matters that are inherently uncertain.

The Corporation s accounting policies and methods are fundamental to how the Corporation records and reports its financial condition and results of operations. The Corporation s management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure that they comply with generally accepted accounting principles and reflect management s judgment as to the most appropriate manner in which to record and report the Corporation s financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances yet might result in the Corporation s reporting materially different amounts than would have been reported under a different alternative.

The Corporation has identified three accounting policies as being critical to the presentation of its financial condition and results of operations because they require management to make particularly subjective and/or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These critical accounting policies relate to: (1) the allowance for loan and lease losses, (2) income taxes, and (3) fair value measurements. Because of the inherent uncertainty of estimates about these matters, no assurance can be given that the application of alternative policies or methods might not result in the Corporation s reporting materially different amounts.

Changes in accounting standards could adversely affect the Corporation s reported financial results.

The bodies that set accounting standards for public companies, including the Financial Accounting Standards Board (FASB), the Securities and Exchange Commission and others, periodically change or revise existing interpretations of the accounting and reporting standards that govern the way that the Corporation reports its financial condition and results of operations. These changes can be difficult to predict and can materially impact the Corporation s reported financial results. In some cases, the Corporation could be required to apply a new or revised accounting standard, or a new or revised interpretation of an accounting standard, retroactively, which could have a negative impact on reported results or result in the restatement of the Corporation s financial statements for prior periods.

The Corporation has an acquisition program, which involves risks related to integration of acquired companies or businesses and the potential for the dilution of the value of the Corporation s stock.

The Corporation regularly explores opportunities to acquire banking institutions and other financial services providers. The Corporation cannot predict the number, size or timing of future acquisitions. The Corporation typically does not publicly comment on a possible acquisition or business combination until it has signed a definitive agreement for the transaction. Once the Corporation has signed a definitive agreement, transactions of this type are generally subject to regulatory approvals and other customary conditions. There can be no assurance the Corporation will receive such regulatory approvals without unexpected delays or conditions or that such conditions will be timely met to the Corporation s satisfaction, or at all.

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Difficulty in integrating an acquired company or business may cause the Corporation not to realize expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from the acquisition. Specifically, the integration process could result in higher than expected deposit attrition (run-off), loss of customers and key employees, the disruption of the Corporation s business or the business of the acquired company, or otherwise adversely affect the Corporation s ability to maintain existing relationships with clients, employees and suppliers or to enter into new business relationships. The Corporation may not be able to successfully leverage the combined product offerings to the combined customer base. These factors could contribute to the Corporation not achieving the anticipated benefits of the acquisition within the desired time frames, if at all.

Future acquisitions could require the Corporation to issue stock, to use substantial cash or liquid assets or to incur debt. In such cases, the value of the Corporation stock could be diluted and the Corporation could become more susceptible to economic downturns and competitive pressures.

The Corporation is dependent on senior management, and the loss of the services of any of the Corporation s senior executive officers could cause the Corporation s business to suffer.

The Corporation s continued success depends to a significant extent upon the continued services of its senior management. The loss of services of any of the Corporation s senior executive officers could cause the Corporation s business to suffer. In addition, the Corporation s success depends in part upon senior management s ability to implement the Corporation s business strategy.

The Corporation may be a defendant in a variety of litigation and other actions, which may have a material adverse effect on its business, operating results and financial condition.

The Corporation and its subsidiaries may be involved from time to time in a variety of litigation arising out of the Corporation s business. The Corporation s insurance may not cover all claims that may be asserted against it, and any claims asserted against the Corporation, regardless of merit or eventual outcome, may harm the Corporation s reputation. Should the ultimate judgments or settlements in any litigation exceed the Corporation s insurance coverage, they could have a material adverse effect on the Corporation s business, operating results and financial condition and cash flows. In addition, the Corporation may not be able to obtain appropriate types or levels of insurance in the future, nor may the Corporation be able to obtain adequate replacement policies with acceptable terms, if at all.

If the Corporation s share distribution and transactions related to the Separation do not qualify as tax-free distributions or reorganizations under the Internal Revenue Code, then the Corporation and the Corporation s shareholders may be responsible for payment of significant U.S. federal income taxes.

In transactions related to the Separation, old M&I distributed shares of its common stock to effect the Separation. If the share distribution does not qualify as a tax-free distribution under Section 355 of the Internal Revenue Code, Metavante would recognize a taxable gain that would result in significant U.S. federal income tax liabilities to Metavante. Metavante would be primarily liable for these taxes and the Corporation would be secondarily liable. Under the terms of a tax allocation agreement related to the Separation, the Corporation will generally be required to indemnify Metavante against any such taxes unless such taxes would not have been imposed but for an act of Metavante or its affiliates, subject to specified exceptions.

Even if the Corporation s share distribution otherwise qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code, the distribution would result in significant U.S. federal income tax liabilities to Metavante if there is an acquisition of the Corporation s common stock or Metavante s stock as part of a plan or series of related transactions that includes the Corporation s share distribution and that results in an acquisition of 50% or more of the Corporation s outstanding common stock or Metavante stock. In this situation, the Corporation may be required to indemnify Metavante under the terms of a tax allocation agreement related to the Separation unless such taxes would not have been imposed but for specified acts of Metavante or its affiliates. In addition, mutual indemnity obligations in the tax allocation agreement could discourage or prevent a third party from making a proposal to acquire the Corporation.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

M&I and 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 throughout Wisconsin, as well as 162 branch offices among the Phoenix and Tucson, Arizona metropolitan areas, Kansas City and nearby communities, Florida s west coast and Orlando, Florida, Minneapolis/St. Paul and Duluth, Minnesota, and central Indiana. Southwest Bank owns or leases 17 offices in the St. Louis metropolitan area. M&I Bank of Mayville, a special limited purpose subsidiary of M&I located in Mayville, Wisconsin, and M&I Bank FSB, a federal savings bank subsidiary of M&I located in Las Vegas, Nevada with one office in Milwaukee, Wisconsin, occupy modern facilities which are leased.

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. RESERVED

Executive Officers of the Marshall & Ilsley Corporation

(Ages as of March 1, 2010)

Name of Officer	Office
Ann M. Benschoter Age 52	Senior Vice President since December 2008 of Marshall & Ilsley Corporation; Executive Vice President since December 2008, Senior Vice President since December 2001, and Vice President since August 1998 of M&I Marshall & Ilsley Bank; Director, Marshall & Ilsley Trust Company National Association, M&I Bank of Mayville and M&I Equipment Finance Company.
Walt A. Buckhanan Age 48	Vice President and Director of Corporate Diversity since December 2007 of Marshall & Ilsley Corporation; Senior Vice President since April 2008, Vice President of Diversity and Inclusion Management from 2004 to 2007, Vice President and Strategic Sales Manager from February 2003 to 2004 of M&I Marshall & Ilsley Bank.
Patricia M. Cadorin Age 56	Vice President since June 2001 and Director of Corporate Communications since July 2002 of Marshall & Ilsley Corporation; Senior Vice President of M&I Marshall & Ilsley Bank since June 2005; and Vice President of M&I Foundation.
Ryan R. Deneen Age 45	Senior Vice President, Director of Corporate Tax of Marshall & Ilsley Corporation since December 2003; Director and President of M&I Business Credit Holdings, Inc., Manager of M&I MEDC Fund, LLC, Director, Vice President and Treasurer of Milease, LLC, President and Secretary of M&I Marshall & Ilsley Holdings II, Inc.
Thomas R. Ellis Age 52	Senior Vice President of Marshall & Ilsley Corporation since February 2005; Executive Vice President since February 2005, Senior Vice President from 1998 to February 2005 of M&I Marshall & Ilsley Bank; Director of Marshall & Ilsley Trust Company National Association, M&I Business Credit, LLC, M&I Equipment Finance Company, M&I Financial Advisors, Inc., M&I Insurance Services, Inc. and M&I Private Equity Group II, LLC.
Randall J. Erickson Age 50	Senior Vice President, General Counsel since June 2002, Chief Administrative Officer since April 2007, and Corporate Secretary from June 2002 to April 2007 of Marshall & Ilsley Corporation; General Counsel since June 2002, and Corporate Secretary from June 2002 to April 2007 of M&I Marshall & Ilsley Bank; Director, Vice President and Secretary of M&I Private Equity Group LLC, M&I Ventures, LLC, and TCH MI Holding Company, Inc.; Director of M&I Bank FSB, M&I Community Development Corporation, M&I Investment Partners Management, LLC, M&I Investment Partners TALF Fund, L.P., and Milease, LLC; Director and Secretary of M&I Private Equity Group II, LLC; Director and Vice President of SWB Holdings, Inc.; Successor Administrator of Gold Banc Trust III, Gold Banc Trust IV, Gold Banc Trust V, Trustcorp Statutory Trust I, EBC Statutory Trust I, EBC Statutory Trust II and First Indiana Capital Statutory Trust II. Also a director of Renaissance Learning Inc., a provider of computer-based assessment technology for K-12 schools.
Mark F. Furlong Age 52	Chief Executive Officer since April 2007, President since April 2005, Executive Vice President from January 2002 to April 2005, Senior Vice President from April 2001 to January 2002, and Chief Financial Officer from February 2007 to June 2007 and April 2001 to October 2004 of the Corporation; Chairman of the Board since December 2009, Director and President since July 2004, and Chief Executive Officer since April 2007 of M&I Marshall & Ilsley Bank; Director, Vice President and Treasurer of M&I Private Equity Group LLC, and M&I Ventures L.L.C.; Director of Marshall & Ilsley Trust Company National Association and Milease, LLC; Senior Vice President of Southwest Bank, an M&I Bank. Also a director of Kforce Inc., a professional staffing firm, Wisconsin Manufacturers & Commerce, Greater Milwaukee Committee, Metropolitan Milwaukee Association of Commerce, United Performing Arts Fund and Junior Achievement of Wisconsin. A Director since April 2006.

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Name of Officer	Office
Mark R. Hogan Age 55	Senior Vice President and Chief Credit Officer since October 2001 of Marshall & Ilsley Corporation; Executive Vice President since February 2005, Chief Credit Officer since November 1995, Senior Vice President from 1995 to February 2005 of M&I Marshall & Ilsley Bank; Director of M&I Equipment Finance Company, M&I Business Credit, LLC, Water Street Land, LLC, and M&I Private Equity Group II, LLC; and Director and Vice President of SWB Holdings, Inc.
Patricia R. Justiliano Age 59	Senior Vice President since 1994 and Corporate Controller since April 1989, Vice President from 1986 to 1994 of Marshall & Ilsley Corporation; Senior Vice President since April 2006, Vice President from January 1999 to April 2006, Controller since September 1998 of M&I Marshall & Ilsley Bank; Director, President and Treasurer of M&I Marshall & Ilsley Holdings, Inc., M&I Marshall & Ilsley Investment II Corporation, M&I Zion Investment II Corporation, M&I Zion Holdings. Inc. and SWB of St. Louis Holdings, Inc.; Director and President of M&I Marshall & Ilsley Regional Holdings, Inc.; Director and Treasurer of M&I Mortgage Reinsurance Corporation; Director of M&I Bank FSB, M&I Bank of Mayville, M&I Marshall & Ilsley Investment Corporation, M&I Servicing Corp., M&I Zion Investment Corporation, M&I Custody of Nevada, Inc., SWB Investment Corporation and Louisville Realty Corporation; Vice President and Treasurer of TCH MI Holding Company, Inc.; Manager of SWB of St. Louis Holdings I, LLC and SWB of St. Louis Holdings II, LLC; Senior Vice President of Southwest Bank, an M&I Bank; and Trustee of SWB Investment II Corporation.
Brent J. Kelly Age 48	Senior Vice President and Director of Marketing since February 2006 of Marshall & Ilsley Corporation; Senior Vice President, Sales & Marketing, of Cheryl&Co. from June 2002 to December 2005, a division of 1-800-Flowers.com.
Beth D. Knickerbocker Age 43	Senior Vice President, Chief Risk Officer since January 2005, Vice President, Senior Compliance Counsel from May 2004 to January 2005 of Marshall & Ilsley Corporation.
Kenneth C. Krei Age 60	Senior Vice President of Marshall & Ilsley Corporation since July 2003; Chairman of the Board since January 2005, President and Chief Executive Officer of Marshall & Ilsley Trust Company National Association since July 2003; Chairman of the Board since January 2005, and Chief Executive Officer of M&I Investment Management Corp. since July 2003; Director and President of M&I Investment Partners Management, LLC and M&I Investment Partners TALF Fund, L.P.; Chairman and Director of M&I Financial Advisors, Inc., M&I Insurance Services, Inc., M&I Distributors LLC, and Marshall Funds; Director and Vice President of M&I Realty Advisors, Inc., and Management Committee Member of Taplin, Canida & Habacht, LLC.
Thomas J. O Neill Age 49	Senior Vice President since April 1997 of Marshall & Ilsley Corporation; Executive Vice President since 2000, Senior Vice President from 1997 to 2000, Vice President from 1991 to 1997 of M&I Marshall & Ilsley Bank; Chairman, Director and Executive Vice President of M&I Bank FSB; Director and President of M&I Mortgage Reinsurance Corporation; Director and Vice President of M&I Community Development Corporation and M&I Realty Advisors, Inc.; Director of M&I Bank of Mayville, M&I Dealer Finance, Inc., Regional Holding Company, Inc. and Louisville Realty Corporation; Manager of M&I MEDC Fund, LLC; Senior Vice President of Southwest Bank, an M&I Bank.
Paul J. Renard Age 49	Senior Vice President, Director of Human Resources since 2000, Vice President and Manager since 1994 of Marshall & Ilsley Corporation; Senior Vice President of M&I Marshall & Ilsley Bank; and Vice President and Assistant Secretary of TCH MI Holding Company, Inc.
John L. Roberts Age 57	Senior Vice President of Marshall & Ilsley Corporation since 1994; Executive Vice President since 2009; Senior Vice President since 1994, Vice President and Controller from 1986 to 1995 of M&I Marshall & Ilsley Bank; Director of M&I Bank FSB; Director and President of M&I Bank of Mayville, Chairman, Director and President of Northern-NVSL, LLC, Speedway-HVSL, LLC and Water Street Land, LLC.

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Name of Officer	Office
Thomas A. Root Age 53	Senior Vice President since 1998, Audit Director since May 1996, Vice President from 1991 to 1998 of Marshall & Ilsley Corporation; Senior Vice President since April 2006, Vice President since 1993 and Audit Director since 1999 of M&I Marshall & Ilsley Bank.
Gregory A. Smith Age 46	Senior Vice President and Chief Financial Officer of Marshall & Ilsley Corporation, since June 2006; Chief Financial Officer of M&I Marshall & Ilsley Bank, since June 2006; Director and Chief Financial Officer of Southwest Bank, an M&I Bank; Director and President of TCH MI Holding Company, Inc.; Director of M&I Insurance Services, Inc., Marshall & Ilsley Trust Company National Association, M&I Financial Advisors, Inc., and Milease, LLC; Chief Financial Officer of M&I Bank of Mayville and M&I Bank FSB; Managing Director, Investment Banking, Credit Suisse from October 2004 to June 2006; Managing Director, Investment Banking, UBS Investment Bank from April 2000 to September 2004.
Michael C. Smith Age 51	Senior Vice President and Corporate Treasurer of Marshall & Ilsley Corporation, since March 2006; Senior Vice President since April 2006 of M&I Marshall & Ilsley Bank; Director of M&I Community Development Corporation, M&I Bank FSB, M&I Custody of Nevada, Inc., M&I Servicing Corp, M&I Marshall & Ilsley Investment Corporation, M&I Marshall & Ilsley Investment II Corporation, M&I Marshall & Ilsley Holdings, Inc, M&I Zion Holdings, Inc., M&I Zion Investment Corporation, M&I Zion Investment II Corporation, SWB Investment Corporation, SWB of St. Louis Holdings, Inc., and M&I Marshall & Ilsley Regional Holdings, Inc.; Manager of SWB of St. Louis Holdings I, LLC and SWB of St. Louis Holdings II, LLC; Trustee of SWB Investment II Corporation; Senior Vice President, Southwest Bank, an M&I Bank; Successor Administrator of Gold Banc Trust III, Gold Bank IV, Gold Banc V, Trustcorp Statutory Trust I, EBC Statutory Trust I, EBC Statutory Trust II, and First Indiana Capital Statutory Trust II; Treasurer, AIG Consumer Finance Group from May 2001 to February 2006.
Ronald E. Smith Age 63	Senior Vice President since March 2005 of Marshall & Ilsley Corporation; Executive Vice President since March 2005, Senior Vice President from 2001 to March 2005 of M&I Marshall & Ilsley Bank; Director Northern-NVSL, LLC and Speedway-HVSL, LLC.

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PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Stock Listing

The Corporation s common stock is traded under the symbol MI on the New York Stock Exchange. Common dividends declared and the price range for the Corporation s common stock for each of the last five years can be found in Item 8, Consolidated Financial Statements and Supplementary Data, 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 Condition and Results of Operations, and in Note 18 in Item 8, Consolidated Financial Statements and Supplementary Data.

Holders of Common Equity

There were approximately 14,823 record holders of the Corporation s common stock as of December 31, 2009.

Shares Purchased

The following table reflects M&I s purchases of its common stock for the specified period:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs
October 1 to October 31, 2009	17,215	$ 6.83	N/A	N/A
November 1 to November 30, 2009	4,181	7.86	N/A	N/A
December 1 to December 31, 2009	18,384	5.20	N/A	N/A

(1) Includes shares purchased by rabbi trusts pursuant to nonqualified deferred compensation plans.

In connection with the Corporation s participation in the CPP, the consent of the UST will be required for the Corporation to repurchase its common stock other than in connection with benefit plans consistent with past practice and certain other specified circumstances. See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources for additional information regarding the CPP.

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ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Earnings

($000 s except share data)

	Years Ended December 31, 2009	2008	2007	2006	2005
Interest and Fee Income					
Loans and leases	$ 2,208,427	$ 2,926,334	$ 3,243,109	$ 2,856,043	$ 1,959,063
Investment securities:					
Taxable	207,235	286,054	311,837	277,938	214,537
Exempt from federal income taxes	44,647	53,750	59,237	61,769	64,127
Trading securities	3,696	2,530	1,012	614	229
Short-term investments	3,888	9,026	18,001	14,707	7,452
Loan to Metavante			35,969	43,163	43,652
Total interest and fee income	2,467,893	3,277,694	3,669,165	3,254,234	2,289,060
Interest Expense					
Deposits	535,426	902,944	1,231,252	1,083,392	562,552
Short-term borrowings	9,550	139,627	236,671	186,746	106,220
Long-term borrowings	340,308	454,413	585,025	476,540	329,876
Total interest expense	885,284	1,496,984	2,052,948	1,746,678	998,648
Net interest income	1,582,609	1,780,710	1,616,217	1,507,556	1,290,412
Provision for loan and lease losses	2,314,649	2,037,707	319,760	50,551	44,795
Net interest income (loss) after provision for loan and lease losses	(732,040)	(256,997)	1,296,457	1,457,005	1,245,617
Other Income					
Wealth management	265,146	282,182	262,835	221,554	191,720
Net investment securities gains	121,789	17,229	34,814	9,701	45,514
Other	528,667	448,704	431,417	350,431	336,357
Total other income	915,602	748,115	729,066	581,686	573,591
Other Expense					
Salaries and employee benefits	690,818	723,245	659,871	613,394	549,859
Goodwill impairment		1,535,144			
Other	887,016	734,847	652,177	464,881	399,359
Total other expense	1,577,834	2,993,236	1,312,048	1,078,275	949,218
Income (loss) before income taxes	(1,394,272)	(2,502,118)	713,475	960,416	869,990
Provision (benefit) for income taxes	(637,233)	(459,525)	213,641	307,435	278,124
Income (loss) from continuing operations before noncontrolling interests	(757,039)	(2,042,593)	499,834	652,981	591,866
Less: Net income attributable to noncontrolling interests	(1,578)	(869)	(2,895)	(5,267)	(5,207)
Income (loss) from continuing operations	(758,617)	(2,043,462)	496,939	647,714	586,659
Income from discontinued operations, net of tax			653,997	160,124	119,531
Net Income (Loss) Attributable to Marshall & Ilsley Corporation	$ (758,617)	$ (2,043,462)	$ 1,150,936	$ 807,838	$ 706,190
Preferred dividends	(100,164)	(12,737)			

Net Income (Loss) Attributable to Marshall & Ilsley Corporation Common Shareholders	$ (858,781)	$ (2,056,199)	$ 1,150,936	$ 807,838	$ 706,190
Per Share Attributable to Marshall & Ilsley Corporation Common Shareholders					
Basic:					
Continuing Operations	$ (2.46)	$ (7.92)	$ 1.91	$ 2.60	$ 2.54
Discontinued operations			2.51	0.64	0.52
Net Income (Loss)	$ (2.46)	$ (7.92)	$ 4.42	$ 3.24	$ 3.06
Diluted:					
Continuing Operations	$ (2.46)	$ (7.92)	$ 1.87	$ 2.54	$ 2.49
Discontinued operations			2.47	0.63	0.50
Net Income (Loss)	$ (2.46)	$ (7.92)	$ 4.34	$ 3.17	$ 2.99
Other Significant Data:					
Return on Average Marshall & Ilsley Corporation Shareholders Equity	n.m.%	n.m.%	17.23%	14.42%	16.21%
Return on Average Assets	n.m.	n.m.	1.98	1.53	1.63
Common Dividend Declared	$ 0.04	$ 1.27	$ 1.20	$ 1.05	$ 0.93
Dividend Payout Ratio	n.m.%	n.m.%	27.65%	33.12%	31.10%
Average Equity* to Average Assets Ratio	10.96	11.03	11.55	10.76	10.20
Ratio of Earnings to Fixed Charges**					
Excluding Interest on Deposits	n.m. x	n.m. x	1.85 x	2.42 x	2.96 x
Including Interest on Deposits	n.m. x	n.m. x	1.34 x	1.54 x	1.86 x

* Includes preferred equity and noncontrolling interest in subsidiaries.

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

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Consolidated Average Balance Sheets

($000 s except share data)

	Years Ended December 31, 2009	2008	2007	2006	2005
Assets:					
Cash and due from banks	$ 761,199	$ 897,709	$ 1,005,362	$ 974,120	$ 923,387
Trading assets	418,056	197,237	56,580	45,559	26,922
Short-term investments	1,330,360	427,147	352,235	297,859	229,273
Investment securities:					
Taxable	5,916,658	6,454,016	6,208,495	5,664,199	4,845,549
Tax Exempt	1,022,499	1,158,185	1,287,066	1,303,872	1,334,793
Total investment securities	6,939,157	7,612,201	7,495,561	6,968,071	6,180,342
Loan to Metavante			817,885	982,000	994,055
Loans and Leases:					
Commercial	13,878,063	14,841,714	12,672,367	11,175,436	8,954,617
Real estate	31,117,184	32,410,830	28,865,495	25,808,422	20,728,918
Personal	2,090,286	1,732,247	1,416,411	1,478,816	1,521,801
Lease financing	690,269	722,289	695,756	661,466	567,344
Total loans and leases	47,775,802	49,707,080	43,650,029	39,124,140	31,772,680
Allowance for loan and lease losses	(1,356,675)	(877,730)	(448,222)	(406,390)	(362,886)
Net loans and leases	46,419,127	48,829,350	43,201,807	38,717,750	31,409,794
Premises and equipment, net	571,146	528,846	458,819	415,150	330,273
Accrued interest and other assets	3,823,481	4,637,427	3,555,545	2,927,220	2,226,048
Total assets of continuing operations	60,262,526	63,129,917	56,943,794	51,327,729	42,320,094
Assets of discontinued operations			1,265,833	1,323,369	963,447
Total Assets	$ 60,262,526	$ 63,129,917	$ 58,209,627	$ 52,651,098	$ 43,283,541
Liabilities and Equity:					
Deposits:					
Noninterest bearing	$ 7,429,499	$ 5,857,485	$ 5,469,774	$ 5,361,014	$ 4,972,890
Interest bearing:					
Savings and NOW	4,946,671	3,248,955	2,904,953	3,031,503	3,096,230
Money market	10,462,750	11,015,942	10,473,079	8,297,189	7,053,097
Time	17,212,532	16,392,293	12,292,832	12,603,081	9,238,470
Foreign	563,852	2,759,868	2,928,259	2,843,649	2,345,976
Total interest bearing deposits	33,185,805	33,417,058	28,599,123	26,775,422	21,733,773
Total deposits	40,615,304	39,274,543	34,068,897	32,136,436	26,706,663
Short-term borrowings	3,316,810	6,163,488	4,693,890	3,637,634	2,924,834
Long-term borrowings	8,676,229	9,749,118	11,533,685	10,070,881	8,189,708
Accrued expenses and other liabilities	1,046,502	981,108	1,041,522	976,113	824,889
Liabilities of discontinued operations			149,723	162,899	224,438
Total Liabilities	53,654,845	56,168,257	51,487,717	46,983,963	38,870,532
Equity					
	6,596,997	6,951,712	6,680,464	5,600,906	4,357,314

Marshall & Ilsley Corporation shareholders equity					
Noncontrolling interest in subsidiaries	10,684	9,948	41,446	66,229	55,695
Total Equity	6,607,681	6,961,660	6,721,910	5,667,135	4,413,009
Total Liabilities and Equity	$ 60,262,526	$ 63,129,917	$ 58,209,627	$ 52,651,098	$ 43,283,541
Other Significant Data:					
Book Value Per Common Share at Year End	$ 10.21	$ 17.58	$ 26.86	$ 24.24	$ 20.27
Average Common Shares Outstanding	349,634,959	260,272,334	260,906,330	249,723,333	231,300,867
Credit Quality Ratios:					
Net Loan and Lease Charge-offs to Average Loans and Leases	4.26%	2.74%	0.59%	0.10%	0.12%
Total Nonperforming Loans and Leases and OREO to End of Period Loans and Leases and OREO	5.54	3.67	1.73	0.69	0.42
Allowance for Loan and Lease Losses to End of Period Loans and Leases	3.35	2.41	1.07	1.00	1.06
Allowance for Loan and Lease Losses to Total Nonperforming Loans and Leases*	75	82	72	159	270

* Excludes nonaccrual loans held for sale.

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Types of Loans and Leases

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

	2009	2008	2007	2006	2005
Commercial, financial and agricultural	$ 12,475,628	$ 14,880,153	$ 13,793,257	$ 12,048,190	$ 9,565,475
Real estate:					
Construction	3,122,216	6,091,501	6,691,716	6,088,206	3,641,942
Mortgage:					
Commercial	14,488,239	13,371,288	12,002,162	10,965,607	8,825,104
Residential	11,257,814	12,937,934	11,518,406	10,670,840	9,884,283
Total mortgage	25,746,053	26,309,222	23,520,568	21,636,447	18,709,387
Total real estate	28,868,269	32,400,723	30,212,284	27,724,653	22,351,329
Personal	2,258,282	1,929,374	1,560,573	1,458,628	1,621,825
Lease financing	615,447	774,294	730,144	703,580	632,348
Total	44,217,626	49,984,544	46,296,258	41,935,051	34,170,977
Less: loans held for sale	214,159	220,391	131,873	300,677	277,847
Loans and leases	44,003,467	49,764,153	46,164,385	41,634,374	33,893,130
Allowance for loan and lease losses	(1,480,470)	(1,202,167)	(496,191)	(420,610)	(363,769)
Net loans and leases	$ 42,522,997	$ 48,561,986	$ 45,668,194	$ 41,213,764	$ 33,529,361

Loan Balances and Maturities

The analysis of selected loan maturities at December 31, 2009 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 Pre-determined Rate	With Floating Rate	Total
Commercial, financial and agricultural	$ 8,028,547	$ 4,089,849	$ 357,232	$ 12,475,628	$ 1,520,046	$ 2,927,035	$ 4,447,081
Real estate construction	2,225,054	897,162		3,122,216	74,440	822,722	897,162

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 overdrafts are reported as due in one year or less.

(2) The estimated effect arising from the use of interest rate swaps as shown in the rate structure of loans and leases is immaterial.

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Investment Securities

The amortized cost of M&I s consolidated investment securities at December 31 of each year are ($ in thousands):

	2009	2008	2007
U.S. treasury	$ 7,335	$ 1,283	$ 1,001
U.S. government agencies	5,291,115	5,663,664	5,848,040
States and political subdivisions	933,814	1,111,192	1,267,876
Residential mortgage backed securities	221,819	175,740	119,487
Other	744,168	804,184	597,314
Total	$ 7,198,251	$ 7,756,063	$ 7,833,718

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, 2009 are ($ in thousands):

	Within One Year		After One But Within Five Years		After Five But Within Ten Years		After Ten Years		Total	
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
U.S. treasury	$ 1,186	2.76%	$ 6,149	1.47%	$	%	$	%	$ 7,335	1.68%
U.S. government agencies	431,970	4.19	3,054,791	2.51	1,774,028	3.82	30,326	4.46	5,291,115	3.10
States and political subdivisions	58,880	9.43	121,027	6.37	330,395	6.11	423,512	5.84	933,814	6.23
Residential mortgage backed securities	3,881	5.42	217,938	5.24					221,819	5.24
Other	9,399	n.m.	22,483	n.m.	50,904	n.m.	661,382	n.m.	744,168	n.m.
Total	$ 505,316	4.75%	$ 3,422,388	2.81%	$ 2,155,327	4.10%	$ 1,115,220	3.58%	$ 7,198,251	3.45%

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

For the year ended December 31, 2009, the net loss attributable to the Corporation s common shareholders (net loss) amounted to $858.8 million or $2.46 per diluted common share compared to a net loss of $2,056.2 million or $7.92 per diluted common share for the year ended December 31, 2008. The net loss for the year ended December 31, 2008 included a non-cash charge for goodwill impairment in the amount of $1,535.1 million. On an after-tax basis, the charge for goodwill impairment amounted to $1,487.9 million or $5.73 per diluted common share.

The net loss for the years ended December 31, 2009 and December 31, 2008 included $100.2 million and $12.7 million or $0.29 and $0.05 per diluted common share, respectively, for dividends on the Senior Preferred Stock, Series B (the Senior Preferred Stock) issued to the United States Department of Treasury (the UST) in the fourth quarter of 2008 under the UST s Capital Purchase Program (the CPP).

The goodwill impairment charge in 2008 and the difference in the reported preferred dividends due to the timing of the issuance of the Senior Preferred Stock significantly affected the Corporation s comparative performance in 2009 compared to 2008. Management believes it is more useful to assess comparative performance in 2009 compared to 2008 based on an adjusted net loss as shown in the following table:

	Years Ended December 31, ($ in millions, except per share data)			
	2009		2008	
	Amount	Diluted EPS	Amount	Diluted EPS
Reported Net Loss	$ (858.8)	$ (2.46)	$ (2,056.2)	$ (7.92)
Goodwill Impairment			1,487.9	5.73
Senior Preferred Stock Dividend	100.2	0.29	12.7	0.05
Adjusted Net Loss	$ (758.6)	$ (2.17)	$ (555.6)	$ (2.14)

Comparative performance in 2009 compared to 2008 based on diluted earnings per share is also affected by the number of common shares used to determine earnings per share. Shares of common stock outstanding at December 31, 2009 increased by 260.0 million shares or 98.0% compared to common stock outstanding at December 31, 2008. Average common stock used to determine diluted earnings per share increased by 88.9 million shares or 34.2% in 2009 compared to 2008. The increase in common stock outstanding and average common stock used to determine diluted earnings per share was primarily due to the sales of newly-issued shares of common stock during 2009.

Credit quality-related charges were the primary driver of the Corporation s 2009 financial performance. For the year ended December 31, 2009, the provision for loan and lease losses amounted to $2,314.6 million, which on an after-tax basis was approximately $1,458.2 million or $4.18 per diluted common share. For the year ended December 31, 2008, the provision for loan and lease losses amounted to $2,037.7 million, which on an after-tax basis was approximately $1,303.3 million or $5.02 per diluted common share. Write-downs associated with loans available for sale (other than mortgage loans available for sale) are reported as a reduction of other income in the Consolidated Statements of Income and amounted to $40.9 million, which on an after-tax basis was approximately $25.7 million or $0.07 per diluted common share in 2009. There were no write-downs associated with loans available for sale in 2008. These two items accounted for $180.6 million or 89.0% of the $203.0 million increase in the adjusted net loss shown in the table above.

Nonaccrual loans and leases at December 31, 2009, which the Corporation refers to as nonperforming loans, increased $517.8 million or 33.9% since December 31, 2008. Nonperforming loans continued to increase during the first and second quarters of 2009. The highest reported point of nonperforming loans at any quarter-end in the current year was $2,416.1 million at June 30, 2009. Since June 30, 2009, nonperforming loans declined $166.0 million in the third quarter of 2009 and $205.3 million in the fourth quarter of 2009 and amounted to $2,044.8 million at December 31, 2009. The elevated levels of nonperforming loans reflect the recessionary economy, which includes higher levels of unemployment, and the weak national real estate markets. In addition, the amount of impairment, which affects charge-offs and the level of the allowance for loans and leases, remained elevated due to the depressed state of underlying real estate collateral values, particularly construction and development loans. The decrease in nonperforming loans in the second half of 2009 reflects the effects of the Corporation s actions taken to reduce the levels of nonperforming loans and the decline in new nonperforming loans. The amount of new loans and leases that went into nonperforming status during the second half of 2009 decreased by approximately $636.8 million or 26.3% compared to the first half of 2009. In addition, loans delinquent 30-89 days, excluding credit card loans and student loans, and loans in nonperforming status, decreased by $352.1 million or 39.5%, from December 31, 2008 to December 31, 2009. While the direction of these credit quality metrics may be an indication of stabilization in some geographies and markets, management is only cautiously optimistic. Management recognizes the economic recovery remains fragile, unemployment remains elevated and real estate markets remain relatively unstable. Therefore, it may be too early to expect that this recent experience is indicative of the start of a sustainable longer-term trend.

The Corporation continued to employ a variety of strategies to mitigate and reduce its loan loss exposures such as loan sales and restructuring loan terms to lessen the financial stress and the probability of foreclosure for qualifying customers that have demonstrated the capacity and ability to repay their debt obligations in a manner that serves the best interests of both the customer and the Corporation. Troubled debt restructurings, which the Corporation refers to as renegotiated loans, increased $523.1 million since December 31, 2008 and amounted to $793.5 million at December 31, 2009. At December 31, 2009, renegotiated residential real estate, residential construction by individuals, residential land and other consumer-related renegotiated loans amounted to $651.5 million or 82.1% of total renegotiated loans.

The allowance for loans and leases amounted to $1,480.5 million or 3.35% of total loans and leases outstanding at December 31, 2009 compared to $1,202.2 million or 2.41% at December 31, 2008. Net charge-offs amounted to $2,036.3 million or 4.26% of average loans and leases for the year ended December 31, 2009 compared to $1,363.8 million or 2.74% of average loans and leases for the year ended December 31, 2008.

Throughout 2009, the Corporation continued to experience elevated levels of expenses due to the increase in operating costs associated with collection efforts and carrying nonperforming assets. The estimated expense associated with collection efforts and carrying nonperforming assets, net of related revenue, amounted to $214.1 million for the year ended December 31, 2009, compared to $103.2 million for the year ended December 31, 2008, an increase of $110.9 million. On an after-tax basis that net expense increase over the comparative twelve months was approximately $68.9 million or $0.20 per diluted common share.

Declining asset yields, competitive deposit pricing in the low interest rate environment, elevated levels of nonperforming loans and the decision to maintain liquidity resulted in lower net interest income in the year ended December 31, 2009 compared to the year ended December 31, 2008. Equity market volatility along with downward pressure in the equity markets resulted in lower wealth management revenue in the twelve months ended December 31, 2009 compared to the twelve months ended December 31, 2008. Mortgage loan closings, primarily due to re-financings, and increased sales of those loans to the secondary market resulted in mortgage banking revenue growth for the year ended December 31, 2009 compared to the year ended December 31, 2008.

As a result of market conditions, the Corporation re-acquired and extinguished both bank holding company and banking affiliate long-term borrowings at a discount to its carrying value during 2009. In addition, during 2009 the Corporation sold its shares of Visa, Inc. (Visa) Class B common stock and certain United States government agency investment securities. The gains associated with the termination of debt and sale of certain investment securities were partially offset by the special insurance assessment by the Federal Deposit Insurance Corporation (FDIC). These items in total reduced the loss before income taxes by $190.4 million. On an after-tax basis, these items together with incremental income tax benefits recognized due to a change in state of Wisconsin tax law and a favorable Federal income tax settlement reduced the net loss for the year ended December 31, 2009 by $188.9 million or $0.54 per diluted common share.

In the fourth quarter of 2008, the Corporation announced an expense reduction initiative that included a freeze on filling open positions, attrition and staff reductions. In addition, de novo branch expansion was curtailed. The Corporation reduced its workforce by approximately 830 positions or approximately 8% of its total workforce.

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Approximately 80% of the workforce reductions were completed in 2008. The remaining 20% were related to operational efficiencies and were achieved by the end of 2009. Executive officer and other senior level salaries were frozen in 2009 and awards and benefits under a variety of other programs for employees were reduced. The Board of Directors also reduced the annual cash retainer for directors by 25%, and the Corporation reduced a number of other expenses.

At December 31, 2009, the Corporation s regulatory Leverage Ratio was 9.48%. The Corporation s Tier 1 regulatory capital ratio was 11.11% or $2.5 billion in excess of well capitalized under the Federal Reserve Board s regulatory framework at December 31, 2009. To be well capitalized under the regulatory framework, the Tier 1 capital ratio must meet or exceed 6%. The Corporation s Tier 1 regulatory capital ratio at December 31, 2009 includes the impact of the closing of two underwritten public offerings of its $1.00 par value common stock during 2009. In addition, the Corporation issued shares of its common stock on an at-the-market basis prior to the underwritten public offerings in 2009. The Corporation issued a total of 257.1 million shares of its common stock as a result of these transactions in 2009. The proceeds, net of underwriting discounts and commissions and offering expenses, from these issuances amounted to $1,419.4 million.

Management expects the prevailing economic and difficult real estate market conditions will last well into 2010 in many of the Corporation s markets. Nonperforming asset balances are expected to remain elevated. Management believes that the level of new larger construction loans placed on nonperforming status likely have peaked in Arizona and Florida. The slow pace of economic recovery and lingering levels of elevated unemployment have resulted in increased stress in consumer loans, particularly residential real estate loans and home equity loans and lines of credit. Based on these factors, the amount of new consumer loans that go into nonperforming status is expected to increase. As a result of these offsetting trends, the levels of new nonperforming loans and leases may continue to stabilize or decrease as they did in the second half of 2009. Currently, management does not expect that the provision for loan and lease losses and net charge-offs reported in 2009 is indicative of the provision for loan and lease losses and net charge-offs that will be reported in 2010. However, the level of net charge-offs and the recorded allowance for loan and lease losses are based on management s best estimate of the losses incurred at the measurement date. Management recognizes there are significant estimates in the process and the ultimate losses could be significantly different from those currently estimated. Rapidly changing collateral values, general economic conditions and numerous other factors continue to create volatility in the housing markets and continue to increase the possibility that additional losses may be recognized with respect to the Corporation s current nonperforming assets. In addition, an event that would curtail economic recovery or result in further deterioration in the economy and national housing markets would likely result in an increase in the amount of nonperforming assets, net charge-offs and provisions for loan and lease losses reported in future quarters. Due to the uncertainty caused by the state of the economy and real estate markets and the elevated levels of unemployment, and numerous other unknown factors that will ultimately affect the timing and amount of nonperforming assets, net charge-offs and the provision for loan and lease losses, it is difficult to develop reliable expectations about nonperforming assets, net charge-offs and provisions for loan and lease losses that will be recognized in 2010.

With regard to other expectations for 2010, management expects the net interest margin will improve slightly in the near term due to the effects of liquidity redeployment and debt restructuring activities completed in the fourth quarter of 2009. However, there are numerous other factors that impact net interest income and the net interest margin. Commercial and industrial loans balances are expected to continue to contract until the economic recovery takes a stronger hold. Commercial real estate loans for 2010 are expected to contract slightly. Residential real estate loans are expected to contract because the Corporation will likely continue to sell its production in the secondary market. Management expects construction and development real estate loans will continue to decline. Wealth Management revenue is affected by market volatility and direction. The uncertainty that currently exists in the markets makes it difficult to make an estimate of Wealth Management revenue in 2010.

2008 Compared to 2007

For the year ended December 31, 2008, the Corporation reported a net loss of $2,056.2 million or $7.92 per diluted common share compared to income from continuing operations for the year ended December 31, 2007 of $496.9 million or $1.87 per diluted common share.

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Organic loan growth, disciplined deposit pricing, the ability to access reasonably priced funding sources and banking acquisitions completed in 2008 and 2007 contributed to the growth in net interest income and other banking sources of revenues. Despite the volatile markets, the Corporation s Wealth Management continued to report growth in fee income.

Deterioration in the national real estate markets, economic recession and disruption in the capital markets adversely impacted the Corporation s financial condition and results of operations throughout 2008.

As a result of the unprecedented weakness in the financial markets and the decline in the Corporation s common stock price, numerous tests for goodwill impairment were performed throughout 2008. The results of goodwill impairment testing at the end of the fourth quarter of 2008 indicated that the fair value of certain of the Corporation s banking-related reporting units were less than their book values, resulting in a non-cash after-tax charge to earnings for goodwill impairment in the amount of $1,487.9 million or $5.73 per diluted common share. The Tier 1 and Total regulatory capital ratios were unaffected by this adjustment.

The continued deterioration in the national real estate markets and the economic recession had a negative impact on the Corporation s loan and lease portfolio in 2008. In addition to a significant increase in nonperforming assets, the amount of loan impairment increased in 2008 due to the depressed state of underlying real estate collateral values. The Corporation s construction and development real estate loans, particularly in Arizona, the west coast of Florida and certain correspondent banking business channels, exhibited the most dramatic increase in stress and impairment. The increase in stress and impairment and the accelerated disposition of problem assets resulted in net charge-offs and provision for loan and lease losses that were significantly higher in 2008 when compared to the Corporation s historical experience with net charge-offs and provision for loan and lease losses. The provision for loan and lease losses amounted to $2,037.7 million in 2008 compared to $319.8 million in 2007, an increase of $1,717.9 million. On an after-tax basis, the increase in the provision for loan and lease losses in 2008 compared to 2007 amounted to approximately $1,099.5 million or $4.24 per diluted common share.

Throughout 2008, the Corporation experienced elevated levels of expenses due to the increase in operating costs associated with collection efforts and carrying nonperforming assets. The Corporation s estimate of increase in expense associated with collection efforts and carrying nonperforming assets, net of related revenue, amounted to $85.5 million in 2008 compared to 2007, which, on an after-tax basis, was approximately $0.21 per diluted common share.

The economic recession and disruption in the capital markets also resulted in an other than temporary investment security loss, write-down of a bank-owned life insurance policy, unexpected losses in the Corporation s Wealth Management segment and other credit and market related losses. Those write-downs and losses were partially offset by gains from the extinguishment of certain debt obligations, securities gains and reversals of litigation accruals associated with the Corporation s membership interests in Visa and an additional income tax benefit related to prior years. During the fourth quarter of 2008, the Corporation recorded severance expense associated with a corporate-wide reduction in force. For the year ended December 31, 2008, these items resulted in a net pre-tax loss of $29.3 million which on an after-tax basis amounted to approximately $0.05 per diluted common share.

During the fourth quarter of 2008, the Corporation sold to the UST Senior Preferred Stock for $1.7 billion and issued a warrant to purchase the Corporation s common stock. At December 31, 2008, the Corporation s Tier 1 ratio was 9.49%.

In order to preserve its strong capital base, the Corporation undertook a series of significant expense reduction initiatives in 2008, reduced the quarterly common stock cash dividend to $0.01 per share and implemented several risk-management strategies to reduce its exposure to construction and development loans.

Forward-Looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the safe-harbor provisions for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995, such as statements other than historical facts contained or incorporated by reference in this report. These forward- looking statements include statements with respect to M&I s financial condition, results of operations, plans, objectives, future performance and business, including statements preceded by, followed by or that include the words believes, expects, or anticipates, references to estimates or similar expressions. Future filings by M&I with the Securities and Exchange Commission, and future 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.

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 statements, except as required by federal securities law. Forward-looking statements are subject to significant risks and uncertainties, and M&I s actual results may differ materially from the expected 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, the risk factors in Item 1A, Risk Factors in this Form 10-K.

Other Noteworthy Transactions and Events

Some of the more noteworthy transactions and events in 2009, 2008 and 2007 consisted of the following:

2009

On October 27, 2009, the Corporation announced the closing of its public offering of 156.4 million shares of its $1.00 par value common stock at $5.75 per share. The 156.4 million shares included 20.4 million shares issued pursuant to an option granted to the underwriters by the Corporation, which was exercised in full. The proceeds, net of underwriting discounts and commissions and offering expenses, from the offering amounted to $863.1 million.

On June 17, 2009, the Corporation announced the closing of its public offering of 100.0 million shares of its $1.00 par value common stock at $5.75 per share. The 100.0 million shares included 13.0 million shares issued pursuant to an option granted to the underwriters by the Corporation, which was exercised in full. The proceeds, net of underwriting discounts and commissions and offering expenses, from the offering amounted to $551.8 million.

The Corporation also sold on an at-the-market basis 670,300 shares of its common stock resulting in proceeds of $4.5 million, net of fees and commissions and offering expenses, during the second quarter of 2009.

On May 29, 2009, the Corporation acquired the investment team and managed accounts of Delta Asset Management (Delta), an institutional large-cap core equity money manager based in Los Angeles, California. Delta, which was an operating division of Berkeley Capital Management LLC, had approximately $1.2 billion in assets under management as of April 30, 2009. Total consideration in this transaction amounted to $5.1 million, consisting of 775,166 shares of the Corporation s common stock valued at $6.52 per common share.

The Corporation continued to re-acquire and extinguish both bank holding company and banking affiliate long-term borrowings through open market purchases and a public tender offer. During 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt. The gain amounted to $99.4 million and is reported as Gain on Termination of Debt in the Consolidated Statements of Income. On an after-tax basis, this gain amounted to $62.6 million and reduced net loss by approximately $0.18 per diluted common share.

During 2009, the Corporation recognized a gain of $35.4 million in conjunction with the sale of its Visa Class B common stock. Also during the year, the Corporation s banking affiliates realized gains of $85.6 million from the sale of approximately $1.9 billion in aggregate principal amount of United States government agency investment securities. These gains are included in Net investment securities gains in the Consolidated Statements of Income. On an after-tax basis, these total gains amounted to $76.2 million and reduced net loss by approximately $0.22 per diluted common share.

During 2009, the Corporation recognized additional tax benefits that in total amounted to $69.0 million and reduced net loss by approximately $0.20 per diluted common share. During the first quarter of 2009, the State of Wisconsin enacted legislation that requires combined reporting for state income tax purposes. As a result, the

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Corporation recorded an additional income tax benefit of $51.0 million to recognize certain state deferred tax assets, which included the reduction of a valuation allowance for Wisconsin net operating losses. The Corporation expects that income tax expense will increase in future periods due to the enacted legislation. During the second quarter of 2009, the Corporation recognized an additional tax benefit of $18.0 million that was primarily related to the favorable resolution of a tax matter associated with a 2002 stock issuance.

During 2009, the Corporation recorded a special FDIC insurance assessment charge of $29.3 million. On an after-tax basis, the assessment amounted to $18.5 million and increased net loss by approximately $0.05 per diluted common share. The insurance assessment charge is included in FDIC insurance in the Consolidated Statements of Income.

During 2009, the Corporation completed the corporate-wide reduction in workforce that was announced in 2008 and recognized severance expense of $5.8 million. The expense is reported in Salaries and Employee Benefits in the Consolidated Statements of Income. On an after-tax basis, this loss amounted to $3.6 million and increased net loss by approximately $0.01 per diluted common share.

2008

On January 2, 2008, the Corporation completed its acquisition of First Indiana Corporation (First Indiana) based in Indianapolis, Indiana. First Indiana, with $2.1 billion in consolidated assets as of December 31, 2007, had 32 branches in central Indiana which became branches of M&I Marshall & Ilsley Bank on February 2, 2008. Stockholders of First Indiana received $32.00 in cash for each share of First Indiana common stock outstanding, or approximately $530.2 million.

On November 14, 2008, as part of the CPP, the Corporation agreed to sell 1,715,000 shares of the Corporation s Senior Preferred Stock having a liquidation preference of $1,000 per share, for a total price of $1.715 billion. The Senior Preferred Stock qualifies as Tier 1 capital and pays cumulative compounding dividends at a rate of 5% per year for the first five years and 9% per year thereafter. As a condition to participating in the CPP, the Corporation issued and sold to the UST a warrant to purchase 13,815,789 shares of the Corporation s common stock, at an initial per share exercise price of $18.62, for an aggregate purchase price of approximately $257.25 million. The term of the Warrant is ten years. Pursuant to the Securities Purchase Agreement entered into in connection with the transaction, until the UST no longer owns any shares of the Senior Preferred Stock, the Warrant or Warrant Shares, the Corporation s employee benefit plans and other executive compensation arrangements for its senior executive officers must continue to comply in all respects with Section 111(b) of EESA and the rules and regulations promulgated by the UST.

On December 3, 2008, the Corporation completed its acquisition of a majority equity interest in Taplin, Canida & Habacht, Inc. (TCH). TCH, based in Miami, Florida, is an institutional fixed income money manager with approximately $7.3 billion of assets under management as of December 31, 2008.

The results of goodwill impairment testing at the end of the fourth quarter of 2008 indicated that the fair value of certain of the Corporation s banking-related reporting units were less than their book values, resulting in an after-tax total non-cash charge to earnings for goodwill impairment in the amount of $1,487.9 million or $5.73 per diluted common share.

During 2008, the Corporation recognized income of $39.1 million due to the completion of the initial public offering (IPO) by Visa. As a result of the IPO, Visa redeemed 38.7% of the Class B Visa common stock owned by the Corporation. The gain from the redemption amounted to

$26.9 million and is reported in Net Investment Securities Gains in the Consolidated Statements of Income. In addition, Visa established an escrow for certain litigation matters from the proceeds of the IPO. As a result of the funded escrow, the Corporation reversed $12.2 million of the litigation accruals that were originally recorded in 2007 due to the Corporation s membership interests in Visa. The reversed accrual is reported in the Other line of Other Expense in the Consolidated Statements of Income. On an after-tax basis, these two Visa-related items reduced net loss by approximately $0.10 per diluted common share.

During 2008, the Corporation recognized an additional income tax benefit of $20.0 million, or $0.08 per diluted common share, related to how the TEFRA (interest expense) disallowance should be calculated within a consolidated group.

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During 2008, the Corporation re-acquired and extinguished $169.2 million of debt. The gain amounted to $14.7 million and is reported as Gain on Termination of Debt in the Consolidated Statements of Income. On an after-tax basis, this gain reduced net loss by approximately $0.04 per diluted common share.

Market disruptions in the equity and fixed income markets resulted in unexpected losses in the Corporation s Wealth Management segment. Losses attributable to the Lehman Brothers bankruptcy, costs of providing credit support agreements and other market related losses amounted to $45.7 million in 2008. The losses are reported in the Other line of Other Expense in the Consolidated Statements of Income. On an after-tax basis, these losses increased net loss by approximately $0.11 per diluted common share.

The deterioration in the national real estate markets resulted in a significant increase in the provision for losses for unfunded commitments and other credit related charges. In addition, rising fuel costs earlier in 2008 resulted in write-downs of residual values associated with consumer vehicle leases. In total, these provisions and write-downs amounted to $26.9 million and are reported in the Other line of Other Expense in the Consolidated Statements of Income. On an after-tax basis, these items increased net loss by approximately $0.07 per diluted common share.

During 2008, the Corporation recognized a loss related to one of its bank-owned life insurance (BOLI) policies. The BOLI policy contains a stable value agreement that provides limited cash surrender value protection from declines in the value of the policy s underlying investments. During the fourth quarter of 2008, the value of the policy s underlying investments declined due to disruptions in the credit markets. As a result, the decline in cash surrender value of the policy exceeded the protection provided by the stable value agreement. The loss amounted to $11.8 million or $0.05 per diluted common share and is reported as a reduction of Bank-Owned Life Insurance Revenue in the Consolidated Statements of Income.

During 2008, the Corporation recognized an other than temporary loss on an investment in a small-business lending venture. The loss amounted to $10.0 million and is reported in Net Investment Securities Gains in the Consolidated Statements of Income. On an after-tax basis, this loss increased net loss by approximately $0.02 per diluted common share.

During 2008, the Corporation recognized severance expense of $8.7 million in conjunction with its corporate-wide reduction in workforce. The expense is reported in Salaries and Employee Benefits in the Consolidated Statements of Income. On an after-tax basis, this loss increased net loss by approximately $0.02 per diluted common share.

2007

On November 1, 2007, old Marshall & Ilsley Corporation, the Accounting Predecessor to new Marshall & Ilsley Corporation (which is referred to as M&I or the Corporation) and its wholly owned subsidiary, Metavante Corporation, the Accounting Predecessor to Metavante Technologies, Inc. (which is referred to as Metavante) became two separate publicly traded companies in accordance with the plan the Corporation announced in early April 2007. The Corporation refers to this transaction as the Separation.

The net proceeds from the Separation amounted to $1.6 billion. In addition, the Corporation received $982 million of cash from Metavante to retire its indebtedness. The Corporation distributed its remaining ownership interest in Metavante to its shareholders on November 1, 2007.

As a result of the Separation, the assets, liabilities and net income of Metavante were de-consolidated from the Corporation s historical consolidated financial statements and are reported as discontinued operations. For the year ended December 31, 2007, income from discontinued operations in the Consolidated Statements of Income also includes the expenses attributable to the Separation transaction.

During 2007, the Corporation completed two banking acquisitions and one wealth management acquisition.

During 2007, the Corporation sold three bank branches located in the Tulsa, Oklahoma market after management determined that exiting that market was a better allocation of resources as compared to the costs of further expansion in that market. The gain, which is a component of Other Income in the Consolidated Statements of Income, amounted to $29.0 million which increased income from continuing operations by $16.9 million or $0.06 per diluted common share.

During 2007, the Corporation sold its investment in MasterCard Class B common shares in order to monetize the significant appreciation in the market price of the common stock of MasterCard since its initial public offering. The realized gain, which is reported in Net Investment Securities Gains in the Consolidated Statements of Income, amounted to $19.0 million which increased income from continuing operations by $12.4 million or $0.05 per diluted common share.

During 2007, the Corporation called the $200 million 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities. The Corporation also terminated $1,000 million of Puttable Reset Securities (PURS), senior bank notes issued by M&I Bank. The Corporation realized losses of $83.7 million from these transactions, which are reported as Loss on Termination of Debt in the Consolidated Statements of Income. These losses reduced income from continuing operations by $54.4 million or $0.20 per diluted common share.

During 2007, the Corporation recorded liabilities in connection with its share of the proposed settlement of the American Express antitrust litigation against Visa and other Visa litigation matters. While the Corporation is not a named defendant in any of these lawsuits, the Corporation and other Visa member banks are obligated to share in losses in connection with certain lawsuits under Visa s by-laws. The expense, which is reported in Other Expense in the Consolidated Statements of Income, amounted to $25.8 million which decreased income from continuing operations by $16.8 million or $0.06 per diluted common share.

During 2007, the Corporation purchased $286.6 million of additional bank-owned life insurance. The net realizable value is reported, along with the Corporation s other bank-owned life insurance, as Bank-Owned Life Insurance in the Consolidated Balance Sheets. The increase in net realizable value is reported in Bank-Owned Life Insurance Revenue in the Consolidated Statements of Income.

The Corporation has a tradition of being committed to the betterment of the communities within the markets that it serves. Consistent with that tradition, the Corporation made a sizeable contribution to its charitable foundation in 2007. That expense, which is reported in Other Expense in the Consolidated Statements of Income, amounted to $25.0 million, which decreased income from continuing operations by $16.3 million or $0.06 per diluted common share.

During 2007, the Corporation remarketed the 3.90% STACKS[SM] of M&I Capital Trust B that were originally issued in 2004 as components of the Corporation s 6.50% Common SPACES[SM]. In connection with the remarketing, the annual interest rate on the remarketed STACKS was reset at 5.626%, M&I Capital Trust B was liquidated and $400 million of 5.626% senior notes that matured on August 17, 2009 were issued by the Corporation in exchange for the outstanding STACKS. Each Common SPACES also included a stock purchase contract requiring the holder to purchase, in accordance with a settlement rate formula, shares of the Corporation s common stock. The Corporation issued 9,226,951 shares of its common stock in settlement of the stock purchase contracts in exchange for $400 million in cash.

Beginning in the second quarter and continuing throughout the remainder of 2007, the Corporation completed three accelerated common share repurchases as well as open market repurchases of shares of its common stock under its authorized Stock Repurchase Program. In total, 10,765,889 shares of the Corporation s common stock were acquired in 2007 at an aggregate cost of $437.1 million.

Net Interest Income

Net interest income is the difference between interest income on earning assets and interest expense on interest bearing liabilities.

Net interest income in 2009 amounted to $1,582.6 million compared with net interest income of $1,780.7 million in 2008, a decrease of $198.1 million or 11.1%. During the past year, net interest income has been under pressure as interest rates on earning assets have declined more rapidly than the rates paid for interest bearing liabilities. The Corporation s inability to continue to lower deposit pricing in the low interest rate environment due to competition for deposits has contributed to lower net interest income. In addition, net interest income has been compressed as a result of higher levels of nonperforming loans and leases, charge-offs, interest rate concessions associated with renegotiated loans and management s decision to maintain higher levels of low-yield liquid assets. Positive contributors to net interest income in 2009 compared to 2008 included the impact of a full year of benefit from the proceeds from the sale of the Senior Preferred Stock to the UST, improved asset spreads, increase in interest rate floors on loans, the increase in noninterest bearing deposits, cash received from the issuance of the Corporation s common stock and the modification and early extinguishment of higher-cost long-term borrowings.

Average earning assets in 2009 amounted to $56.5 billion compared to $57.9 billion in 2008, a decrease of $1.4 billion or 2.6%. Average trading and short-term investments, including federal funds sold and security resale agreements, increased $1.1 billion or 180.0% in 2009 compared to 2008. Average loans and leases decreased $1.9 billion or 3.9% and average investment securities decreased $0.7 billion or 8.8%.

Average interest bearing liabilities decreased $4.2 billion or 8.4% in 2009 compared to 2008. Average interest bearing deposits decreased $0.2 billion or 0.7% in 2009 compared to 2008. Average short-term borrowings decreased $2.8 billion or 46.2% in 2009 compared to 2008. Average long-term borrowings decreased $1.1 billion or 11.0% in 2009 compared to 2008.

Average noninterest bearing deposits increased $1.6 billion or 26.8% in 2009 compared to the prior year.

2008 Compared to 2007

Net interest income in 2008 amounted to $1,780.7 million compared with net interest income of $1,616.2 million in 2007, an increase of $164.5 million or 10.2%. Positive contributors to the increase in net interest income in 2008 compared to 2007 included the impact of the acquisitions, organic loan growth, a full year of benefit from the cash received in the Separation and the effect of the proceeds from the sale of the Senior Preferred Stock to the UST for one and one-half months in 2008. Factors negatively affecting 2008 net interest income compared to the prior year included reduced interest income due to the increase in nonperforming loans and leases, the impact of the financing costs associated with the banking acquisitions, the cost of common stock buybacks in 2007 and early 2008, the cost of purchased bank-owned life insurance, higher wholesale funding costs and a general shift in the bank issued deposit mix from lower cost to higher cost deposit products.

Average earning assets in 2008 amounted to $57.9 billion compared to $52.4 billion in 2007, an increase of $5.5 billion or 10.6%. Increases in average loans and leases accounted for $6.1 billion of the growth in average earning assets. Metavante s repayment of its indebtedness to the Corporation on November 1, 2007 resulted in a $0.8 billion decrease in average earning assets in 2008 compared to 2007. Average trading and short-term investments, including federal funds sold and security resale agreements, increased $0.2 billion or 52.7% in 2008 compared to 2007.

Average interest bearing liabilities increased $4.5 billion or 10.0% in 2008 compared to 2007. Average interest bearing deposits increased $4.8 billion or 16.8% in 2008 compared to 2007. Average short-term borrowings increased $1.5 billion or 31.3% in 2008 compared to 2007. Average long term borrowings decreased $1.8 billion or 15.5% in 2008 compared to 2007.

Average noninterest bearing deposits increased $0.4 billion or 7.1% in 2008 compared to the prior year.

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Loans and Leases

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 ($ in millions):

				Percent Growth	
	2009	2008	2007	2009 vs 2008	2008 vs 2007
Commercial					
Commercial	$13,878.0	$ 14,841.7	$ 12,672.3	(6.5)%	17.1%
Commercial Lease Financing	511.7	520.8	514.3	(1.7)	1.3
Total Commercial Loans and Leases	14,389.7	15,362.5	13,186.6	(6.3)	16.5
Real Estate					
Commercial Real Estate	13,522.8	11,839.9	10,563.7	14.2	12.1
Residential Real Estate	5,450.7	5,504.0	4,214.3	(1.0)	30.6
Construction and Development					
Commercial Construction	3,186.8	4,476.4	3,738.9	(28.8)	19.7
Commercial Land	887.9	965.8	819.2	(8.1)	17.9
Construction by Developers	650.8	1,385.7	1,790.6	(53.0)	(22.6)
Residential Land	1,915.4	2,345.4	2,458.4	(18.3)	(4.6)
Construction by Individuals	593.8	992.1	1,002.9	(40.1)	(1.1)
Total Construction and Development	7,234.7	10,165.4	9,810.0	(28.8)	3.6
Total Real Estate	26,208.2	27,509.3	24,588.0	(4.7)	11.9
Consumer Loans and Leases					
Home Equity Loans and Lines of Credit	4,909.0	4,901.6	4,277.4	0.2	14.6
Other Personal Loans	2,090.3	1,732.2	1,416.5	20.7	22.3
Personal Lease Financing	178.6	201.5	181.5	(11.4)	11.0
Total Consumer Loans and Leases	7,177.9	6,835.3	5,875.4	5.0	16.3
Total Consolidated Average Loans and Leases	$47,775.8	$ 49,707.1	$ 43,650.0	(3.9)%	13.9%
Total Consolidated Average Loans and Leases Excluding Total Construction and Development	$40,541.1	$ 39,541.7	$ 33,840.0	2.5%	16.8%

For the year ended December 31, 2009, total consolidated average loans and leases declined $1.9 billion or 3.9% compared to total consolidated average loans and leases for the year ended December 31, 2008.

For the year ended December 31, 2009, total average commercial loans and leases amounted to $14.4 billion compared to $15.4 billion for the year ended December 31, 2008, a decrease of $1.0 billion or 6.3%. The weak economy has resulted in lower demand for new loans and lower utilization of existing lines of credit as commercial customers reduced expenses and paid down their debt, delayed capital expenditures and reduced working capital demand. This trend is expected to continue until economic improvement takes a stronger hold.

For the year ended December 31, 2009, total average commercial real estate loans amounted to $13.5 billion compared to $11.8 billion for the year ended December 31, 2008, an increase of $1.7 billion or 14.2%. The majority of this growth represents the migration of construction loans to commercial real estate loans once construction is completed. As a result of the commercial real estate lending environment, the Corporation has provided more interim financing for post-construction loans than it has historically and expects this trend to continue until such time as the liquidity in the commercial real estate lending environment normalizes. The Corporation continues to experience significant declines in new commercial real estate development originations in response to the weak economy. As a result of reduced demand and normal payment activity, commercial real estate loans for 2010 are expected to contract slightly compared to 2009.

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For the year ended December 31, 2009, total average residential real estate loans amounted to $5.5 billion and was relatively unchanged compared to average residential real estate loans for the year ended December 31, 2008. In 2009, the Corporation sold substantially all of its residential real estate production in the secondary market. For the years ended December 31, 2009 and 2008, real estate loans sold to investors amounted to $3.1 billion and $1.4 billion, respectively. At December 31, 2009, the Corporation had approximately $76.5 million of residential mortgage loans and home equity loans which were originated for sale and were held for sale. For the year ended December 31, 2009, gains from the sale of mortgage loans amounted to $44.3 million compared to $22.4 million for the year ended December 31, 2008.

For the year ended December 31, 2009, total average construction and development loans amounted to $7.2 billion compared to $10.2 billion for the year ended December 31, 2008, a decrease of $3.0 billion or 28.8%. The decrease in construction and development loans has been due to payments, transfers to other loan types when projects are completed and permanent financing is obtained, loan sales and charge-offs. Construction and development loans held for sale amounted to $57.3 million at December 31, 2009. Construction and development loans are expected to continue to contract as the Corporation reduces its concentration in these types of loans to its corporate goal of 10% of total loans and leases. Construction and development loans amounted to $5.5 billion at December 31, 2009 which was 12.5% of total loans and leases outstanding at that date and was $1.7 billion less than average construction and development loans for the year ended December 31, 2009.

Total average personal loan and lease growth was $0.3 billion or 5.0% in 2009 compared to 2008. Average home equity loans and lines of credit were relatively unchanged in 2009 compared to 2008. Approximately $0.4 billion of the growth was attributable to consumer auto loans. Average auto leases, student loans and other consumer loans decreased $0.1 billion in 2009 compared to 2008. Credit card loans averaged $0.3 billion in each of 2009 and 2008. Credit card loans represented less than 1.0% of the Corporation s total average loan and leases in 2009 and 2008 and are not a significant component of the Corporation s loan and lease portfolio.

2008 Compared to 2007

Average loans and leases increased $6.1 billion or 13.9% in 2008 compared to 2007. Excluding the effect of the banking acquisitions, total consolidated average loan and lease organic growth was 9.0% in 2008 compared to 2007. Approximately $2.0 billion of the growth in total consolidated average loans and leases was attributable to the banking acquisitions and $4.1 billion of the growth was organic. Of the $2.0 billion of average growth attributable to the banking acquisitions, $0.5 billion was attributable to average commercial real estate loans, $0.5 billion was attributable to average commercial loans and leases, $0.4 billion was attributable to average residential real estate loans, $0.3 billion was attributable to average construction and development loans and $0.2 billion was attributable to average home equity loans and lines of credit. Of the $4.1 billion of average loan and lease organic growth, $1.7 billion was attributable to average commercial loans and leases, $0.9 billion was attributable to residential real estate loans, $0.8 billion was attributable to average commercial real estate loans, $0.4 billion was attributable to average home equity loans and lines of credit, $0.1 billion was attributable to average construction and development loans and the remainder was due to other consumer loans and leases.

Total average commercial loan and lease organic growth was $1.7 billion or 12.0% in 2008 compared to 2007. Total average commercial loan and lease organic growth was strong throughout the first nine months of 2008. That double-digit percentage growth was driven by new business, increased utilization of credit lines by existing customers, declining interest rates and increased exports due to the weaker U.S. dollar. On a linked quarter basis, total average commercial loan and leases contracted slightly in the fourth quarter of 2008 compared to the third quarter of 2008 as the recession deepened.

Average organic commercial real estate loan growth was $0.8 billion or 7.0% in 2008 compared to 2007. The Corporation continued to experience slowing in construction and development originations which was the result of significant declines in new construction in all of the Corporation s markets, less investor activity in new construction projects and softening in retail and hospitality expansion.

Average home equity loans and lines, which include the Corporation s wholesale activity, increased $0.6 billion or 14.6% in 2008 compared to 2007. This growth reflected, in part, the decline in the national investor base and the shift of more production that met the Corporation s underwriting criteria to portfolio. Average home equity loan and line growth due to the acquisitions amounted to $0.2 billion in 2008 compared to 2007.

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Residential real estate loans originated and sold to the secondary market amounted to $1.4 billion in 2008 compared to $1.8 billion in 2007. At December 31, 2008 and 2007, residential mortgage loans held for sale amounted to $40.3 million. The housing market and the decline in the national investor base continued to adversely affect the origination-for-sale business in 2008. Gains from the sale of mortgage loans amounted to $22.4 million in 2008 compared to $28.6 million in 2007.

Total consolidated average construction and development loans increased approximately $0.4 billion or 3.6% in 2008 compared to 2007. Total consolidated average construction and development loans in 2008 included approximately $0.3 billion of average construction and development loans that were attributable to the banking acquisitions in that year. At December 31, 2008, total consolidated construction and development loans outstanding amounted to $9.0 billion, a decrease of $1.1 billion or 10.5% since December 31, 2007.

Deposits

The growth and composition of the Corporation s consolidated average deposits for 2009 and prior two years are reflected below ($ in millions):

				Percent Growth	
	2009	**2008**	**2007**	**2009 vs 2008**	**2008 vs 2007**
Noninterest Bearing					
Commercial	$ 5,624.4	$ 4,237.7	$ 3,915.8	32.7%	8.2%
Personal	983.3	1,015.9	963.5	(3.2)	5.4
Other	821.8	603.9	590.5	36.1	2.3
Total Noninterest Bearing	7,429.5	5,857.5	5,469.8	26.8	7.1
Interest Bearing Deposits					
Savings and NOW					
Savings	1,764.3	871.9	794.4	102.4	9.8
NOW	3,129.5	2,375.9	2,110.6	31.7	12.6
Brokered NOW	52.9	1.2		n.m.	n.m.
Total Savings and NOW	4,946.7	3,249.0	2,905.0	52.3	11.8
Money Market					
Money Market Index	6,310.6	7,914.7	7,588.1	(20.3)	4.3
Money Market Savings	967.3	1,272.0	1,086.2	(23.9)	17.1
Brokered Money Market	3,184.8	1,829.2	1,798.8	74.1	1.7
Total Money Market	10,462.7	11,015.9	10,473.1	(5.0)	5.2
Time					
CDs $100,000 and Over					
Large CDs	3,776.3	3,967.1	3,821.4	(4.8)	3.8
Brokered CDs	7,646.8	7,393.7	3,737.4	3.4	97.8
Total CDs $100,000 and Over	11,423.1	11,360.8	7,558.8	0.5	50.3
Other CDs and Time	5,789.4	5,031.5	4,734.0	15.1	6.3

Total Time	17,212.5	16,392.3	12,292.8	5.0	33.3
Foreign					
Foreign Activity	500.6	1,798.2	1,910.8	(72.2)	(5.9)
Foreign Time	63.3	961.6	1,017.4	(93.4)	(5.5)
Total Foreign	563.9	2,759.8	2,928.2	(79.6)	(5.8)
Total Interest Bearing Deposits	33,185.8	33,417.0	28,599.1	(0.7)	16.8
Total Consolidated Average Deposits	$ 40,615.3	$ 39,274.5	$ 34,068.9	3.4%	15.3%

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Total consolidated average deposits increased $1.3 billion or 3.4% for the year ended December 31, 2009 compared to the year ended December 31, 2008. Average noninterest bearing deposits increased $1.6 billion or 26.8% for the year ended December 31, 2009 compared to the year ended December 31, 2008. Average interest bearing deposits decreased approximately $0.3 billion or 0.7% for the year ended December 31, 2009 compared to the year ended December 31, 2008. Of the $0.3 billion decrease in average interest bearing deposits over the prior year, average total money market deposits decreased $0.6 billion and total foreign deposits decreased approximately $2.2 billion for the year ended 2009 compared to the year ended 2008. The decline in average money market and foreign deposits reflects the competitive pricing environment. The declines in average money market deposits and foreign deposits were offset by growth in average savings and NOW deposits and average time deposits. Average savings and NOW increased $1.7 billion for the year ended December 31, 2009 compared to the same period in the prior year. The growth in average savings and NOW balances reflect the Corporation s use of competitive pricing and more effective bundling of product and services to retain customers and attract new deposits. In addition, existing customers have transferred their balances from other deposit types as those deposit instruments matured. Average total time deposits increased $0.8 billion for the year ended December 31, 2009 compared to the year ended December 31, 2008. The shift in the mix of average deposit types was beneficial to net interest income and the net interest margin in 2009.

Historically, noninterest bearing deposit balances tended to exhibit some seasonality with a trend of balances declining somewhat in the early part of the year followed by growth in balances throughout the remainder of the year. A portion of the noninterest balances, especially commercial balances, is sensitive to the interest rate environment. Larger balances tend to be maintained when overall interest rates are low and smaller balances tend to be maintained as overall interest rates increase. During 2009, the Corporation used competitive pricing in the form of higher earnings credits to encourage customers to maintain higher deposit balances and pay less in service charge fees.

On December 5, 2008, the Corporation announced that it and its eligible affiliates will be participating in a component of the FDIC s Temporary Liquidity Guarantee Program the Transaction Account Guarantee Program (the TAGP). Under the TAGP, which has been extended until June 30, 2010, all noninterest-bearing transaction accounts (which the TAGP defines as including all noninterest-bearing personal and business checking accounts, NOW accounts earning no more than 0.5 percent interest, and Interest on Lawyer Trust Accounts) held at M&I s affiliate banks are fully guaranteed by the FDIC for the entire amount in the account. Coverage under the TAGP is in addition to and separate from the coverage available under the FDIC s general deposit rules. Separately, Congress extended the temporary increase in the standard coverage of FDIC insurance on deposits to a limit of $250,000 until December 31, 2013. The Corporation believes that its participation in the TAGP had a positive affect on its deposit growth in 2009. How the expiration of TAGP on June 30, 2010 will impact existing deposits is uncertain, but it is expected that it will result in a loss of some deposits.

2008 Compared to 2007

Average deposits increased $5.2 billion or 15.3% in 2008 compared to 2007. Approximately $2.0 billion was attributable to the banking acquisitions and $3.2 billion of the growth was organic. Of the $2.0 billion of average growth attributable to the banking acquisitions, $0.3 billion was attributable to average noninterest bearing deposits, $1.1 billion was attributable to average savings, NOW and money market deposits and $0.6 billion was attributable to average time deposits which included $0.1 billion of brokered deposits. Approximately $3.5 billion of the organic growth in average deposits in 2008 compared to 2007 was attributable to brokered deposits. Average organic noninterest bearing deposits increased $0.1 billion in 2008 compared to 2007. Average organic interest bearing deposits excluding brokered deposits decreased $0.4 billion in 2008 compared to 2007.

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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 ($ in thousands):

	2009 Average Balance	2009 Interest Earned/ Paid	2009 Average Yield or Cost (3)	2008 Average Balance	2008 Interest Earned/ Paid	2008 Average Yield or Cost (3)	2007 Average Balance	2007 Interest Earned/ Paid	2007 Average Yield or Cost (3)
Loans and leases (1)(2)	$ 47,775,802	$ 2,210,842	4.63%	$ 49,707,080	$ 2,928,699	5.89%	$ 43,650,029	$ 3,244,771	7.43%
Investment securities:									
Taxable	5,916,658	207,235	3.50	6,454,016	286,054	4.40	6,208,495	311,837	4.97
Tax-exempt (1)	1,022,499	66,543	6.62	1,158,185	78,782	6.82	1,287,066	85,706	6.71
Federal funds sold and security resale agreements	34,613	229	0.66	223,000	5,613	2.52	204,170	10,712	5.25
Trading assets (1)	418,056	4,757	1.14	197,237	2,974	1.51	56,580	1,101	1.95
Other short-term investments	1,295,747	3,659	0.28	204,147	3,413	1.67	148,065	7,289	4.92
Loan to Metavante							817,885	35,969	4.40
Total interest earning assets	56,463,375	2,493,265	4.42%	57,943,665	3,305,535	5.70%	52,372,290	3,697,385	7.05%
Cash and demand deposits due from banks	761,199			897,709			1,005,362		
Premises and equipment, net	571,146			528,846			458,819		
Other assets	3,823,481			4,637,427			3,555,545		
Allowance for loan and lease losses	(1,356,675)			(877,730)			(448,222)		
Assets of discontinued operations							1,265,833		
Total assets	$ 60,262,526			$ 63,129,917			$ 58,209,627		
Interest bearing deposits:									
Savings and NOW	$ 4,946,671	$ 19,635	0.40%	$ 3,248,955	$ 18,464	0.57%	$ 2,904,953	$ 37,215	1.28%
Money market	10,462,750	78,554	0.75	11,015,942	211,925	1.92	10,473,079	443,022	4.23
Time	17,212,532	435,224	2.53	16,392,293	622,467	3.80	12,292,832	606,984	4.94
Foreign	563,852	2,013	0.36	2,759,868	50,088	1.81	2,928,259	144,031	4.92
Total interest bearing deposits	33,185,805	535,426	1.61	33,417,058	902,944	2.70	28,599,123	1,231,252	4.31
Short-term borrowings	3,316,810	9,550	0.29	6,163,488	139,627	2.27	4,693,890	236,671	5.04
Long-term borrowings	8,676,229	340,308	3.92	9,749,118	454,413	4.66	11,533,685	585,025	5.07
Total interest bearing liabilities	45,178,844	885,284	1.96%	49,329,664	1,496,984	3.03%	44,826,698	2,052,948	4.58%
Noninterest bearing deposits	7,429,499			5,857,485			5,469,774		
Other liabilities	1,046,502			981,108			1,041,522		
Liabilities of discontinued operations							149,723		
Total equity	6,607,681			6,961,660			6,721,910		
Total liabilities and equity	$ 60,262,526			$ 63,129,917			$ 58,209,627		
Net interest income		$ 1,607,981			$ 1,808,551			$ 1,644,437	
Net yield on interest earning assets			2.85%			3.12%			3.14%

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.

The net interest margin on a fully taxable equivalent basis (FTE) as a percent of average earning assets was 2.85% in 2009 compared to 3.12% in 2008. The yield on average earning assets was 4.42% in 2009 compared to 5.70% in 2008. The cost of interest bearing liabilities was 1.96% in 2009 compared to 3.03% in 2008. Net interest income has been under pressure as the decline in interest rates, higher levels of nonperforming loans and leases, interest rate concessions associated with renegotiated loans and management s decision to maintain higher levels of liquid assets have caused the yield on earning assets to decline by 128 basis points. The cost of interest bearing liabilities declined 107 basis points for the twelve months ended December 31, 2009 compared to the twelve months ended December 31, 2008. The Corporation s inability to continue to lower deposit pricing in the low interest rate environment due to competition for deposits contributed to lower net interest income and reduced net interest margin. The adverse impact of deposit pricing competition was somewhat mitigated by the improved loan to deposit ratio resulting from growth in noninterest bearing deposits. In addition, the net interest margin benefited from reduced use of wholesale funding, a favorable shift in the interest-bearing deposit mix and reduction in higher cost long-term borrowings through modification, early extinguishments and maturities throughout 2009.

Total borrowings decreased $6.2 billion and amounted to $7.5 billion at December 31, 2009 compared to $13.7 billion at December 31, 2008. Total average borrowings amounted to $12.0 billion in 2009 compared to $15.9 billion in 2008, a decrease of $3.9 billion or 24.6%. During 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt. The gain amounted to $99.4 million and is reported as Gain on Termination of Debt in the Consolidated Statements of Income. In addition, late in 2009 the Corporation modified approximately $580.0 million of Federal Home Loan Bank (FHLB) advances by extending the term and lowering the interest rate.

The low interest rate environment and level of nonperforming and renegotiated loans together with the numerous other factors that impact net interest income and the net interest margin have made it very difficult to project the net interest margin with a reasonable degree of certainty. The net interest income benefit from the reduction in higher cost long-term borrowings through modification, re-acquisition and maturities throughout 2009 will be offset by the lower yields resulting from the sale and reinvestment of investment securities during 2009. The favorable shift in the interest-bearing deposit mix, increase in noninterest bearing deposits and redeployment of lower yielding short-term liquid investments should be beneficial to net interest income.

2008 Compared to 2007

The net interest margin FTE as a percent of average earning assets was 3.12% in 2008 compared to 3.14% in 2007, a decrease of two basis points. The yield on average earning assets was 5.70% in 2008 compared to 7.05% in 2007, a decrease of 135 basis points. The cost of interest bearing liabilities was 3.03% in 2008 compared to 4.58% in 2007, a decrease of 155 basis points.

There were many factors that affected the Corporation s net interest margin in 2008. Some of these factors included the cash received from the Separation, the movement of new and existing deposits into higher cost products, loan growth that exceeded the Corporation s ability to generate lower cost bank-issued deposits, a volatile interest rate environment, higher credit spreads and liquidity premiums for term financing and elevated levels of nonperforming and renegotiated loans. Acquisitions for cash, the buyback of common shares and the purchase of bank-owned life insurance reduced net interest income and were additional sources of contraction to the net interest margin.

Total borrowings decreased $3.0 billion and amounted to $13.7 billion at December 31, 2008 compared to $16.7 billion at December 31, 2007. Total average borrowings amounted to $15.9 billion in 2008 compared to $16.2 billion in 2007 a decrease of $0.3 billion or 1.9%. Throughout 2008, the Corporation made greater use of short-term borrowings as well as wholesale funding alternatives, which are deposits generated through distribution channels other than the Corporation s own banking branches. The increased use of short-term borrowings and wholesale funding alternatives was in response to the widening of credit spreads and general lack of demand by investors for longer term bank debt that was prevalent throughout 2008. During 2008, the Corporation called $27 million in aggregate principal amount of various higher-cost junior subordinated deferrable interest debentures and the related trust preferred securities that had been assumed in acquisitions. During 2008, the Corporation re-acquired and extinguished $169.2 million of debt. The gain amounted to $14.7 million and is reported as Gain on Termination of Debt in the Consolidated Statements of Income.

During 2007, the Corporation called the $200 million 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities. This transaction resulted in a loss of $9.5 million that is reported in Loss on Termination of Debt in the Consolidated Statements of Income and was primarily due to the contractual call premium paid to retire the debentures and trust preferred securities. During 2007, $370.0 million of floating rate FHLB advances were extinguished and the pay fixed / receive floating interest rate swaps that were designated as cash flow hedges on the FHLB advances were terminated. The gain realized from these transactions was primarily due to the acceleration of the fair value adjustments for the interest rate swaps that were recorded in other comprehensive income. That gain amounted to $5.3 million and is reported in the Other line of Other Income in the Consolidated Statements of Income. Also during 2007, the Corporation remarketed the 3.90% STACKS of M&I Capital Trust B and issued $400.0 million of 5.626% senior notes of the Corporation that mature on August 17, 2009 in exchange for the STACKS. As a result of the illiquid market and prohibitive cost of remarketing, the $1.0 billion PURS were terminated in 2007. The loss, which was primarily the cost of purchasing the right to remarket the PURS through 2016, amounted to $74.2 million and is reported in Loss on Termination of Debt in the Consolidated Statements of Income.

Analysis of Changes in Interest Income and Interest Expense

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

	2009 versus 2008			2008 versus 2007		
	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:						
Loans and leases (1)	$ (113,752)	$ (604,105)	$ (717,857)	$ 450,039	$ (766,111)	$ (316,072)
Investment securities:						
Taxable	(25,099)	(53,720)	(78,819)	11,433	(37,216)	(25,783)
Tax-exempt (1)	(10,320)	(1,919)	(12,239)	(8,160)	1,236	(6,924)
Federal funds sold and security resale agreements	(4,747)	(637)	(5,384)	989	(6,088)	(5,099)
Trading assets (1)	3,334	(1,551)	1,783	2,743	(870)	1,873
Other short-term investments	18,230	(17,984)	246	2,759	(6,635)	(3,876)
Loan to Metavante				(35,987)	18	(35,969)
Total interest income change	$ (87,153)	$ (725,117)	$ (812,270)	$ 392,204	$ (784,054)	$ (391,850)
Expense on interest bearing liabilities:						
Interest bearing deposits:						
Savings and NOW	$ 9,677	$ (8,506)	$ 1,171	$ 4,403	$ (23,154)	$ (18,751)
Money market	(10,621)	(122,750)	(133,371)	22,963	(254,060)	(231,097)
Time	31,169	(218,412)	(187,243)	202,513	(187,030)	15,483
Foreign	(39,748)	(8,327)	(48,075)	(8,285)	(85,658)	(93,943)
Total interest bearing deposits	(6,244)	(361,274)	(367,518)	207,653	(535,961)	(328,308)
Short-term borrowings	(64,620)	(65,457)	(130,077)	74,068	(171,112)	(97,044)
Long-term borrowings	(49,997)	(64,108)	(114,105)	(90,478)	(40,134)	(130,612)
Total interest expense change	$ (125,770)	$ (485,930)	$ (611,700)	$ 206,236	$ (762,200)	$ (555,964)

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 table presents credit quality information as of and for the year ended December 31, 2009, as well as selected comparative years:

Consolidated Credit Quality Information

December 31, ($000 s)

	2009	2008	2007	2006	2005
Nonperforming Assets (a):					
Nonaccrual Loans and Leases	$ 1,987,081	$ 1,457,811	$ 686,888	$ 264,890	$ 134,718
Nonaccrual Loans Held for Sale	57,670	69,139			
Total Nonperforming Loans and Leases	2,044,751	1,526,950	686,888	264,890	134,718
Other Real Estate Owned	430,821	320,908	115,074	25,452	8,869
Total Nonperforming Assets	$ 2,475,572	$ 1,847,858	$ 801,962	$ 290,342	$ 143,587
Renegotiated	$ 793,459	$ 270,357	$ 224,398	$ 125	$ 143
Loans Past Due 90 Days or More and Still Accruing Interest	$ 8,755	$ 14,528	$ 13,907	$ 2,991	$ 5,725
Allowance for Loan and Lease Losses	$ 1,480,470	$ 1,202,167	$ 496,191	$ 420,610	$ 363,769
Consolidated Statistics					
Net Charge-offs to Average Loans and Leases	4.26%	2.74%	0.59%	0.10%	0.12%
Total Nonperforming Loans and Leases to Total Loans and Leases	4.62	3.05	1.48	0.63	0.39
Total Nonperforming Assets to Total Loans and Leases and Other Real Estate Owned	5.54	3.67	1.73	0.69	0.42
Allowance for Loan and Lease Losses to Total Loans and Leases	3.35	2.41	1.07	1.00	1.06
Allowance for Loan and Lease Losses to Nonaccrual Loans and Leases (Excluding Nonaccrual Loans Held for Sale)	75	82	72	159	270

(a) During 2009, the Corporation modified its definition of nonperforming assets to exclude renegotiated loans and loans past due 90 days or more and still accruing interest because these loans were performing in accordance with their current or modified terms. Prior periods presented have been adjusted for this reclassification.

Nonperforming assets consist of nonaccrual loans and leases which are referred to as nonperforming loans and leases and other real estate owned (OREO). In addition to the negative impact on net interest income and credit losses from carrying nonperforming loans and leases, nonperforming assets also increase operating costs due to the expense associated with collection efforts and the expense of holding OREO. At December 31, 2009, nonperforming assets amounted to $2,475.6 million and increased approximately $627.7 million or 34.0% compared to December 31, 2008. Nonperforming assets decreased approximately $297.4 million or 10.7% since June 30, 2009.

The Corporation had a significant increase in nonperforming assets in 2009 and 2008 compared to prior years. The increase has been primarily attributable to real estate related loans in areas that were previously experiencing substantial population growth and increased demand for housing, principally Arizona and Florida. The Corporation s higher growth markets have been disproportionately affected by the excess real estate inventory and deterioration in the national real estate markets when the economy deteriorated into recession.

The Corporation has worked aggressively to isolate, identify and assess its underlying loan and lease portfolio credit quality and has developed and continues to develop strategies to reduce and mitigate its loss exposure. In 2009, the Corporation expanded its strategy of selling nonperforming loans and potential problem loans to include pools of residential real estate loans. During 2009, the Corporation sold $854.9 million of nonperforming loans and potential problem loans. During 2008, the Corporation sold $643.2 million of nonperforming loans and potential problem loans. At December 31, 2009 and December 31, 2008, the Corporation held $57.7 million and $69.1 million, respectively, of nonperforming loans that are intended to be sold and have been charged down to their net realizable value. Over the past two years, the unpaid principal balance of nonperforming loans and potential problem loans sold, including pools of residential real estate loans, was approximately $2,073.6 million.

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Generally, loans that are 90 days or more past due as to interest or principal are placed on nonaccrual and nonperforming status. Exceptions to these rules are generally only for loans fully collateralized by readily marketable securities or other relatively risk free collateral and certain personal loans. A loan may be placed on nonaccrual when management makes a determination that the facts and circumstances warrant such classification irrespective of the current payment status. At December 31, 2009, approximately $525.8 million or 25.7% of the Corporation s total nonperforming loans and leases was less than 30 days past due. In addition, approximately $169.4 million or 8.3% of the Corporation s total nonperforming loans and leases was greater than 30 days past due but less than 90 days past due at December 31, 2009. In total, approximately $695.2 million or 34.0% of the Corporation s total nonperforming loans and leases were less than 90 days past due at December 31, 2009.

The Corporation considers nonperforming loans and leases to be those loans and leases with the greatest risk of loss. Throughout 2007 and 2008, nonperforming loans and leases continued to increase each consecutive quarter and amounted to $686.9 million or 1.48% of consolidated loans and leases at December 31, 2007 and $1,527.0 million or 3.05% of consolidated loans and leases at December 31, 2008. Nonperforming loans and leases reached their highest reported quarter-end balance of $2,416.1 million or 5.01% of consolidated loans and leases at June 30, 2009, which was the tenth consecutive quarter of an increase in nonperforming loans and leases since December 31, 2006. Since June 30, 2009, nonperforming loans and leases declined $166.0 million or 6.9% in the third quarter of 2009 and declined $205.3 million or 9.1% in the fourth quarter of 2009 and amounted to $2,044.8 million or 4.62% of consolidated loans and leases at December 31, 2009.

The decline in nonperforming loans and leases during the second half of 2009 was due to loan sales, charge-offs, paydowns and lower levels of new loans and leases transferred to nonperforming status. The balances of new loans and leases transferred to nonperforming status during the second half of 2009 were approximately $636.8 million or 26.3% less than the balances of new loans and leases transferred to nonperforming status during the first half of the year. The amount of cumulative net charge-offs recorded on the Corporation s nonperforming loans outstanding at December 31, 2009 was approximately $810.4 million or 52.4% of the unpaid principal balance of the affected nonperforming loans and 28.4% of the unpaid principal balance of its total nonperforming loans outstanding at December 31, 2009.

The following table presents the major categories of nonperforming loans and leases, including nonaccrual loans held for sale, at December 31, 2009 and 2008:

Major Categories of Nonperforming Loans and Leases ($ in millions)

	December 31, 2009				December 31, 2008			
	Total Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease Type	Total Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease Type
Commercial Loans & Leases	$ 12,950	29.3%	$ 350.5	2.71%	$ 15,442	30.9%	$ 168.5	1.09%
Real Estate								
Commercial Real Estate	13,646	30.9	584.9	4.29	12,542	25.1	178.3	1.42
Residential Real Estate	4,969	11.2	206.1	4.15	5,734	11.4	221.8	3.87
Construction and Development								
Commercial Construction	2,414	5.5	227.3	9.42	4,233	8.4	279.1	6.59
Commercial Land	843	1.9	122.9	14.59	830	1.7	35.6	4.29
Construction by Developers	408	0.9	100.1	24.53	977	2.0	205.6	21.04
Residential Land	1,574	3.5	273.4	17.37	2,122	4.2	279.0	13.15
Construction by Individuals	300	0.7	83.7	27.92	881	1.8	82.7	9.39
Construction and Development	5,539	12.5	807.4	14.58	9,043	18.1	882.0	9.75

Total Real Estate	24,154	54.6	1,598.4	6.62	27,319	54.6	1,282.1	4.69
Consumer Loans & Leases								
Home Equity Loans & Lines of Credit	4,715	10.7	84.9	1.80	5,082	10.2	67.3	1.32
Other Consumer Loans & Leases	2,399	5.4	11.0	0.46	2,142	4.3	9.1	0.42
Total Consumer Loans & Leases	7,114	16.1	95.9	1.35	7,224	14.5	76.4	1.06
Total Loans & Leases	$ 44,218	100.0%	$ 2,044.8	4.62%	$ 49,985	100.0%	$ 1,527.0	3.05%

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Nonperforming commercial loans and leases amounted to $350.5 million at December 31, 2009 compared to $168.5 million at December 31, 2008, an increase of $182.0 million. Approximately $102.6 million of the increase was due to loans to finance companies and bank holding companies that were transferred to nonperforming status during 2009 and were outstanding at December 31, 2009. The remainder of the increase was geographically dispersed and reflects the effects of the economy. Since June 30, 2009, nonperforming commercial loans and leases declined $20.6 million in the third quarter of 2009 and declined $60.6 million in the fourth quarter of 2009.

Nonperforming real estate loans represented 78.2% of total nonperforming loans and leases and amounted to $1,598.4 million at December 31, 2009 compared to $1,282.1 million at December 31, 2008, an increase of $316.3 million or 24.7%.

Nonperforming commercial real estate loans amounted to $584.9 million at December 31, 2009 compared to $178.3 million at December 31, 2008, an increase of $406.6 million. Approximately $211.3 million of the increase relates to one credit relationship that consists of multiple commercial real estate loans for geographically dispersed commercial real estate investments related to the lodging industry. Of that $211.3 million, approximately $170.6 million was a transfer from renegotiated loans to nonperforming commercial real estate loans in the fourth quarter of 2009. Since June 30, 2009, nonperforming commercial real estate loans declined $49.6 million in the third quarter and increased $75.3 million in the fourth quarter. On an adjusted basis, nonperforming commercial real estate loans declined $95.3 million in the fourth quarter of 2009 compared to the third quarter of 2009 excluding the fourth quarter transfer previously discussed.

Nonperforming residential real estate loans amounted to $206.1 million at December 31, 2009 compared to $221.8 million at December 31, 2008, a decrease of $15.7 million or 7.1%. The decrease in nonperforming residential real estate loans reflects the effect of two bulk sales of nonperforming and potential nonperforming residential real estate loans that were closed in the third and fourth quarters of 2009 and the restructuring of residential real estate loans for qualified borrowers. During 2009, the Corporation sold $341.6 million of nonperforming and potential nonperforming residential real estate loans. Renegotiated residential real estate loans amounted to $397.0 million or approximately 50.0% of total renegotiated loans outstanding at December 31, 2009.

Nonperforming construction and development loans amounted to $807.4 million and represented 39.5% of total nonperforming loans and leases at December 31, 2009. By comparison, nonperforming construction and development loans amounted to $882.0 million and represented 57.8% of total nonperforming loans and leases at December 31, 2008. The decrease in nonperforming construction and development loans in 2009 compared to 2008 amounted to $74.6 million or 8.5%. Since March 31, 2009, nonperforming construction and development loans declined $27.1 million in the second quarter of 2009, declined $58.9 million in the third quarter of 2009 and declined $177.1 million in the fourth quarter of 2009. The decrease in nonperforming construction and development loans was primarily due to reduced levels of new nonperforming loans, loan sales and charge-offs. The reduced levels of new nonperforming loans reflect the decline in volume of new larger construction loans transferring to nonperforming status, especially in Florida and Arizona.

Nonperforming consumer loans and leases amounted to $95.9 million at December 31, 2009 compared to $76.4 million at December 31, 2008, an increase of $19.5 million or 25.6%. Approximately 90.1% of that increase was due to the increase in nonperforming home equity loans and lines of credit in 2009 compared to 2008. Elevated levels of unemployment have increased economic stress on consumers and resulted in further deterioration in consumer loans and leases in all of the Corporation s markets.

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The following tables present a geographical summary of nonperforming loans and leases, including nonaccrual loans held for sale, at December 31, 2009 and 2008:

Geographical Summary of Nonperforming Loans & Leases

($ in millions)

	December 31, 2009				
	Total Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease Type	Percent Nonperforming Construction & Development to Nonperforming Loans & Leases
Wisconsin	$ 16,551	37.4%	$ 401.7	2.43%	28.7%
Arizona	5,338	12.1	431.4	8.08	54.6
Minnesota	4,724	10.7	148.5	3.14	26.1
Missouri	3,232	7.3	158.7	4.91	18.3
Florida	2,719	6.1	307.5	11.31	55.5
Indiana	1,610	3.6	35.9	2.23	14.5
Kansas	1,084	2.5	47.5	4.38	23.9
Others	8,960	20.3	513.6	5.73	39.3
Total	$ 44,218	100.0%	$ 2,044.8	4.62%	39.5%

	December 31, 2008				
	Total Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease Type	Percent Nonperforming Construction & Development to Nonperforming Loans & Leases
Wisconsin	$ 18,048	36.1%	$ 166.5	0.92%	20.0%
Arizona	7,489	15.0	642.1	8.58	71.7
Minnesota	5,210	10.4	135.8	2.61	37.5
Missouri	3,491	7.0	55.7	1.59	36.3
Florida	3,086	6.2	167.3	5.42	66.8
Indiana	1,613	3.2	50.3	3.12	33.3
Kansas	1,140	2.3	31.4	2.75	30.2
Others	9,908	19.8	277.9	2.80	64.5
Total	$ 49,985	100.0%	$ 1,527.0	3.05%	57.8%

Nonperforming loans in Arizona amounted to $431.4 million, which was 21.1% of total consolidated nonperforming loans and leases at December 31, 2009. Approximately $235.4 million or 54.6% of nonperforming loans in Arizona at December 31, 2009 were construction and development loans. By comparison, at December 31, 2008, nonperforming loans in Arizona amounted to $642.1 million, which was 42.0% of total consolidated nonperforming loans and leases at December 31, 2008. Approximately $460.2 million or 71.7% of nonperforming loans in Arizona at December 31, 2008 were construction and development loans. The overall decrease in nonperforming construction and development loans was primarily due to reduced levels of new larger nonperforming loans, loan sales and charge-offs.

Nonperforming loans in Florida amounted to $307.5 million or 15.0% of total consolidated nonperforming loans and leases at December 31, 2009. At December 31, 2008, nonperforming loans in Florida amounted to $167.3 million or 11.0% of total consolidated nonperforming loans and leases. Approximately $170.8 million or 55.5% of nonperforming loans in Florida at December 31, 2009 were construction and development loans. By comparison, approximately $111.7 million or 66.8% of nonperforming loans in Florida at December 31, 2008 were construction and development loans. Nonperforming commercial real estate loans in Florida increased $63.2 million in the first half of 2009 but remained relatively stable during the second half of the year.

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Nonperforming loans in Wisconsin amounted to $401.7 million or 19.6% of total consolidated nonperforming loans and leases at December 31, 2009. At December 31, 2008, nonperforming loans in Wisconsin amounted to $166.5 million or 10.9% of total consolidated nonperforming loans and leases. Nonperforming loans in Wisconsin increased $255.4 million in the first half of 2009. In Wisconsin, all types of loans and leases exhibited an increase in nonperforming loans and leases reflecting the broader economy and lingering levels of elevated unemployment. Nonperforming loans and leases in Wisconsin remained relatively stable during the second half of 2009. Based on the ratio of nonperforming loans and leases to total loans and leases at December 31, 2009, loans and leases in Wisconsin continued to have one of the lowest levels of nonperformance within the Corporation s markets. Total loans and leases in Wisconsin were 37.4% of consolidated loans and leases outstanding at December 31, 2009 and continue to represent the largest geographical concentration of loans and leases in the Corporation s loan and lease portfolio.

Nonperforming loans outside of the Corporation s primary markets amounted to $513.6 million at December 31, 2009 compared to $277.9 million at December 31, 2008, an increase of $235.7 million. Included in this category is the previously discussed credit relationship with multiple commercial real estate loans related to the lodging industry.

At December 31, 2009 total loans and leases in Arizona and Florida amounted to $8.1 billion compared to $10.6 billion at December 31, 2008, a decline of $2.5 billion or 23.8%. That decline reduces the possibility that the volume of new nonperforming loans and leases associated with those regions will continue at the same pace experienced in 2009 and 2008. Management believes that the level of new larger construction and development loans placed on nonperforming status likely have peaked in Arizona and Florida. Elevated levels of unemployment have resulted in increased stress in consumer loans, particularly residential real estate loans, home equity loans and lines of credit and residential land loans. Based on these factors, the amount of new consumer loans that go into nonperforming status are expected to increase. As a result of these offsetting trends, the levels of new nonperforming loans and leases may continue to stabilize or decrease as they did in the second half of 2009.

Other Real Estate Owned (OREO)

OREO is principally comprised of commercial and residential properties acquired in partial or total satisfaction of problem loans. Activity relating to OREO for the three years ended December 31, 2009 consisted of the following:

	Years Ended December 31, ($ in millions)		
	2009	**2008**	**2007**
Other Real Estate Owned (OREO):			
Beginning Balance	$ 320.9	$ 115.1	$ 25.5
Additions, Net of Initial Write-downs	534.3	343.8	123.5
Dispositions	(322.8)	(93.2)	(34.7)
Capitalized Costs	7.5	10.8	2.1
Valuation Adjustments	(109.1)	(55.6)	(1.3)
Ending Balance	$ 430.8	$ 320.9	$ 115.1

Valuation write-downs at initial transfer from loans to OREO are recorded as charge-offs. Valuation adjustments after the initial transfer, which are included in OREO expenses in the Consolidated Statements of Income, reflect the continued decline in real estate values due to the economy and elevated levels of unemployment. The amount of cumulative losses recorded on the Corporation s OREO outstanding at December 31, 2009 was approximately 52.8% of the unpaid principal balance of the foreclosed loans.

At December 31, 2009, properties acquired in partial or total satisfaction of problem loans, based on loan type, consisted of construction and development of $336.9 million, 1-4 family residential real estate of $31.6 million and commercial real estate of $62.3 million. At December 31, 2008, properties acquired in partial or total satisfaction of problem loans, based on loan type, consisted of construction and development of $245.7 million, 1-4 family residential real estate of $63.1 million and commercial real estate of $12.1 million. At December 31, 2007, properties acquired in partial or total satisfaction of problem loans, based on loan type, consisted of construction and development of $84.6 million, 1-4 family residential real estate of $17.7 million and commercial real estate of $12.8 million. OREO in

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Arizona represented approximately 43.1%, 50.8% and 12.9% of total OREO at December 31, 2009, 2008 and 2007, respectively. As a result of the soft real estate market and the increased possibility of foreclosures due to the elevated levels of nonperforming loans, management expects that OREO will continue to increase in future quarters.

Troubled Debt Restructuring (Renegotiated Loans)

Troubled-debt restructured loans, which the Corporation refers to as renegotiated loans amounted to $793.5 million at December 31, 2009 compared to $270.4 million at December 31, 2008, an increase of $523.1 million.

The Corporation recognizes that the current economy, elevated levels of unemployment and depressed real estate values have resulted in many customers being far more leveraged than prudent and in a very difficult financial position. Potentially distressed homeowners are identified in advance, and proactively offered assistance. In order to avoid foreclosure in the future, the Corporation has restructured loan terms for certain qualified borrowers that have demonstrated the ability to make the restructured payments for a specified period of time. The Corporation s foreclosure abatement program includes several options to reduce contractual payments. The Corporation has primarily used reduced interest rates and extended terms to lower contractual payments. In addition, the Corporation has implemented a 90-day foreclosure moratorium on all owner-occupied residential loans for customers who agree to work in good faith to reach a successful repayment agreement. The moratorium applies to loans in all the Corporation s markets and was extended a number of times in 2009. The most recent moratorium is scheduled to expire on March 31, 2010.

The following table shows the Corporation s renegotiated loans by type of loan at December 31, 2009 and 2008.

Major Categories of Renegotiated Loans

($ in millions)

	December 31, 2009		December 31, 2008	
	Renegotiated Loans	Percent of Total Renegotiated Loans	Renegotiated Loans	Percent of Total Renegotiated Loans
Commercial Loans	$ 46.3	5.8%	$ 10.5	3.9%
Real Estate				
Commercial Real Estate	90.9	11.5	9.9	3.7
Residential Real Estate	397.0	50.0	102.5	37.9
Construction and Development:				
Commercial Construction				
Commercial Land	1.3	0.2		
Construction by Developers	3.5	0.4	18.5	6.8
Residential Land	125.6	15.8	100.3	37.1
Construction by Individuals	17.5	2.2	16.5	6.1
Construction and Development	147.9	18.6	135.3	50.0
Total Real Estate	635.8	80.1	247.7	91.6

Consumer Loans				
Home Equity Loans & Lines of Credit	106.5	13.5	12.1	4.5
Other Consumer Loans	4.9	0.6	0.1	0.0
Total Consumer Loans	111.4	14.1	12.2	4.5
Total Loans	$ 793.5	100.0%	$ 270.4	100.0%

At December 31, 2009, consumer-related renegotiated loans (residential real estate, residential land, construction by individuals, home equity loans and lines of credit and other consumer loans) represented 82.1% of total renegotiated loans.

At December 31, 2009, renegotiated commercial loans amounted to $46.3 million. Approximately $40.1 million of the reported amount relates to a single loan that is included in Others in the Geographical Summary of Renegotiated Loans table presented below.

At December 31, 2009, renegotiated commercial real estate loans amounted to $90.9 million. Approximately $84.0 million of the balance included in this category was related to two commercial real estate loans that are part of one credit relationship that consists of multiple commercial real estate loans related to the lodging industry as previously discussed. The renegotiated balance related to the two commercial real estate loans are included in Others in the Geographical Summary of Renegotiated Loans table presented below.

The following table shows the geographical summary of the Corporation s renegotiated loans at December 31, 2009 and 2008.

Geographical Summary of Renegotiated Loans

($ in millions)

	December 31, 2009		December 31, 2008	
	Renegotiated Loans	Percent of Total Renegotiated Loans	Renegotiated Loans	Percent of Total Renegotiated Loans
Wisconsin	$ 54.2	6.8%	$ 13.5	5.0%
Arizona	454.8	57.3	214.6	79.4
Minnesota	30.5	3.8	10.4	3.8
Missouri	12.2	1.5	3.6	1.3
Florida	25.5	3.2	4.8	1.8
Indiana	7.5	0.9	0.8	0.3
Kansas	2.1	0.3	0.6	0.2
Others	206.7	26.2	22.1	8.2
Total	$ 793.5	100.0%	$ 270.4	100.0%

Approximately $454.8 million or 57.3% of the Corporation s total renegotiated loans at December 31, 2009 were loans located in Arizona. Consumer-related renegotiated loans (residential real estate, residential land, construction by individuals, home equity loans and lines of credit and other consumer loans) represented 98.7% of total renegotiated loans in Arizona. Renegotiated construction and development loans in Arizona amounted to $136.6 million or 92.4% of total renegotiated construction and development loans at December 31, 2009.

After restructuring, renegotiated loans result in lower payments than originally required and therefore have a lower risk of loss due to nonperformance than loans classified as nonperforming. The Corporation s instances of default and re-default on consumer-related renegotiated loans have been relatively low. For those consumer-related renegotiated loans that were restructured between June and December 2008, the cumulative default and re-default rate as of December 31, 2009 was approximately 19.8%. The Corporation attributes this experience to its processes used to determine a reasonable repayment program for qualified borrowers and its policy of requiring such borrowers to demonstrate the ability to make the restructured payments for a specified period of time before the loan is transferred to renegotiated status. The Corporation s experience with renegotiated loan performance is relatively new and does not encompass an extended period of time. Irrespective of the Corporation s procedures and policies, payment performance will continue to be adversely affected by unexpected increases in unemployment. At December 31, 2009, approximately $61.6 million of total renegotiated loans were past due 30-89 days. The Corporation expects nonaccrual loans will initially increase until the loan terms are restructured. Upon restructuring, nonaccrual loans will decline and the balance of renegotiated loans will increase. The Corporation expects the balance of renegotiated loans will continue to increase in future quarters.

Loans 90 days past due and still accruing interest amounted to $8.8 million at December 31, 2009 compared to $14.5 million at December 31, 2008 and $13.9 million at December 31, 2007.

Delinquency can be an indicator of potential problem loans and leases. At December 31, 2009, loans and leases past due 30-89 days, excluding credit card loans and student loans and loans in nonperforming status, amounted to $539.1 million or 1.22% of total loans and leases outstanding compared to $891.2 million or 1.78% of total loans and leases outstanding at December 31, 2008, a decrease of $352.1 million or 39.5%. Loans and leases past due 30-89 days, excluding credit card loans and student loans and loans in nonperforming status, amounted to $500.6 million or 1.08%

of total loans and leases at December 31, 2007. At March 31, 2009, loans and leases past due 30-89 days amounted to $1,477.0 million. Since March 31, 2009, loans and leases past due 30-89 days declined $586.7 million in the second quarter of 2009, declined $224.2 million in the third quarter of 2009 and declined $127.0 million in the fourth quarter of 2009.

In addition to its nonperforming loans and leases, the Corporation has loans and leases for which payments are presently current, but which management believes could possibly be classified as nonperforming in the near future. These loans are subject to constant management attention and their classification is reviewed on an ongoing basis. At December 31, 2009, such loans amounted to $503.6 million or 1.1% of total loans and leases outstanding compared to $880.6 million or 1.76% of total loans and leases outstanding at December 31, 2008 and $469.2 million or 1.01% of total loans and leases outstanding at December 31, 2007.

The following table presents the reconciliation of the consolidated allowance for loan and lease losses for the year ended December 31, 2009, as well as selected comparative years:

Reconciliation of Consolidated Allowance for Loan and Lease Losses ($000 s)

	2009	2008	2007	2006	2005
Allowance for Loan and Lease Losses at Beginning of Year	$ 1,202,167	$ 496,191	$ 420,610	$ 363,769	$ 358,110
Provision for Loan and Lease Losses	2,314,649	2,037,707	319,760	50,551	44,795
Allowance of Banks and Loans Acquired		32,110	11,713	45,258	
Loans and Leases Charged-off:					
Commercial	436,560	169,566	83,191	16,280	21,540
Real Estate	1,590,848	1,186,447	163,932	22,740	21,215
Personal	60,014	36,232	22,335	14,547	15,580
Leases	5,672	2,184	1,887	1,863	1,189
Total Charge-offs	2,093,094	1,394,429	271,345	55,430	59,524
Recoveries on Loans and Leases:					
Commercial	19,741	7,125	6,401	6,910	11,758
Real Estate	28,698	16,440	2,876	2,685	2,742
Personal	5,828	5,237	4,259	4,247	3,069
Leases	2,481	1,786	1,917	2,620	2,819
Total Recoveries	56,748	30,588	15,453	16,462	20,388
Net Charge-offs	2,036,346	1,363,841	255,892	38,968	39,136
Allowance for Loan and Lease Losses at End of Year	$ 1,480,470	$ 1,202,167	$ 496,191	$ 420,610	$ 363,769

Summary of Net Charge-Offs on Loans and Leases

Year Ended December 31, ($000 s)

	2009	2008	2007
Net Charge-offs:			

Commercial Loans and Leases	$ 418,978	$ 162,319	$ 76,869
Commercial Real Estate	237,251	99,982	14,662
Residential Real Estate	354,808	38,870	4,378
Construction and Development	853,510	986,447	129,360
Home Equity Loans and Lines of Credit	116,581	44,708	12,656
Personal Loans and Leases	55,218	31,515	17,967
Total Net Charge-offs	$ 2,036,346	$ 1,363,841	$ 255,892

Net charge-offs amounted to $2,036.3 million or 4.26% of average loans and leases in 2009 compared to $1,363.8 million or 2.74% of average loans and leases in 2008 and $255.9 million or 0.59% of average loans and leases in 2007. The increase in net charge-offs in 2009 and 2008 related primarily to the deterioration in the performance of the

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Corporation s real estate loan portfolios. Loss severity remained elevated due to the continuing decline in collateral values. The increased volume of loan sales in 2009 compared to 2008 also accelerated the timing of net charge-offs in 2009. Net charge-offs associated with loans to bank holding companies contributed $157.8 million to the increase in commercial loan and lease net charge-offs in 2009 compared to 2008. The Corporation s construction and development real estate loans continued to exhibit elevated levels of impairment and was the largest category of net charge-offs in 2009, 2008 and 2007. The decline in construction and development real estate loan net charge-offs in 2009 compared to 2008 reflects the offsetting trends of lower net charge-offs associated with larger commercial construction and development real estate loans and increased net charge-offs associated with consumer-related construction and development real estate loans especially residential land loans. The increase in net charge-offs in other consumer-related loans (residential real estate, home equity loans and lines of credit and personal loans) in 2009 compared to 2008 reflects the impact of the economy and the elevated levels of unemployment along with continued depressed collateral values. Net charge-offs for residential real estate and home equity loans and lines of credit in 2009 also reflect the accelerated impact on charge-offs resulting from the two bulk loan sales completed in 2009. Net charge-offs on loans located in Arizona and Florida amounted to $1,098.1 million or 53.9% of total net charge-offs for the year ended December 31, 2009.

Deteriorating conditions in the U.S. housing market became evident in the first half of 2007, accelerated sharply in the second half of the year and continued the accelerated pace in 2008 and first half of 2009. These deteriorating conditions have been fueled and extended, in part, by rising unemployment due to the recession. As a result, an increasing number of borrowers have been unable to either refinance or sell their properties and consequently have defaulted or are very close to defaulting on their loans. In this stressed housing market that has experienced elevated levels of delinquencies and volatile real estate values, the adequacy of collateral securing the loan becomes a much more important factor in determining expected loan performance. The Corporation continuously re-assessed, and continues to re-assess the timeliness and propriety of appraisals for collateral dependent loans especially in volatile real estate markets such as Arizona. The Corporation uses a variety of sources, such as recent sales of loans and sales of OREO, to validate the collateral values used to determine the amount of loss exposure at the measurement date. In many cases, rapidly declining real estate values have resulted in the determination that the collateral was insufficient to cover the recorded investment in the loan. These factors resulted in the Corporation s loan and lease portfolio experiencing significantly higher incidences of default and a significant increase in loss severity in 2009 and 2008.

As a result of the housing downturn, real estate related loans, especially construction and development real estate loans were the primary contributors to the elevated levels of nonperforming loans and leases and net charge-offs in 2009 and 2008 as previously discussed. Real estate related loans made up the majority of the Corporation s nonperforming loans and leases at December 31, 2009 and 2008. Historically, the Corporation s loss experience with real estate loans has been relatively low due to the sufficiency of the underlying real estate collateral. In a stressed real estate market such as currently exists, the value of the collateral securing the loans has become one of the most important factors in determining the amount of loss incurred and the appropriate amount of allowance for loan and lease losses to record at the measurement date. The likelihood of losses that are equal to the entire recorded investment for a real estate loan is remote. However, in many cases, rapidly declining and depressed real estate values have resulted in the determination that the estimated value of the collateral was insufficient to cover all of the recorded investment in the loan which has required significant additional charge-offs. Depressed collateral values have significantly contributed to the elevated levels of net charge-offs and the increase in the provision for loan and lease losses that the Corporation experienced over the past two years.

The amount of cumulative net charge-offs recorded on the Corporation s nonperforming loans outstanding at December 31, 2009 was approximately $810.4 million or 52.4% of the unpaid principal balance of the affected nonperforming loans and 28.4% of the unpaid principal balance of its total nonperforming loans outstanding at December 31, 2009. These charge-offs have reduced the carrying value of these nonperforming loans and leases which reduced the allowance for loan and lease losses required at the measurement date.

Consolidated Loan and Lease Risk Profile

In determining the adequacy of the allowance for loan and lease losses, management considers a number of factors to assess the risk and determine the amount of inherent loss in the portfolio at the measurement date. The tables below present certain statistics that are indicators of credit risk by loan type and provides supplemental information that, together with the previous discussion, is intended to assist in obtaining an understanding of the current credit risks that are in each loan type.

	Commercial ($ in millions)			
	December 31, 2009	% of Consolidated Total	December 31, 2008	% of Consolidated Total
Loans and Leases	$ 12,949.9	29.3%	$ 15,441.7	30.9%
Nonaccrual Loans and Leases	350.5	17.2	168.5	11.0
Renegotiated Loans	46.3	5.8	10.5	3.9
Loans and Leases Past Due 30-89 Days	56.9	8.0	56.1	5.6
Year-to-Date Net Charge-Offs (1)	419.0	20.6	162.3	11.9

(1) Includes net charge-offs of $157.8 million related to bank holding company loans in 2009.

Commercial loans and leases are extended across many industry types that at December 31, 2009 included: manufacturing (23%), wholesale trade (14%), finance and insurance (11%), retail trade (8%), real estate (7%), construction (5%), professional (5%), management companies (4%), health care (3%), agriculture (4%) and transportation and warehousing (4%).

Commercial loans and leases are evaluated for the adequacy of repayment sources at the time of approval and are regularly reviewed for any possible deterioration in the ability of the borrower to repay the loan. Collateral varies by individual customer and may include accounts receivable, inventory, equipment, deposits, securities, personal guarantees, general security agreements and real estate.

Commercial loans and leases are associated with customers located in Wisconsin (42%), Minnesota (14%), Missouri (10%), Arizona (4%), Indiana (4%), Florida (3%), Kansas (3%), and Illinois (6%).

Generally, the weak economy has resulted in commercial customers reducing expenses and paying down their debt, delaying capital expenditures and reducing working capital demand. As a result, commercial loan and lease balances have contracted in recent quarters.

Nonperforming commercial loans and leases amounted to $350.5 million at December 31, 2009 compared to $168.5 million at December 31, 2008, an increase of $182.0 million. Approximately $102.6 million of the increase was due to loans to finance companies and bank holding companies that were transferred to nonperforming status during 2009 and were outstanding at December 31, 2009. The remainder of the increase was geographically dispersed and reflects the effects of the economy. Since June 30, 2009, nonperforming commercial loans and leases declined $20.6 million in the third quarter of 2009 and declined $60.6 million in the fourth quarter of 2009.

Included in net charge-offs for the year ended December 31, 2009 were charge-offs related to loans to certain bank holding companies that amounted to $157.8 million. At December 31, 2009, loans outstanding to bank holding companies were approximately $550.1 million. The recent adverse events and exposure to these loans has been taken into consideration in the determination of the allowance for loan and lease losses.

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The ratio of nonaccrual commercial loans and leases to total commercial loans and leases at December 31, 2009 was 2.71%. The average annualized net charge-offs for commercial loans and leases over the past eight quarters, based on end of period loans, was 2.0%.

	Commercial Real Estate ($ in millions)			
	December 31, 2009	% of Consolidated Total	December 31, 2008	% of Consolidated Total
Loans	$ 13,645.9	30.9%	$ 12,541.5	25.1%
Nonaccrual Loans	584.9	28.6	178.3	11.7
Renegotiated Loans	90.9	11.5	9.9	3.7
Loans Past Due 30-89 Days	135.0	19.0	129.7	13.0
Year-to-Date Net Charge-Offs	237.2	11.7	100.0	7.3

Commercial real estate loans include multi-family properties and business purpose loans secured by 1-4 family residences (27%), industrial (16%), office (14%), retail (14%), farmland (6%), lodging (7%) and medical facilities (4%). Commercial real estate loans as presented do not include commercial construction and land development loans.

At December 31, 2009 business real estate loans amounted to $9.3 billion or 68% of total commercial real estate loans. Approximately 37% of the business real estate loans are owner-occupied. Owner-occupied real estate loans are generally expected to have lower levels of risk of default.

The Corporation has established policies that set standards for maximum commercial mortgage amounts by type of property, loan terms, pricing structures, loan-to-value limits by property type, minimum requirements for initial investment and maintenance of equity by the borrower, borrower net worth, property cash flow and debt service coverage as well as policies and procedures for granting exceptions to established underwriting standards. Commercial mortgages are evaluated for adequacy of repayment sources at the time of approval and regularly reviewed for any possible deterioration in the ability of the borrower to repay the loan.

Commercial real estate loans are located primarily in the Midwest: Wisconsin (45%), Minnesota (12%), Missouri (8%), Illinois (4%), Kansas (3%), and Indiana (3%). Commercial real estate loans in higher risk markets include Arizona (7%) and Florida (8%).

As a result of the weak economy, the Corporation has experienced slowing in new development originations. A portion of the reported growth over the prior year represents the migration of construction loans to commercial real estate loans once construction is completed. As a result of the commercial real estate lending environment, the Corporation has provided more interim financing for post-construction loans than it has historically and expects this trend to continue until such time as the liquidity in the commercial real estate lending normalizes. Interim financing is structured to ensure a significant amount of the income generated from the commercial real estate project is used to pay interest and reduce outstanding principal.

At December 31, 2009 nonperforming commercial real estate loans consisted of business real estate loans of $410.2 million, multi-family properties and business purpose loans secured by 1-4 family residences of $159.5 million and farmland of $15.2 million. Total nonperforming commercial real estate loans amounted to $584.9 million or 4.29% of total commercial real estate loans at December 31, 2009 compared to $178.3 million or 1.42% of total commercial real estate loans at December 31, 2008, an increase of $406.6 million. Approximately $211.3 million of the increase relates to one credit relationship that consists of multiple commercial real estate loans for geographically dispersed commercial real estate investments related to the lodging industry. Of that $211.3 million, approximately $170.6 million was a transfer from renegotiated loans to nonperforming commercial real estate loans in the fourth quarter of 2009. Since June 30, 2009, nonperforming commercial real estate loans declined $49.6 million in the third quarter and increased $75.3 million in the fourth quarter. On an adjusted basis, nonperforming commercial real estate loans declined $95.3 million in the fourth quarter of 2009 compared to the third quarter of 2009 excluding the fourth quarter transfer previously discussed.

The average annualized net charge-offs for commercial real estate loans based on end of period loans was 1.7% in 2009 compared to 0.8% in 2008.

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	Residential Real Estate ($ in millions)			
	December 31, 2009	% of Consolidated Total	December 31, 2008	% of Consolidated Total
Loans	$ 4,968.9	11.2%	$ 5,733.9	11.4%
Nonaccrual Loans	206.1	10.1	221.8	14.5
Renegotiated Loans	397.0	50.0	102.5	37.9
Loans Past Due 30-89 Days	193.2	27.3	235.4	23.5
Year-to-Date Net Charge-Offs	354.8	17.4	38.9	2.9

The Corporation does not originate sub-prime mortgages, variable interest-only payment plans, or mortgage loans that permit negative amortization. The Corporation does not originate loans with so-called teaser interest rates that are below market rates at closing and then increase after some contractual period of time.

Residential real estate loans are concentrated in Wisconsin (33%) and Arizona (38%).

For the year ended December 31, 2009 the vast majority of new mortgage volumes were associated with re-financings due to low interest rates. The Corporation sold substantially all of its 2009 residential real estate production in the secondary market. At December 31, 2009, approximately 52% of residential real estate loans were originated after 2006, 17% were originated in 2004 and 31% were originated in 2005 and 2006.

Residential real estate loans in Arizona have elevated levels of risk. At December 31, 2009, Arizona residential real estate loans amounted to $1,908.3 million. Nonperforming residential real estate loans in Arizona amounted to $121.1 million or 6.34% of total Arizona residential real estate loans at December 31, 2009. Nonperforming residential real estate loans in Arizona represented 58.7% of total nonperforming residential real estate loans at December 31, 2009.

At December 31, 2009, Florida residential real estate loans amounted to $353.6 million. Nonperforming residential real estate loans in Florida amounted to $20.6 million or 5.84% of total Florida residential real estate loans at December 31, 2009. Nonperforming residential real estate loans in Florida represented 10.0% of total nonperforming residential real estate loans at December 31, 2009.

The ratio of nonaccrual residential real estate loans to total residential real estate loans at December 31, 2009 was 4.15%. In Wisconsin, the ratio of nonaccrual residential real estate loans to total residential real estate loans was 1.75% at December 31, 2009.

Nonperforming residential real estate loans amounted to $206.1 million at December 31, 2009 compared to $221.8 million at December 31, 2008, a decrease of $15.7 million or 7.1%. The decrease in nonperforming residential real estate loans reflects the effect of two bulk sales of nonperforming and potential nonperforming residential real estate loans that were closed in the third and fourth quarters of 2009 and the restructuring of residential real estate loans for qualified borrowers. During 2009, the Corporation sold $341.6 million of nonperforming and potential nonperforming residential real estate loans.

At December 31, 2009, approximately 58.9% of renegotiated residential real estate loans were in Arizona.

The average annualized net charge-offs for residential real estate loans in 2009 based on end of period loans was 3.0% excluding the charge-offs associated with the loan sales. The average annualized net charge-offs for residential real estate loans for 2008 based on end of period loans was 0.7%.

	Construction and Development ($ in millions)			
	December 31, 2009	% of Consolidated Total	December 31, 2008	% of Consolidated Total
Loans	$ 5,538.9	12.5%	$ 9,043.3	18.1%
Nonaccrual Loans	807.4	39.5	882.0	57.8
Renegotiated Loans	147.9	18.6	135.3	50.0
Loans Past Due 30-89 Days	228.1	32.2	470.6	47.1
Year-to-Date Net Charge-Offs	853.5	41.9	986.4	72.3

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The cumulative net charge-offs for construction and development loans were $1,839.9 million or 54.1% of total loan and lease cumulative net charge-offs for the two years ended December 31, 2009. The average annualized net charge-offs for construction and development loans over the past eight quarters based on end of period loans was 11.8%. Those losses were predominantly associated with construction and development loans located in Florida and Arizona. The Corporation expects that the rate of transfer of new larger construction and development loans to nonperforming status is likely to have peaked in Florida and Arizona.

The Corporation has significantly reduced the construction and development loan portfolio which, at its peak in 2007, was approximately 23% of total loans and leases outstanding. The Corporation continues to aggressively reduce the construction and development loan portfolio, particularly in Arizona. The Corporation intends to reduce its concentration in these types of loans to its corporate goal of 10% of total consolidated loans and leases. Construction and development loans were 12.5% of total consolidated loans and leases at December 31, 2009.

Nonperforming construction and development loans amounted to $807.4 million and represented 39.5% of total nonperforming loans and leases at December 31, 2009. By comparison, nonperforming construction and development loans amounted to $882.0 million and represented 57.8% of total nonperforming loans and leases at December 31, 2008. The decrease in nonperforming construction and development loans in 2009 compared to 2008 amounted to $74.6 million or 8.5%. Since March 31, 2009, nonperforming construction and development loans declined $27.1 million in the second quarter of 2009, declined $58.9 million in the third quarter of 2009 and declined $177.1 million in the fourth quarter of 2009. The decrease in nonperforming construction and development loans was primarily due to reduced levels of new nonperforming loans, loan sales and charge-offs. The reduced levels of new nonperforming loans reflects the decline in volume of new larger construction loans transferring to nonperforming status, especially in Florida and Arizona.

Construction and development loans in Arizona amounted to $1,382.2 million or 25.0% of total construction and development loans at December 31, 2009. Nonperforming construction and development loans in Arizona amounted to $235.4 million or 17.0% of total construction and development loans in Arizona and 29.2% of total nonperforming construction and development loans at December 31, 2009. Nonperforming residential land loans in Arizona represented 51.1% of total nonperforming construction and development loans in Arizona at December 31, 2009.

	Consumer ($ in millions)			
	December 31, 2009	% of Consolidated Total	December 31, 2008	% of Consolidated Total
Loans and Leases	$ 7,114.0	16.1%	$ 7,224.1	14.5%
Nonaccrual Loans and Leases	95.9	4.6	76.4	5.0
Renegotiated Loans	111.4	14.1	12.2	4.5
Loans and Leases Past Due 30-89 Days	95.3	13.5	107.8	10.8
Year-to-Date Net Charge-Offs	171.8	8.4	76.2	5.6

The majority of consumer loans and leases are home equity loans and lines of credit which amounted to $4.7 billion at December 31, 2009. Home equity lines of credit represented 58% and home equity loans represented 42% of total home equity loans and lines of credit at December 31, 2009. Approximately 45% of home equity loans and lines of credit are secured by first mortgages. At December 31, 2009 home equity lines of credit outstanding (amount drawn) represented approximately 60% of the total lines of credit outstanding compared to a three year average of 55.6%. During 2005 and 2006, when the real estate market values were at a peak, the majority of the Corporation s originations were sold.

The largest geographic concentration of home equity loans and lines of credit is in Wisconsin (36%) with the remainder geographically dispersed.

The average annualized net charge-offs for home equity loans and lines of credit in 2009 based on end of period loans was 2.4%. The average annualized net charge-offs for home equity loans and lines of credit in 2008 based on end of period loans was 0.9%.

Credit card loans amounted to $292.8 million or 0.7% of total loans and leases at December 31, 2009. Credit cards are not a significant component of the Corporation s loan and lease portfolio.

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The following table presents the allocation of the consolidated allowance for loan and lease losses at December 31, 2009, as well as selected comparative years:

Allocation of the Allowance for Loan and Lease Losses ($000 s)

	December 31, 2009		December 31, 2008		December 31, 2007	
	Amount	Percent of Loans and Leases to Total Loans and Leases	Amount	Percent of Loans and Leases to Total Loans and Leases	Amount	Percent of Loans and Leases to Total Loans and Leases
Balance at end of period applicable to:						
Commercial, Financial & Agricultural	$ 287,402	28.2%	$ 183,194	29.8%	$ 205,258	29.8%
Real Estate						
Residential Mortgage	690,316	27.1	599,882	29.6	46,755	30.6
Commercial Mortgage	448,551	38.2	364,723	35.2	185,601	34.7
Personal	51,718	5.1	46,716	3.9	26,889	3.3
Lease Financing	2,483	1.4	7,652	1.5	31,688	1.6
Total	$ 1,480,470	100.0%	$ 1,202,167	100.0%	$ 496,191	100.0%

	December 31, 2006		December 31, 2005	
	Amount	Percent of Loans and Leases to Total Loans and Leases	Amount	Percent of Loans and Leases to Total Loans and Leases
Balance at end of period applicable to:				
Commercial, Financial & Agricultural	$ 251,475	28.7%	$ 222,078	28.0%
Real Estate				
Residential Mortgage	20,454	31.9	12,921	34.9
Commercial Mortgage	83,510	34.2	63,813	30.5
Personal	18,434	3.5	24,153	4.7
Lease Financing	46,737	1.7	40,804	1.9
Total	$ 420,610	100.0%	$ 363,769	100.0%

Consistent with the credit quality trends noted above, the provision for loan and lease losses amounted to $2,314.6 million in 2009. By comparison, the provision for loan and lease losses amounted to $2,037.7 million and $319.8 million in 2008 and 2007, respectively. The provision for loan and lease losses is the amount required to establish the allowance for loan and lease losses at the required level after considering charge-offs and recoveries. The ratio of the allowance for loan and lease losses to total loans and leases was 3.35% at December 31, 2009 compared to 2.41% at December 31, 2008 and 1.07% at December 31, 2007.

While the direction of nonperforming and potential nonperforming loans and leases may be an indication of stabilization in some geographies and markets, management is only cautiously optimistic. Management recognizes the economic recovery remains fragile, unemployment remains elevated and real estate markets remain relatively unstable. Therefore, it may be too early to expect that this recent experience is indicative of the start of a sustainable longer-term trend.

Management expects the prevailing economic and difficult real estate market conditions will last well into 2010 in many of the Corporation s markets. Nonperforming asset balances are expected to remain elevated. Management believes that the level of new larger construction loans placed on nonperforming status likely have peaked especially in Arizona and Florida. The slow pace of economic recovery and lingering levels of elevated unemployment have resulted in increased stress in consumer loans, particularly residential real estate loans and home equity loans and lines of credit. Based on these factors, the amount of new consumer loans that go into nonperforming status is expected to increase. As a result of these offsetting trends, total new nonperforming loans and leases may continue to stabilize or decrease as they did in the second half of 2009.

Currently, management does not expect that the provision for loan and lease losses and net charge-offs reported in 2009 is indicative of the provision for loan and lease losses and net charge-offs that will be reported in 2010. However, the level of net charge-offs and the recorded allowance for loan and lease losses are based on management s best estimate of the losses incurred at the measurement date. Management recognizes there are significant estimates in the process and the ultimate losses could be significantly different from those currently estimated. Rapidly changing collateral values, general economic conditions and numerous other factors continue to create volatility in the housing markets and continue to increase the possibility that additional losses may have to be recognized with respect to the Corporation s current nonperforming assets. In addition, an event that would curtail economic recovery or result in further deterioration in the economy and national housing markets would likely result in an increase in the amount of nonperforming assets, net charge-offs and provisions for loan and lease losses reported in future quarters. Due to the uncertainty caused by the state of the economy and real estate markets, the elevated levels of unemployment, and numerous other unknown factors that will ultimately affect the timing and amount of nonperforming assets, net charge-offs and the provision for loan and lease losses, it is difficult to develop reliable expectations about nonperforming assets, net charge-offs and provisions for loan and lease losses that will be recognized in 2010.

The Corporation will continue to proactively manage its problem loans and nonperforming assets and be aggressive to isolate, identify and assess its underlying loan and lease portfolio credit quality. The Corporation will continue to employ strategies, such as selective sales of nonperforming loans and restructuring loans to qualified borrowers, to mitigate its loss exposure. Construction and development loans tend to be more complex and may take more time to attain a satisfactory resolution. Depending on the facts and circumstances, acquiring real estate collateral in partial or total satisfaction of problem loans may continue to be the best course of action to take in order to mitigate the Corporation s exposure to loss.

Other Income

Total other income amounted to $915.6 million in 2009 compared to $748.1 million in 2008, an increase of $167.5 million or 22.4%. Total other income in 2009 included gains of $99.4 million from the termination of debt and net investment securities gains of $121.8 million. Those gains were offset by losses of $40.9 million from write-downs associated with loans available for sale (other than mortgage loans originated for sale).

Wealth management revenue was $265.1 million in 2009 compared to $282.2 million in 2008, a decrease of $17.1 million or 6.0%. Wealth management revenue is affected by market volatility and direction. Equity market volatility along with downward pressure in the equity markets resulted in lower wealth management revenue in 2009 compared to 2008. However, expanding sales, enhanced investment products and investment performance resulted in linked quarter revenue growth in each quarter throughout 2009. A full year of revenue attributable to the December 3, 2008 acquisition of a majority equity interest in TCH and revenue from the May 27, 2009 acquisition of the investment team and managed accounts of Delta amounted to approximately $11.2 million in 2009. Assets under management (AUM) were $32.9 billion at December 31, 2009 compared to $30.4 billion at December 31, 2008, an increase of $2.5 billion or 8.4%. Assets under administration (AUA) increased by $17.9 billion or 17.2% and amounted to $122.3 billion at December 31, 2009 compared to $104.4 billion at December 31, 2008. Sales pipelines are expanding, especially in institutional businesses, which include retirement services, not-for-profit and outsourcing.

Service charges on deposits amounted to $136.6 million in 2009 compared to $146.2 million in 2008, a decrease of $9.6 million or 6.6%. A portion of this source of fee income is sensitive to changes in interest rates. During 2009, the Corporation used competitive pricing in the form of earnings credits to encourage customers to maintain higher deposit balances which resulted in lower fee income.

Total mortgage banking revenue was $48.3 million in 2009 compared with $26.0 million in 2008, an increase of $22.3 million or 85.6%. The Corporation has been utilizing the secondary market for the increase in demand for fixed rate mortgages primarily associated with refinancing activities. During 2009, the Corporation sold $3.1 billion of residential mortgage and home equity loans to the secondary market. During 2008, the Corporation sold $1.4 billion of residential mortgage and home equity loans to the secondary market. The retained interests in the form of mortgage servicing rights in 2009 and 2008 were not material and at December 31, 2009, the carrying value of mortgage servicing rights was insignificant.

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Net investment securities gains amounted to $121.8 million in 2009 compared to $17.2 million in 2008. During 2009, the Corporation recorded a gain of $35.4 million from the sale of Visa Class B Stock. Also during 2009, the Corporation sold U.S. government agency securities with a principal amount of approximately $1.9 billion, resulting in a gain of $85.6 million. During 2008, in conjunction with the Visa IPO, 38.7% of the Class B Visa common stock owned by the Corporation was redeemed. The gain from the redemption amounted to $26.9 million. During 2008, the Corporation recognized an other than temporary loss on an investment in a small-business lending venture. That loss amounted to $10.0 million.

BOLI revenue amounted to $39.0 million in 2009 compared to $35.9 million in 2008, an increase of $3.1 million or 8.6%. Despite lower crediting rates due to the interest rate environment in 2009, higher death benefit gains and no stable value adjustment resulted in the revenue growth in 2009 compared to 2008.

Certain BOLI policies have a stable value agreement through either a large, well-rated bank or multi-national insurance carrier that provides limited cash surrender value protection from declines in the value of each policy s underlying investments. During the fourth quarter of 2008, the value of the investments underlying one of the Corporation s BOLI policies declined significantly due to disruptions in the credit markets, widening of credit spreads and illiquidity in the securities market. These factors caused the decline in the cash surrender value to exceed the protection provided by the stable value agreement. As a result of exceeding the cash surrender value protection, the Corporation recorded a loss of $11.8 million in 2008 to reflect the change in cash surrender value related to the affected BOLI policy. The cash surrender value of this BOLI policy was $238.3 million at December 31, 2008. The cash surrender value of this policy increased throughout 2009 as a result of the improvement in market conditions related to the policy s underlying investments. At December 31, 2009, the cash surrender value protection had not been exceeded for any BOLI policies.

Beginning in the fourth quarter of 2008 and throughout 2009, the Corporation re-acquired and extinguished debt that had been reported as long-term borrowings in the Consolidated Balance Sheets. The debt consisted of various senior and subordinated bank notes issued by the Corporation and its wholly-owned subsidiary, M&I Marshall & Ilsley Bank (M&I Bank). Small blocks of various bank notes were acquired in individual transactions in 2008 and 2009. In addition, a $400 million public tender for M&I Bank s senior and subordinated bank notes was completed in 2009. During 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt at a gain of $99.4 million. During 2008, the Corporation re-acquired and extinguished $169.2 million of debt at a gain of $14.7 million.

OREO income primarily consists of gains from the sale of OREO and amounted to $14.2 million in 2009 compared to $9.0 million in 2008, an increase of $5.2 million. The carrying value of OREO properties sold amounted to $322.8 million in 2009 compared to $93.2 million in 2008.

Other noninterest income amounted to $191.2 million in 2009 compared to $216.9 million in 2008, a decrease of $25.7 million or 11.9%. Write-downs associated with loans available for sale (other than mortgage loans originated for sale) are reported as a reduction in other income in the Consolidated Statements of Income and amounted to $40.9 million for the year ended December 31, 2009.

2008 Compared to 2007

Total other income amounted to $748.1 million in 2008 compared to $729.1 million in 2007, an increase of $19.0 million or 2.6%. Total other income in 2008 was positively impacted by revenues from acquisitions, OREO income, organic fee growth in wealth management revenue and service charges on deposits, but was negatively impacted by lower mortgage banking revenues and a write-down on the cash surrender value of a bank-owned life insurance policy. Lower net investment securities gains in 2008 compared to 2007 were offset by the gain recorded on the termination of debt in 2008. Total other income in 2007 was positively impacted by gains from the sale of branches, interest rate swap terminations and a small favorable litigation settlement. The Corporation estimates that its organic growth in total other income in 2008 compared to 2007 was approximately $42.7 million or 6.6%.

Wealth management revenue was $282.2 million in 2008 compared to $262.8 million in 2007, an increase of $19.4 million or 7.4%. A full year of revenue attributable to the April 20, 2007 acquisition of North Star Financial Corporation and revenue from the December 3, 2008 acquisition of a majority equity interest in TCH contributed approximately $3.7 million to the growth in wealth management revenue in 2008 compared to 2007. AUM was $30.4 billion at December 31, 2008 compared to $25.7 billion at December 31, 2007, an increase of $4.7 billion or 18.3%. AUA decreased by $1.3 billion or 1.2% and amounted to $104.4 billion at December 31, 2008 compared to $105.7 billion at December 31, 2007. Both AUM and AUA at December 31, 2008 include the impact of the TCH acquisition which contributed $7.3 billion to the reported AUM and AUA at year-end 2008. Average AUM for the year ended December 31, 2008 excluding TCH was relatively unchanged compared to average AUM for the year ended December 31, 2007. Average AUA for the year ended December 31, 2008 excluding TCH was also relatively unchanged compared to average AUA for the same period in 2007. Excluding TCH, the contraction in period-end AUM and AUA reflects the effect of certain expected balance drawdowns as well as the impact of the downturn in the equity markets. The market environment resulted in slower revenue growth. However, sales and pipelines remained stable in 2008. Revenue from operations outsourcing services and securities lending grew in 2008.

Service charges on deposits amounted to $146.2 million in 2008 compared to $120.6 million in 2007, an increase of $25.6 million or 21.2%. The banking acquisitions contributed $16.8 million to the growth in service charges on deposits in 2008 compared to 2007. A portion of this source of fee income is sensitive to changes in interest rates. In a declining rate environment, customers that pay for services by maintaining eligible deposit balances receive a lower earnings credit that results in higher fee income. Excluding the effect of the banking acquisitions, higher service charges on deposits associated with commercial demand deposits accounted for the majority of the increase in revenue in 2008 compared to 2007.

Total mortgage banking revenue was $26.0 million in 2008 compared with $34.1 million in 2007, a decrease of $8.1 million or 23.6%. During 2008, the Corporation sold $1.4 billion of residential mortgage and home equity loans to the secondary market. During 2007, the Corporation sold $1.8 billion of residential mortgage and home equity loans to the secondary market. The retained interests in the form of mortgage servicing rights in 2008 and 2007 were not material and at December 31, 2008, the carrying value of mortgage servicing rights was insignificant.

Net investment securities gains amounted to $17.2 million in 2008 compared to $34.8 million in 2007. During 2008, in conjunction with the Visa IPO, 38.7% of the Class B Visa common stock owned by the Corporation was redeemed. The gain from the redemption amounted to $26.9 million. During 2008, the Corporation recognized an other than temporary loss on an investment in a small-business lending venture. That loss amounted to $10.0 million. During 2007, the Corporation sold its investment in MasterCard Class B common shares at a gain of $19.0 million and sold other equity securities at a gain of $7.2 million. The Corporation sold these equity securities in order to monetize the significant appreciation in market price of the securities over the period in which they were held. During 2007, the Corporation also sold $672.9 million of government agency investment securities designated as available for sale at a gain of $4.3 million. Net gains associated with the Corporation s private equity investments amounted to $2.8 million in 2008 and $7.6 million in 2007. Other than temporary impairment on the residual interests held in the form of interest-only strips associated with the Corporation s auto securitization activities resulted in a loss of $1.7 million in 2008 and $1.9 million in 2007.

BOLI revenue amounted to $35.9 million in 2008 compared to $37.7 million in 2007, a decrease of $1.8 million or 4.8%. During the second half of 2007, the Corporation purchased $286.6 million of additional BOLI. That purchase along with BOLI acquired in the banking acquisitions increased BOLI revenue in 2008 compared to 2007 by approximately $10.0 million. As previously discussed, during the fourth quarter of 2008 the Corporation recorded a loss of $11.8 million to reflect the decrease in cash surrender value of one of its BOLI policies due to the decline in value of the investments underlying the policy in excess of the protection provided by the stable value agreement.

Gain on the termination of debt amounted to $14.7 million in 2008. During 2008, the Corporation re-acquired and extinguished $169.2 million of debt. The debt consisted of small blocks of various bank notes issued by M&I Bank. The size of the blocks ranged from $1.9 million to $50.0 million with a weighted average buyback price of approximately 91.0% of par.

OREO income primarily consists of gains from the sale of OREO and amounted to $9.0 million in 2008 compared to $1.5 million in 2007, an increase of $7.5 million. The carrying value of OREO properties sold amounted to $93.2 million in 2008 compared to $34.7 million in 2007.

Other noninterest income amounted to $216.9 million in 2008 compared to $237.5 million in 2007, a decrease of $20.6 million or 8.7%. During 2007, the Corporation sold its three branches in the Tulsa, Oklahoma market at a gain of

$29.0 million. As previously discussed, $370.0 million of floating rate FHLB advances were extinguished and the pay fixed / receive floating interest rate swaps that were designated as cash flow hedges on the FHLB advances were terminated in 2007. The gain realized from these transactions was primarily due to the acceleration of the fair value adjustments for the interest rate swaps that were recorded in other comprehensive income and amounted to $5.3 million. Other income for 2007 also included gains resulting from a favorable lawsuit settlement that in total amounted to $1.8 million. A final settlement for three branches in Tulsa, Oklahoma that were sold in the fourth quarter of 2007 resulted in additional gain of $2.4 million in 2008. Increased fees and income from the banking acquisitions as well as organic growth in a variety of sources of fees and income, especially trading income and card-related fees, were offset by lower auto securitization revenues and the loss of service fee revenue charged to Metavante in 2007. The banking acquisitions contributed an additional $3.2 million to other noninterest income in 2008 compared to 2007. Card-related fees (credit, debit, ATM and stored value) increased $11.5 million in 2008 compared to 2007. Trading and investment commissions and fees increased other noninterest income by $19.1 million in 2008 compared to 2007.

Other Expense

Total other expense in 2009 amounted to $1,577.8 million compared to $2,993.2 million in 2008, a decrease of $1,415.4 million.

Total other expense in 2008 included approximately $1,568.6 million of expenses that did not occur in 2009. Those expenses included a $1,535.1 million goodwill impairment charge, unexpected losses and charges related to market disruption events in the amount of $45.7 million and the reversal of a litigation accrual associated with Visa in the amount of $12.2 million. Total other expense adjusted for the items previously discussed amounted to $1,424.6 million for 2008. Total other expense in 2009 increased $153.2 million or 10.8% when compared to the adjusted expense of $1,424.6 million for 2008.

In 2009, the Corporation continued to experience elevated levels and an increase in operating expenses associated with credit and collection and increased expenses associated with the acquisition, valuation and holding of OREO properties. The Corporation estimates that the expense associated with collection efforts and carrying nonperforming assets amounted to $228.4 million in 2009 compared to $112.2 million in 2008, an increase of $116.2 million.

A FDIC special assessment related to insurance on deposits and the increased expense related to regular insurance premiums for insurance on deposits resulted in $90.7 million of the increase in total other expense in 2009 compared to 2008.

Reduced severance expense, lower provisions for unfunded commitments and lower other credit-related expenses decreased total other expense in 2009 compared to 2008 by $15.9 million.

The Corporation estimates that its expense savings in 2009 compared to 2008, excluding the effect of the items previously discussed, was approximately $37.7 million or 3.0%. The estimated expense decline after excluding these items reflects in part lower incentive compensation, the impact of the expense reduction initiatives announced in the fourth quarter of 2008, and the Corporation s ongoing commitment to prudent expense management.

Expense control is sometimes measured in the financial services industry by the efficiency ratio statistic. The efficiency ratio is calculated by dividing total other expense by the sum of total other income (including private equity-related investment gains but excluding other securities gains and losses) and net interest income FTE. The Corporation s efficiency ratios for the years ended December 31, 2009, 2008 and 2007 were:

	Year Ended December 31,		
	2009	2008	2007
Efficiency Ratio	65.8%	117.8%	56.0%

The Corporation s 2009 efficiency ratio statistic was adversely impacted by elevated levels of provisions for loss exposures associated with unfunded loan commitments, write-downs associated with loans available for sale (other than mortgage loans originated for sale), the FDIC special assessment and severance. Conversely, the Corporation s 2009 efficiency ratio statistic was positively impacted by the previously discussed gains on termination of debt. The net effect of these items was an increase in the Corporation s 2009 efficiency ratio statistic by approximately 0.9%.

The Corporation s 2008 efficiency ratio statistic was adversely impacted by the goodwill impairment, unexpected losses and charges in the Corporation s Wealth Management segment, increased provisions for loss exposures associated with unfunded loan commitments and other credit-related liabilities, the residual write-downs, severance expense and the previously discussed BOLI loss. Conversely, the Corporation s 2008 efficiency ratio statistic was positively impacted by the previously discussed gains on termination of debt and reversal of part of the Corporation s Visa litigation accruals. The net effect of these items was to increase the Corporation s 2008 efficiency ratio statistic by approximately 63.1%.

The Corporation s 2007 efficiency ratio statistic was adversely impacted by the losses on debt terminations, charitable contribution expense and loss accruals associated with the Visa litigation. Conversely, the Corporation s 2007 efficiency ratio statistic was positively impacted by the divestiture of three branches in the Tulsa, Oklahoma market that were sold at a gain of $29.0 million. The net effect of these items was to increase the Corporation s 2007 efficiency ratio statistic by approximately 4.9%.

The Corporation estimates that the operating expenses associated with collection efforts and carrying nonperforming assets, net of OREO income, increased the Corporation s 2009 efficiency ratio statistic by approximately 9.3%. By comparison, the operating expenses associated with collection efforts and carrying nonperforming assets, net of OREO income, increased the Corporation s 2008 efficiency ratio statistic by approximately 4.2% and increased the Corporation s 2007 efficiency ratio statistic by approximately 0.8%.

Salaries and employee benefits expense amounted to $690.8 million in 2009 compared to $723.2 million in 2008, a decrease of $32.4 million or 4.5%. Salaries and employee benefits expense associated with credit and collection efforts increased $4.7 million in 2009 compared to 2008. Included in salaries and employee benefit expense for the years ended December 31, 2009 and 2008 was severance expense of $5.8 million and $8.7 million, respectively. The number of full-time equivalent employees decreased approximately 6.8% at December 31, 2009 compared to December 31, 2008. Salaries and employee benefits expense for incentive commissions and incentive compensation decreased $20.3 million in 2009 compared to 2008.

Net occupancy and equipment expense amounted to $135.7 million in 2009 compared to $126.9 million in 2008, an increase of $8.8 million or 7.0%. The increase reflects the effect of a full year of expense for the de novo branch expansion activity completed in 2008 and six new de novo branches completed in 2009.

Software, processing, supplies, printing, postage and delivery expenses amounted to $196.2 million in 2009 compared to $198.8 million in 2008, a decrease of $2.6 million or 1.3%.

FDIC insurance premiums on deposits increased $90.7 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. Included in the increase is the Corporation s FDIC special assessment of $29.3 million in 2009 related to insurance on deposits.

Professional services fees amounted to $91.4 million in 2009 compared to $72.0 million in 2008, an increase of $19.4 million or 26.8%. Increased legal fees and other professional fees associated with problem loans contributed approximately $13.1 million to the expense growth in

2009 compared to 2008. Consulting fees associated with updating certain internal systems also contributed to the increase in professional services fees in 2009 compared to 2008.

Amortization of intangibles amounted to $23.4 million in 2009 compared to $24.3 million in 2008. Amortization of intangibles decreased $0.9 million in 2009 compared to 2008. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment and the second step measures the amount of impairment, if any. The Corporation has elected to perform its annual test for goodwill impairment as of June 30th. As a result of performing the annual test in 2009, the Corporation determined that the recorded goodwill was not impaired. There have been no events since the annual test to indicate that it is more likely than not that the recorded goodwill had become impaired.

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OREO expenses amounted to $181.6 million in 2009 compared to $83.2 million in 2008, an increase of $98.4 million. Approximately $75.0 million of the increase from 2008 to 2009 was due to valuation write-downs and losses on dispositions, which reflects both the increased levels of foreclosed properties and the rapid decline in real estate values. Approximately $23.4 million of the increase for the year ended December 31, 2009 compared to the year ended December 31, 2008 reflects the cost of acquiring and holding the increased levels of foreclosed properties. The Corporation expects higher levels of expenses associated with acquiring and holding foreclosed properties will continue in the future. Valuation write-downs and losses on dispositions will depend on real estate market conditions.

Other noninterest expense amounted to $150.7 million in 2009 compared to $212.3 million in 2008, a decrease of $61.6 million or 29.0%. The market disruption resulted in unexpected losses and charges in the Corporation s Wealth Management segment that increased other expense by $45.7 million in 2008. Provisions for loss exposures associated with unfunded commitments, other credit-related charges and residual write-downs associated with direct financing leases reduced other noninterest expense by $13.0 million in 2009 compared to 2008. Other noninterest expense in 2008 includes the reversal of $12.2 million related to the Visa litigation.

2008 Compared to 2007

Total other expense amounted to $2,993.2 million in 2008 compared to $1,312.0 million in 2007, an increase of $1,681.2 million or 128.1%.

Total other expense in 2008 included $1,604.2 million of expenses that constituted the majority of this increase. Goodwill impairment accounted for $1,535.1 million of the increase in other expense. Market disruptions resulted in unexpected losses and charges in the Corporation s Wealth Management segment that amounted to $45.7 million for the year ended December 31, 2008. During 2008, the Corporation incurred increased provisions for loss exposures associated with unfunded loan commitments and other credit-related liabilities that amounted to $22.0 million for the year ended December 31, 2008. As a result of higher gas prices earlier in the year, total other expense in 2008 included residual write-downs of $4.9 million associated with direct financing consumer vehicle leases. During the fourth quarter of 2008, the Corporation recorded $8.7 million for severance expense associated with a corporate-wide reduction in force. During 2008, Visa established an escrow for certain litigation matters from the proceeds of its IPO. As a result, the Corporation reversed part of its litigation accruals that were originally recorded in 2007 due to the Corporation s membership interests in Visa. The amount reversed was equal to the Corporation s pro rata share of the funded escrow. Included in total other expense in 2008 is the reversal of $12.2 million related to the Visa litigation matters.

Throughout 2008, the Corporation experienced elevated levels of operating expenses due to the increase in expense associated with collection efforts and carrying nonperforming assets. The Corporation estimates that the expense associated with collection efforts and carrying nonperforming assets increased by approximately $93.0 million in 2008 compared to 2007.

Total other expense in 2008 included the operating expenses associated with the banking and wealth management acquisitions completed in 2008 and 2007 which the Corporation collectively refers to as the acquisitions . The operating expenses of the acquired entities have been included in the Corporation s consolidated operating expenses from the dates the transactions were completed. Approximately $55.8 million of the operating expense growth in 2008 compared to 2007 were attributable to the acquisitions.

Total other expense in 2007 includes losses on debt terminations of $83.7 million, charitable contribution expense of $25.0 million and loss accruals associated with the Visa litigation of $25.8 million which in the aggregate amounted to $134.5 million.

The Corporation estimates that its expense growth in 2008 compared to 2007, excluding the effect of the items previously discussed was approximately $62.7 million or 5.5%.

Salaries and employee benefits expense amounted to $723.2 million in 2008 compared to $659.9 million in 2007, an increase of $63.3 million or 9.6%. Salaries and benefits expense related to the acquisitions contributed approximately $26.7 million to the expense growth in 2008 compared to 2007. Salaries and employee benefits expense associated with collection efforts increased $6.3 million in 2008 compared to 2007. Severance expense associated with a corporate-wide reduction in force increased salaries and employee benefits expense $8.7 million in 2008 compared to 2007. Salaries and employee benefits expense for incentive commissions and incentive compensation decreased $15.6 million in 2008 compared to 2007.

Net occupancy and equipment expense amounted to $126.9 million in 2008 compared to $112.0 million in 2007, an increase of $14.9 million or 13.3%. Net occupancy and equipment expense related to the acquisitions contributed approximately $9.1 million to the expense growth in 2008 compared to 2007. During 2008, the Corporation opened 15 new de novo branches throughout its markets.

Software and processing expenses amounted to $156.7 million in 2008 compared to $156.2 million in 2007, an increase of $0.5 million or 0.3%. Processing expense related to the acquisitions contributed approximately $1.4 million to the expense growth in 2008 compared to 2007.

Supplies, printing, postage and delivery expense amounted to $42.1 million in 2008 compared to $42.5 million in 2007, a decrease of $0.4 million or 1.0%.

FDIC insurance premiums on deposits amounted to $17.3 million for the year ended December 31, 2008 compared to $4.0 million for the year ended December 31, 2007, an increase of $13.3 million.

Professional services fees amounted to $72.0 million in 2008 compared to $42.5 million in 2007, an increase of $29.5 million or 69.7%. The acquisitions contributed approximately $1.3 million to the expense growth in 2008 compared to 2007. Increased legal fees and other fees associated with problem loans contributed approximately $11.7 million to the expense growth in 2008 compared to 2007. Other professional fees associated with consulting also contributed to the increase in professional services fees in 2008 compared to 2007.

Amortization of intangibles amounted to $24.3 million in 2008 compared to $20.6 million in 2007. Amortization of intangibles increased $3.7 million in 2008 compared to 2007. The increase in intangibles amortization was due to the acquisitions.

As a result of the unprecedented weakness in the financial markets and the decline in the Corporation s common stock price, numerous tests for goodwill impairment were performed throughout 2008. The results of goodwill impairment testing at the end of the fourth quarter of 2008 indicated that the fair value of certain of the Corporation s reporting units were less than their book values, resulting in a non-cash charge to pre-tax earnings for goodwill impairment in the amount of $1,535.1 million. Tier 1 and Total regulatory capital ratios were unaffected by this adjustment.

The Intangibles Goodwill and Other Topic of the Codification, adopts an aggregate view of goodwill and bases the accounting for goodwill on the units of the combined entity into which an acquired entity is integrated and is referred to as reporting units. A reporting unit is an operating segment as defined by the Segment Reporting Topic of the Codification**,** or one level below an operating segment.

The Intangibles Goodwill and Other Topic of the Codification provides guidance for impairment testing of goodwill and intangible assets that are not amortized. Other than goodwill, the Corporation does not have any other intangible assets that are not amortized. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment and the second step measures the amount of impairment, if any. The Corporation has elected to perform its annual test for goodwill impairment as of June 30th.

Based on the test performed at the end of the fourth quarter of 2008, the Wealth Management segment, which consists of the Trust, Private Banking and Brokerage reporting units, and the Capital Markets reporting unit did not have indicators of potential impairment based on the estimated fair value of those reporting units.

Based on their estimated fair values, the Commercial and Community Banking segments and the National Consumer Banking reporting unit had indicators of potential impairment and were subjected to the second step of goodwill impairment testing. The deterioration in the national real estate markets, the economic recession and the disruption in the capital markets had the greatest adverse affect on these segments and reporting units. As a result of applying the second step of the test, the National Consumer Banking reporting unit had no goodwill impairment, the Commercial Banking segment recorded goodwill impairment of $925.6 million and the Community Banking segment recorded goodwill impairment of $609.5 million.

Losses on termination of debt amounted to $83.7 million in 2007. During 2007, the Corporation called the $200 million 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities. The loss on these transactions, which was primarily due to the contractual call premium, amounted to $9.5 million. The Corporation also terminated $1,000 million PURS in 2007. The loss on the termination of the PURS, which was primarily the cost of purchasing the right to remarket the PURS through 2016, amounted to $74.2 million.

OREO expenses amounted to $83.2 million in 2008 compared to $8.2 million in 2007, an increase of $75.0 million. Approximately $57.1 million of the increase in 2008 compared to 2007 was due to valuation write-downs and losses on disposition which reflects both the increased levels of foreclosed properties and the rapid decline in real estate values during 2008. Approximately $17.9 million of the increase in 2008 compared to 2007 reflects the costs of acquiring and holding the increased levels of foreclosed properties.

Other noninterest expense amounted to $212.3 million in 2008 compared to $182.6 million in 2007, an increase of $29.7 million or 16.3%.

Other noninterest expense in 2008 included the impact of the financial market disruption during the year. The market disruption resulted in unexpected losses and charges in the Corporation s Wealth Management segment that increased other expense by $45.7 million in 2008 compared to 2007. The Lehman Brothers bankruptcy in the third quarter of 2008 resulted in losses from a failed securities lending transaction and other than temporary impairment on investments in Lehman Brothers debt securities that are subject to credit support agreements issued by the Corporation.

Increased provisions for losses associated with unfunded loan commitments and other credit-related liabilities accounted for $22.0 million of the increase in other noninterest expense in 2008 compared to 2007. Historically, the Corporation s loss exposure with respect to these items has been relatively low. The credit evaluation of the customer, collateral requirements and the ability to access collateral is generally similar to that for loans. Many customers were directly or indirectly affected by the stress and deterioration of the national real estate markets. Total other noninterest expense in 2008 included residual write-downs of $4.9 million associated with direct financing leases of SUVs and pick-up trucks.

Other noninterest expense in 2008 includes the reversal of $12.2 million related to the Visa litigation compared to a Visa loss accrual recorded in 2007 in the amount of $25.8 million.

The acquisitions contributed approximately $9.9 million to the growth in other noninterest expense in 2008 compared to 2007. Included in other noninterest expense in 2007 was a $25.0 million charitable contribution.

Other noninterest expense adjusted for the items previously discussed amounted to $140.4 million in 2008 compared to $130.1 million in 2007, an increase of $10.3 million or 7.9%.

Income Tax Provision

The benefit for income taxes amounted to $637.2 million or 45.7% of the pre-tax loss for the year ended December 31, 2009. The benefit for income taxes amounted to $459.5 million or 18.4% of the pre-tax loss for the year ended December 31, 2008. The provision for income taxes from continuing operations was $213.6 million for the year ended December 31, 2007. The effective tax rate in 2007 was 29.9%.

During 2009, the State of Wisconsin passed legislation that requires combined reporting for state income tax purposes effective January 1, 2009. As a result, the Corporation recorded an additional income tax benefit of $51.0

million to recognize certain state deferred tax assets, which included the reduction of a valuation allowance for Wisconsin net operating losses. Also during 2009, the Corporation recorded an additional tax benefit of $18.0 million that was primarily due to the favorable resolution of a tax matter associated with the issuance of stock in 2002.

The effective tax rate in 2008 reflects, in part, the effect of the goodwill impairment charge. Approximately $1,402.1 million of the goodwill impairment charge was not deductible for income tax purposes.

As a result of the Internal Revenue Service s (IRS) decision not to appeal a November 2007 US Tax Court ruling related to how the TEFRA (interest expense) disallowance should be calculated within a consolidated group and the position the IRS has taken in another related case, the Corporation recognized an additional income tax benefit related to years 1996-2007 of $20.0 million for its similar issue during 2008.

The effective tax rate in 2007 reflects, in part, the effect of the increase in tax-exempt income, primarily life insurance revenue, as previously discussed and increased tax benefits from programs and activities that are eligible for federal income tax credits. Some of these programs and activities provide annual tax benefits in the form of federal income tax credits in future periods as long as the programs and activities continue to qualify under the federal tax regulations.

Liquidity and Capital Resources

Total consolidated equity was $7.0 billion or 12.2% of total consolidated assets at December 31, 2009, compared to $6.3 billion or 10.1% of total consolidated assets at December 31, 2008.

On October 27, 2009, the Corporation announced the closing of its public offering of 156.4 million shares of its common stock at $5.75 per share. The 156.4 million shares included 20.4 million shares issued pursuant to an option granted to the underwriters by the Corporation, which was exercised in full. The proceeds, net of underwriting discounts and commissions and offering expenses, from the issuance of shares in this public offering amounted to $863.1 million.

On June 17, 2009, the Corporation announced the closing of its public offering of 100.0 million shares of its common stock at $5.75 per share. The 100.0 million shares included 13.0 million shares issued pursuant to an option granted to the underwriters by the Corporation, which was exercised in full. The proceeds, net of underwriting discounts and commissions and offering expenses, from the issuance of shares in this public offering amounted to $551.8 million.

The Corporation also sold on an at-the-market basis 670,300 shares of its common stock resulting in proceeds of $4.5 million, net of fees and commissions and offering expenses, during the second quarter of 2009.

The Corporation used the net proceeds of these offerings for general corporate purposes that included contributions of some portion of the net proceeds to the capital of its subsidiaries, which used these contributions for their general corporate purposes. The Corporation also used a portion of the net proceeds of these offerings to repurchase portions of its outstanding indebtedness as previously discussed.

During 2009, the Corporation issued 1,409,358 shares of its common stock for $6.9 million to fund its obligation under its employee stock purchase plan (the ESPP). For the year ended December 31, 2008, the Corporation issued 579,111 shares of its common stock for $8.5 million to fund its obligation under the ESPP.

As one of the steps to preserve its strong capital base, the Corporation reduced the quarterly common stock cash dividend to $0.01 per share in 2009.

Shareholders equity at December 31, 2008 includes the effect of certain common stock issuances during the year. In 2008, the Corporation issued 4,863,221 shares of the Corporation s common stock valued at $64.0 million, or $13.16 per share to acquire a majority equity interest in TCH.

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On November 14, 2008, as part of the Corporation s participation in the CPP, the Corporation entered into a Letter Agreement with the UST. Pursuant to the Securities Purchase Agreement Standard Terms (the Securities Purchase Agreement) attached to the Letter Agreement, the Corporation sold 1,715,000 shares of the Corporation s Senior Preferred Stock, having a liquidation preference of $1,000 per share, for a total price of $1,715 million. The Senior Preferred Stock qualifies as Tier 1 capital and pay cumulative compounding dividends at a rate of 5% per year for the first five years and 9% per year thereafter.

Under the terms of the Securities Purchase Agreement, except as described below, the Corporation may not redeem the Senior Preferred Stock during the first three years that it is outstanding. After the first three years, the Corporation may redeem shares of the Senior Preferred Stock for the per share liquidation preference of $1,000 plus any accrued and unpaid dividends. The Corporation is permitted, subject to regulatory approval, to redeem in whole or in part the Senior Preferred Stock during the first three years only if (a) it has received aggregate gross proceeds of not less than $428.75 million from one or more Qualified Equity Offerings (as defined in the Securities Purchase Agreement), and (b) the aggregate redemption price of the Senior Preferred Stock redeemed does not exceed the aggregate net proceeds received by the Corporation from any such Qualified Equity Offerings.

The Corporation received a total of $1,419.4 million in aggregate net proceeds from the common stock offerings in 2009, which met the requirements for Qualified Equity Offerings. Any repurchase of the Senior Preferred Stock would be contingent upon the determination of the Board of Directors that such repurchase is in the best interests of the Corporation and its shareholders. Furthermore, any repurchase of the Senior Preferred Stock would be subject to consultation with and approval by the Corporation s banking regulators. To the extent the Corporation seeks such approval, there can be no assurance that such approval will be granted.

Pursuant to the American Recovery and Reinvestment Act (the ARRA), which was signed into law in February 2009, CPP participants are permitted to redeem the preferred stock issued under the CPP at any time, subject to consultation with the appropriate federal banking agency. However, the Corporation s Restated Articles of Incorporation contain the redemption restrictions described above. The Corporation may seek Board of Directors and shareholder approval in the future to amend the Restated Articles of Incorporation to allow the Corporation to redeem the Senior Preferred Stock at any time after consultation with the Federal Reserve Board.

As long as any Senior Preferred Stock is outstanding, the Corporation may pay quarterly common stock cash dividends of up to $0.32 per share, and may redeem or repurchase its common stock, provided that all accrued and unpaid dividends for all past dividend periods on the Senior Preferred Stock are fully paid. Prior to the third anniversary of the UST s purchase of the Senior Preferred Stock, unless Senior Preferred Stock has been redeemed or the UST has transferred all of the Senior Preferred Stock to third parties, the consent of the UST will be required for the Corporation to increase its common stock dividend to more than $0.32 per share per quarter or repurchase its common stock or other equity or capital securities, other than in connection with benefit plans consistent with past practice and certain other circumstances specified in the Securities Purchase Agreement. As previously described, the Corporation recently reduced its quarterly common stock cash dividend to $0.01 per share. The Senior Preferred Stock will be non-voting except for class voting rights on matters that would adversely affect the rights of the holders of the Senior Preferred Stock.

As a condition to participating in the CPP, the Corporation issued and sold to the UST a warrant (the Warrant) to purchase 13,815,789 shares (the Warrant Shares) of the Corporation s common stock, at an initial per share exercise price of $18.62, for an aggregate purchase price of approximately $257.25 million. The term of the Warrant is ten years. The Warrant will not be subject to any contractual restrictions on transfer, provided that the UST may only transfer a portion or portions of the Warrant with respect to, or exercise the Warrant for, more than one-half of the initial Warrant Shares prior to the earlier of (a) the date on which the Corporation has received aggregate gross proceeds of at least $1,715 million from one or more Qualified Equity Offerings, (b) December 31, 2009. If the Corporation completes one or more Qualified Equity Offerings on or prior to December 31, 2009 that result in the Corporation receiving aggregate gross proceeds equal to at least $1,715 million, then the number of Warrant Shares will be reduced to 50% of the original number of Warrant Shares. The Warrant provides for the adjustment of the exercise price and the number of Warrant Shares issuable upon exercise pursuant to customary anti-dilution provisions, such as upon stock splits or distributions of securities or other assets to holders of the Corporation s common stock,

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and upon certain issuances of the Corporation s common stock at or below a specified price range relative to the initial exercise price. Pursuant to the Securities Purchase Agreement, the UST has agreed not to exercise voting power with respect to any shares of common stock issued upon exercise of the Warrant.

Pursuant to the Securities Purchase Agreement, until the UST no longer owns any shares of the Senior Preferred Stock, the Warrant or Warrant Shares, the Corporation s employee benefit plans and other executive compensation arrangements for its Senior Executive Officers must continue to comply in all respects with Section 111(b) the EESA and the rules and regulations of the UST promulgated thereunder.

The Securities Purchase Agreement permits the UST to unilaterally amend any provision of the Letter Agreement and the Securities Purchase Agreement to the extent required to comply with any changes in the applicable Federal statutes.

For accounting purposes, the proceeds of $1,715 million were allocated between the preferred stock and the warrant based on their relative fair values. The initial value of the Warrant, which is classified as equity, was $81.12 million. The entire discount on the Senior Preferred Stock, created from the initial value assigned to the Warrant, will be accreted over a five year period in a manner that produces a level preferred stock dividend yield which is 6.10%. At the end of the fifth year, the carrying amount of the Senior Preferred Stock will equal its liquidation value.

Preferred dividends accrued and discount accretion on the Senior Preferred Stock amounted to $100.2 million for the year ended December 31, 2009. Preferred dividends paid on the Senior Preferred Stock amounted to $86.0 million for the year ended December 31, 2009.

The Corporation had a Stock Repurchase Program under which up to 12 million shares of the Corporation s common stock can be repurchased annually. As a result of the restrictions contained in the Securities Purchase Agreement, the Corporation allowed the Stock Repurchase Program to expire and did not reconfirm the Stock Purchase Program for 2009. During the first quarter 2008, the Corporation acquired 4,782,400 shares of its common stock in open market share repurchase transactions under the Stock Repurchase Program. Total cash consideration amounted to $124.9 million.

At December 31, 2009, the net loss in accumulated other comprehensive income amounted to $51.3 million which represents a positive change in accumulated other comprehensive income of $106.6 million since December 31, 2008. Net accumulated other comprehensive income associated with available for sale investment securities was a net loss of $13.0 million at December 31, 2009, compared to a net loss of $57.1 million at December 31, 2008, resulting in a net gain of $44.1 million over the twelve month period. The unrealized loss associated with the change in fair value of the Corporation s derivative financial instruments designated as cash flow hedges decreased $58.5 million since December 31, 2008, resulting in a net increase in shareholders equity. The accumulated other comprehensive income which represents the amount required to adjust the Corporation s postretirement health benefit liability to its funded status amounted to an unrealized gain of $5.8 million as of December 31, 2009.

Federal and state banking laws place certain restrictions on the amount of dividends and loans which a bank may make to its parent company. Such restrictions have not had, and are not expected to have, any material effect on the Corporation s ability to meet its cash obligations.

At December 31, 2009, the Corporation s Tier 1 regulatory capital ratio was 11.11% or $2.5 billion in excess of well capitalized under the Federal Reserve Board s regulatory framework. To be well capitalized under the regulatory framework, the Tier 1 capital ratio must meet or exceed 6%. The Corporation s Tier 1 regulatory capital ratio at December 31, 2009 includes the impact of the two underwritten public offerings of its common stock completed in 2009, plus the at-the-market offerings as previously discussed.

The Corporation manages its liquidity to ensure that funds are available to each of its banks to satisfy the cash flow requirements of depositors and borrowers and to ensure the Corporation s own cash requirements are met. The Corporation maintains liquidity by obtaining funds from several sources.

Average other short-term investments amounted to $1.3 billion during 2009 compared to $0.2 billion in 2008, an increase of $1.1 billion. At the present time, other short-term investments represent the Corporation s most readily available source of liquidity. This source of liquidity reflects management s decision to maintain higher levels of liquid assets.

Another readily available source of liquidity to the Corporation is its investment portfolio. Investment securities available for sale, which totaled $7.1 billion at December 31, 2009, represent a highly accessible source of liquidity. The Corporation s portfolio of held-to-maturity investment securities, which totaled $0.1 billion at December 31, 2009, provides liquidity from maturities and interest payments.

Depositors within M&I s defined markets are another source of liquidity. Core deposits (demand, savings, money market and consumer time deposits) averaged $25.4 billion in 2009. The Corporation s banking affiliates may also access the Federal funds markets, the Federal Reserve s Term Auction Facility or utilize collateralized borrowings such as treasury demand notes, FHLB advances, agricultural mortgage backed notes or other forms of collateralized borrowings.

The Corporation s banking affiliates may use wholesale deposits, which include foreign (Eurodollar) deposits. Wholesale deposits, which averaged $11.0 billion in 2009, are deposits generated through distribution channels other than the Corporation s own banking branches. Average brokered and institutional certificates of deposit represented 67.6% of total average wholesale deposits in 2009. The weighted average remaining term of outstanding brokered and institutional certificates of deposit at December 31, 2009 was 12.0 years. These deposits allow the Corporation s banking subsidiaries to gather funds across a national geographic base and at pricing levels considered attractive, where the underlying depositor may be retail or institutional. Access to wholesale deposits also provides the Corporation with the flexibility not to pursue single service time deposit relationships in markets that have experienced some unprofitable pricing levels.

The Corporation and/or M&I Bank may repurchase or redeem its outstanding debt securities from time to time, including, without limitation, senior and subordinated global bank notes, medium-term corporate notes, MiNotes or junior subordinated deferrable interest debentures and the related trust preferred securities. Such repurchases or redemptions may be made in open market purchases, in privately negotiated transactions or otherwise for cash or other consideration. Any such repurchases or redemptions will be made on an opportunistic basis as market conditions permit and are dependent on the Corporation s liquidity needs, compliance with any contractual or indenture restrictions and regulatory requirements and other factors the Corporation deems relevant. During 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt. The debt consisted of various bank notes issued by the Corporation and its wholly-owned subsidiary, M&I Bank.

The market impact of the recession and deterioration in the national real estate markets has resulted in a decline in market confidence and a subsequent strain on liquidity in the financial services sector. However, the sales of common stock issued in financing transactions during 2009 and participation in the CPP in 2008 provided the Corporation with $3.1 billion in cash and significantly increased its regulatory and tangible capital levels. Management expects that it will continue to make use of a wide variety of funding sources, including those that have not shown the levels of stress demonstrated in some of the national capital markets. Notwithstanding the current national capital market impact on the cost and availability of liquidity, management believes that it has adequate liquidity to ensure that funds are available to the Corporation and each of its banks to satisfy their cash flow requirements. However, if capital markets deteriorate more than management currently expects, the Corporation could experience stress on its liquidity position.

M&I Bank has implemented a global bank note program that permits it to issue up and sell up to a maximum of US$13.0 billion aggregate principal amount (or the equivalent thereof in other currencies) at any one time outstanding of its senior global bank notes with maturities of seven days or more from their respective date of issue and subordinated global bank notes with maturities more than five years from their respective date of issue. The notes may be fixed rate or floating rate and the exact terms will be specified in the applicable Pricing Supplement or the applicable Program Supplement. This program is intended to enhance liquidity by enabling M&I Bank to sell its debt instruments in global markets in the future without the delays that would otherwise be incurred. At December 31, 2009, approximately $10.4 billion of new debt could be issued under M&I Bank s global bank note program.

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Total bank notes outstanding at December 31, 2009 amounted to $3.1 billion of which $1.6 billion is subordinated. A portion of the subordinated bank notes qualifies as supplementary capital for regulatory capital purposes.

During the second quarter of 2008, the Corporation filed a shelf registration statement with the Securities and Exchange Commission enabling the Corporation to issue up to 6.0 million shares of its common stock, which may be offered and issued from time to time in connection with acquisitions by the Corporation and/or other consolidated subsidiaries of the Corporation. At December 31, 2009, approximately 1.14 million shares of the Corporation s common stock could be issued under the shelf registration statement for future acquisitions.

During the fourth quarter of 2007, the Corporation field a shelf registration statement pursuant to which the Corporation may issue corporate debt and/or equity securities with a relatively short lead time, subject to market conditions, and which may be used to register resales of securities acquired by shareholders in transactions exempt from registration under federal securities laws.

Contractual Obligations

The following table summarizes the Corporation s more significant contractual obligations at December 31, 2009. Excluded from the following table are a number of obligations to be settled in cash. These items are reflected in the Corporation s consolidated balance sheet and include deposits with no stated maturity, trade payables, accrued interest payable and derivative payables that do not require physical delivery of the underlying instrument.

			Payments Due by Period ($ in millions)			
Contractual Obligations	**Note Ref**	**Total**	**Less than One Year**	**One to Three Years**	**Three to Five Years**	**More than Five Years**
Certificate of Deposit and Other Time Deposit Obligations	(1)	$ 15,538.3	$ 5,734.3	$ 2,465.2	$ 1,851.2	$ 5,487.6
Short-term Debt Obligations	(2)	1,120.1	1,120.1			
Long-term Debt Obligations	(3)	7,131.0	996.7	2,803.8	1,360.6	1,969.9
Minimum Operating Lease Obligations		213.5	30.9	53.7	44.3	84.6
Obligations to Purchase Foreign Currencies	(4)	403.5	403.5			
Purchase Obligations Facilities (Additions, Repairs and Maintenance)		4.3	4.3			
Purchase Obligations Technology		306.2	104.1	202.0	0.1	
Purchase Obligations Other		4.5	2.4	1.8	0.3	
Other Obligations:						
Unfunded Investment Obligations	(5)	16.1	9.5	4.8	1.5	0.3
Defined Contribution						
Benefit Obligations	(6)	37.8	37.8			
Health and Welfare Benefits	(7)					
Total		$ 24,775.3	$ 8,443.6	$ 5,531.3	$ 3,258.0	$ 7,542.4

Notes:

In the banking industry, interest-bearing obligations are principally utilized to fund interest-bearing assets. As such, interest charges on certificate of deposit and other time deposit obligations and short-term debt obligations were excluded from amounts reported, as the potential cash outflows would have corresponding cash inflows from interest-bearing assets. The same, although to a lesser extent, is the case with respect to interest charges on long-term debt obligations. As long-term debt obligations may be used for purposes other than to fund interest-bearing assets, an estimate of interest charges is included in the amounts reported.

As of December 31, 2009, the Corporation has unrecognized tax benefits that if recognized, would impact the annual effective tax rate in future periods. Due to the uncertainty of the amounts to be ultimately paid as well as the timing of such payments, all uncertain tax liabilities that have not been paid have been excluded from the Contractual

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Obligations table. See Note 19 in Notes to Consolidated Financial Statements for further information regarding the Corporation s income taxes.

(1) Certain retail certificates of deposit and other time deposits give customers rights to early withdrawal. Early withdrawals may be subject to penalties. The penalty amount depends on the remaining time to maturity at the time of early withdrawal. Brokered certificates of deposits may be redeemed early upon the death or adjudication of incompetence of the holder.
(2) Many short-term borrowings such as Federal funds purchased and security repurchase agreements and commercial paper are expected to be reissued and, therefore, do not necessarily represent an immediate need for cash. See Note 16 in Notes to Consolidated Financial Statements for a description of the Corporation s short-term borrowings.
(3) See Note 17 in Notes to Consolidated Financial Statements for a description of the Corporation s various long-term borrowings. The amounts shown in the table include interest on both fixed and variable rate obligations. The interest associated with variable rate obligations is based upon rates in effect at December 31, 2009. The contractual amounts to be paid on variable rate obligations are affected by changes in market interest rates. Future changes in market interest rates could materially affect the contractual amounts to be paid.
(4) See Note 23 in Notes to Consolidated Financial Statements for a description of the Corporation s foreign exchange activities. The Corporation generally matches commitments to deliver foreign currencies with obligations to purchase foreign currencies which minimizes the immediate need for cash.
(5) The Corporation also has unfunded obligations for certain investments in investment funds. Under the obligations for certain investments in investment funds the Corporation could be required to invest an additional $47.8 million if the investment funds identify and commit to invest in additional qualifying investments. The investment funds have limited lives and defined periods for investing in new qualifying investments or providing additional funds to existing investments. As a result, the timing and amount of the funding requirements for these obligations are uncertain and could expire with no additional funding requirements.
(6) See Note 21 in Notes to Consolidated Financial Statements for a description of the Corporation s defined contribution program. The amount shown represents the unfunded contribution for the year ended December 31, 2009.
(7) The health and welfare benefit plans are periodically funded throughout each plan year with participant contributions and the Corporation s portion of benefits expected to be paid.

The Corporation has generally financed its growth through the retention of earnings and the issuance of debt. It is expected that future growth can be financed through internal earnings retention, additional debt offerings, or the issuance of additional common or preferred stock or other capital instruments.

OFF-BALANCE SHEET ARRANGEMENTS

The term off-balance sheet arrangement describes the means through which companies typically structure off-balance sheet transactions or otherwise incur risks of loss that are not fully transparent to investors or other users of financial information. For example, in many cases, in order to facilitate the transfer of assets or otherwise finance the activities of an unconsolidated entity, a company may be required to provide financial support designed to reduce the risks to the entity or other third parties. That financial support may take many different forms such as financial guarantees, subordinated retained interests, derivative instruments or other contingent arrangements that expose the company to continuing risks or contingent liabilities regardless of whether or not they are recorded on the balance sheet.

Certain guarantees may be a source of potential risk to future liquidity, capital resources and results of operations. Guarantees may be in the form of contracts that contingently require the guarantor to make payments to the guaranteed party based on: (1) changes in an underlying instrument or variable such as a financial standby letter of credit or credit support agreement; (2) failure to perform under an obligating agreement such as a performance standby letter of credit; and (3) indemnification agreements that require the indemnifying party to make payments to the indemnified party based on changes in an underlying instrument or variable that is related to an asset, a liability or an equity security of

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the indemnified party, such as an adverse judgment in a lawsuit. The Corporation, for a fee, regularly enters into standby letters of credit transactions and provides certain indemnifications against loss in conjunction with securities lending activities, which are described in detail in Note 5 Fair Value Measurements and Note 25 Guarantees in Notes to Consolidated Financial Statements.

Companies may structure and facilitate off-balance sheet arrangements by retaining an interest in assets transferred to an unconsolidated entity. Such interests may be in the form of a subordinated retained interest in a pool of receivables transferred to an unconsolidated entity, cash collateral accounts, recourse obligations or other forms of credit, liquidity, or market risk support. These subordinated interests protect the senior interests in the unconsolidated entity in the event a portion of the underlying transferred assets becomes uncollectible or there are insufficient funds to repay senior interest obligations. In the past the Corporation has used such arrangements primarily in conjunction with its indirect automobile lending activities. As described in Note 11 Financial Asset Sales in Notes to Consolidated Financial Statements, the Corporation discontinued, on a recurring basis, the sale and securtization of automobile loans into the secondary market. As a result of clean-up calls and other events, the Corporation acquired the remaining loans from the auto securitization trusts during 2009 and at December 31, 2009 the Corporation was not involved in any such arrangements.

As described in Note 17 Long-term Borrowings in Notes to Consolidated Financial Statements, the Corporation holds all of the common interests in certain trusts that issued cumulative preferred capital securities which are supported by junior subordinated deferrable interest debentures and a full guarantee issued by the Corporation.

In conjunction with the banking acquisitions of Gold Banc, Trustcorp Financial, Inc., Excel Bank Corporation and First Indiana, the Corporation acquired all of the common interests in trusts that issued cumulative preferred capital securities which are supported by junior subordinated deferrable interest debentures. M&I has fully and unconditionally guaranteed the securities that these trusts have issued. At December 31, 2009, the principal amounts outstanding associated with the remaining trusts amounted to $16.0 million, $30.0 million, $38.0 million and $15.0 million. The Corporation does not consolidate any of these trusts in accordance with United States generally accepted accounting principles.

On January 1, 2010, the Corporation adopted the new accounting standards for accounting for transfers of financial assets and consolidation of variable interest entities which were known as SFAS 166 and SFAS 167 prior to becoming part of the Codification. SFAS 166 and SFAS 167 made fundamental changes to the accounting for transfers of financial interests and consolidation of variable interest entities. The impact of adopting these new accounting standards was not material.

At December 31, 2009, the Corporation did not hold any material variable interests in entities that provide it liquidity, market risk or credit risk support, or engage in leasing, hedging or research and development services with the Corporation. Based on the off-balance sheet arrangements with which it is presently involved, the Corporation does not believe that such off-balance sheet arrangements either have, or are reasonably likely to have, a material impact to its current or future financial condition, results of operations, liquidity or capital.

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CRITICAL ACCOUNTING POLICIES

The Corporation has established various accounting policies that govern the application of accounting principles generally accepted in the United States in the preparation of the Corporation s consolidated financial statements. The significant accounting policies of the Corporation are described in the footnotes to the consolidated financial statements contained herein and updated as necessary in its Quarterly Reports on Form 10-Q. Certain accounting policies involve significant judgments and assumptions by management that may have a material impact on the carrying value of certain assets and liabilities. Management considers such accounting policies to be critical accounting policies. The judgments and assumptions used by management are based on historical experience and other factors, which are believed to be reasonable under the circumstances. Because of the nature of judgments and assumptions made by management, actual results could differ from these judgments and estimates which could have a material impact on the carrying values of assets and liabilities and the results of the operations of the Corporation. Management continues to consider the following to be those accounting policies that require significant judgments and assumptions:

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents management s estimate of probable losses inherent in the Corporation s loan and lease portfolio. Management s evaluation of the adequacy of the allowance for credit losses is an inherently subjective process impacted by many factors. Some factors considered in determining the adequacy of the allowance for credit losses are quantifiable while other factors require qualitative judgment. Management evaluates the allowance each quarter to determine that it is adequate to absorb these inherent losses. This evaluation is supported by a methodology that identifies estimated losses based on assessments of individual problem loans, historical loss patterns of homogeneous loan pools and adjustments to reflect current economic conditions. The inherent lagging of credit quality measurements relative to the performance of the loan portfolio and numerous other factors create degrees of imprecision in these measurements. Management considers the effect of imprecision and many other factors in determining the allowance for credit losses. In addition, environmental factors, including economic conditions and regulatory guidance, unique to each measurement date are also considered.

The Corporation s reserving methodology has the following components, which are collectively reported as the allowance for loan and lease losses. The entire allowance for loan and lease losses is available to absorb losses from loans and leases in any of the components.

Specific Reserve. 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. Nonaccrual loans, which the Corporation refers to as nonperforming loans, and troubled debt restructurings, which the Corporation refers to as renegotiated loans, meet the definition of an impaired loan. For impaired loans, impairment is measured using one of three alternatives: (1) the present value of expected future cash flows discounted at the loan s effective interest rate; (2) the loan s observable market price, if available; or (3) the fair value of the collateral less costs to sell for collateral dependent loans and loans for which foreclosure is deemed to be probable. In general, these loans have been internally identified as credits requiring management s attention due to underlying problems in the borrower s business or collateral concerns. This analysis considers expected future cash flows, the value of collateral and also other factors that may impact the borrower s ability to make payments when due.

All nonperforming loans greater than $1.0 million and all renegotiated loans were evaluated to identify the specific reserve or valuation allowance to be allocated to each of these loans. The specific reserve or valuation allowance is determined as the excess, if any, of the carrying value of the loan over the amount determined using the measurement alternative employed at the measurement date. The carrying value of the loan reflects reductions from prior charge-offs.

For renegotiated loans the present value of expected future cash flows discounted at the loan s effective interest rate was the methodology predominantly employed to measure the amount of impairment at December 31, 2009. Contractual cash flows were adjusted for probability of default, expected prepayments, expected collateral value for loans that will not be fully amortized at maturity and other factors that may impact the timing and amount of expected cash flows. Factors used to adjust contractual cash flows were based on historical experience and market performance statistics where available. At December 31, 2009 the specific reserve or valuation allowance for renegotiated loans was determined to be $120.5 million.

For nonperforming loans greater than $1.0 million the fair value of the collateral less cost to sell was the methodology predominantly employed to measure the amount of impairment at December 31, 2009.

Real estate related loans, especially construction and development real estate loans, were the primary contributors to the elevated levels of nonperforming loans and leases and net charge-offs in 2009 and 2008. Real estate related loans made up the majority of the Corporation s nonperforming loans and leases at December 31, 2009 and 2008. Historically, the Corporation s loss experience with real estate loans has been relatively low due to the sufficiency of the underlying real estate collateral. In a stressed real estate market such as currently exists, the value of the collateral securing the loans has become one of the most important factors in determining the amount of loss incurred and the appropriate amount of allowance for loan and lease losses to record at the measurement date. The likelihood of losses that are equal to the entire recorded investment for a real estate loan is remote. However, in many cases, rapidly declining and depressed real estate values have resulted in the determination that the estimated value of the collateral was insufficient to cover all of the recorded investment in the loan which has required significant additional charge-offs. Depressed and declining collateral values have significantly contributed to the elevated levels of net charge-offs and the increase in the provision for loan and lease losses that the Corporation experienced over the past two years.

The Corporation continuously re-assessed, and continues to re-assess the timeliness and propriety of appraisals for collateral dependent loans especially in volatile real estate markets such as Arizona. The Corporation uses a variety of sources, such as recent sales of loans and sales of OREO, to validate the collateral values used to determine the amount of loss exposure at the measurement date.

At December 31, 2009 the specific reserve or valuation allowance for nonperforming loans greater than $1.0 million was determined to be $263.1 million.

At December 31, 2009 a total of $2,149.0 million of impaired loans and leases were evaluated to identify the specific reserve or valuation allowance to be allocated to each of these loans. A total valuation allowance of $383.6 million was determined to be required on approximately $1,460.1 million of impaired loans and no valuation allowance was determined to be required on $688.9 million of impaired loans. In determining the amount of the valuation allowance at December 31, 2009, the Corporation has taken into consideration that the amount of cumulative net charge-offs recorded on the Corporation s nonperforming loans outstanding at December 31, 2009 was approximately $810.4 million or 52.4% of the unpaid principal balance of the affected nonperforming loans. These charge-offs have reduced the carrying value of these nonperforming loans and leases which reduced the allowance for loan and lease losses required at the measurement date.

Collective Loan Impairment. This component of the allowance for loan and lease losses is comprised of two elements. First, the Corporation makes a significant number of loans and leases, which due to their underlying similar characteristics, are assessed for loss as homogeneous pools. Included in the homogeneous pools are loans and leases from the retail sector and commercial loans and leases that were excluded from the specific reserve allocation previously discussed.

For purposes of this discussion, the term commercial loans refers to variety of loan types and includes commercial and industrial loans, commercial real estate loans, commercial construction and development loans and commercial leases. Commercial loans are initially segmented by loan type. The loan types are then stratified by region or business channel. Using the Corporation s internal risk ratings, commercial loans and leases are further stratified between loans and leases with risk ratings that are indicators of a nonperforming loan or lease or potential problem loan or lease, which the Corporation refers to as criticized loans and leases, and loans and leases that indicate no particular weakness. Using historical loss information, an estimate of loss is determined for each segment. For criticized loans and leases, more recent historical loss information forms the basis to determine the estimates of losses inherent in the pools at the measurement date. For all other loans and leases, longer-term historical loss information is used to form the basis to determine the estimates of losses inherent in the pools at the measurement date. Longer-term historical loss information is expected to be representative of inherent losses over an entire business cycle. Historical loss information is updated quarterly to reflect current experience. Historical loss information may be adjusted for portfolio trends, the effect of loan sales and factors that may be unique to a particular loan or lease type, region or business channel to ensure the loss rates ultimately used are appropriate at the measurement date. Selecting the appropriate loss rates that are used to determine the estimates of losses inherent in the pools at the measurement date requires significant judgment. At December 31, 2009, this component of the allowance for loan and lease losses amounted to $539.5 million.

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The retail sector consists of residential real estate loans, residential construction and development loans, home equity loans and lines of credit, personal loans and personal leases.

Retail sector loan types are stratified based on origination channels, underwriting guidelines, collateral type and product features such as a loan or line of credit and delinquency status. The loans are further stratified by selected markets (Arizona, Wisconsin, Florida and others), updated credit scores and the loan s year of origination. Loss factors are derived from historical loss experience by delinquency status for each stratum and applied to the outstanding loan and lease balance by delinquency status to determine a reserve. Based on current market conditions, the Corporation estimates additional probable loss by evaluating probability of default and loss severity, the factors that collectively impact the amount of loss inherent in the retail sector loans and leases. Current factors impacting the probability of default such as lingering levels of elevated unemployment may not be fully reflected in updated credit scores or in existing levels of delinquency, causing historical default experience to be understated at the measurement date. Rapidly changing real estate collateral values arising from illiquid markets, excess inventories in certain markets and high current loan-to value ratios resulting from property value depreciation since the date the loans were originated impact historical loss severity. This additional probable loss is added to the amounts determined based on historical experience. At December 31, 2009, this component of the allowance for loan and lease losses amounted to $557.4 million.

The second element reflects management s recognition of the uncertainty and imprecision underlying the process of estimating losses. From time to time, the Corporation has identified certain loans within certain industry segments that based on financial, payment or collateral performance, warrant closer ongoing monitoring by management. The specific loans mentioned earlier are excluded from this analysis. Based on management s judgment, reserve ranges may be allocated to industry segments due to environmental conditions unique to the measurement period. Consideration is given to both internal and external environmental factors such as economic conditions in certain geographic or industry segments of the portfolio, economic trends, risk profile, and portfolio composition. Reserve ranges are then allocated using estimates of loss exposure that management has identified based on these economic trends or conditions. At December 31, 2009, there was no allowance for loan and lease losses allocated to industry segments due to environmental conditions unique to the measurement period.

The Corporation has not materially changed any aspect of its overall approach in the determination of the allowance for loan and lease losses. However, on an on-going basis the Corporation continues to refine the methods used in determining management s best estimate of the allowance for loan and lease losses.

Based on the loss estimates discussed, management determined its best estimate of the required allowance for loans and leases. Management s evaluation of the factors previously described resulted in an allowance for loan and lease losses of $1,480.5 million or 3.35% of loans and leases outstanding at December 31, 2009. The allowance for loan and lease losses was $1,202.2 million or 2.41% of loans and leases outstanding at December 31, 2008. Consistent with the credit quality trends noted above, the provision for loan and lease losses amounted to $2,314.6 million in 2009, compared to $2,037.7 million in 2008 and $319.8 million in 2007. The resulting provisions for loan and lease losses are the amounts required to establish the allowance for loan and lease losses at the required level after considering charge-offs and recoveries. Management recognizes there are significant estimates in the process and the ultimate losses could be significantly different from those currently estimated.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in the income statement in the period that includes the enactment date.

The determination of current and deferred income taxes is based on complex analyses of many factors, including interpretation of Federal and state income tax laws, the difference between tax and financial reporting basis of assets and liabilities (temporary differences), estimates of amounts currently due or owed, and the timing of reversals of temporary differences.

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The Federal and state taxing authorities periodically review the Corporation s interpretation of Federal and state income tax laws and make assessments based on their determination of tax laws. Tax liabilities could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities based on the completion of taxing authority examinations. The Corporation establishes tax liabilities or reduces tax assets for uncertain tax positions when, despite its belief that its tax return positions are appropriate and supportable under local tax law, the Corporation believes it may not succeed in realizing the tax benefit of certain positions if challenged. In evaluating a tax position, the Corporation determines whether it is more likely than not that the position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Corporation s estimate of the ultimate tax liability contains assumptions based on past experiences, and judgments about potential actions by taxing jurisdictions as well as judgments about the likely outcome of issues that have been raised by taxing jurisdictions. The tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. The Corporation evaluates these uncertain tax positions each quarter and adjusts the related tax liabilities or assets in light of changing facts and circumstances, such as the progress of a tax audit or the expiration of a statute of limitations. The Corporation believes the estimates and assumptions used to support its evaluation of uncertain tax positions are reasonable.

During 2009, the Corporation recognized an income tax benefit of $10.3 million that resulted from the favorable resolution of a tax matter associated with a 2002 stock issuance. In addition, during 2009, the State of Wisconsin passed legislation that requires combined reporting for state income tax purposes effective January 1, 2009. As a result, the Corporation recorded an additional income tax benefit in 2009 of $51.0 million to recognize certain state deferred tax assets, which included the reduction of a valuation allowance for Wisconsin net operating losses. The Corporation expects that income tax expense will increase in future periods due to the enacted legislation.

As a result of the Internal Revenue Service s decision not to appeal a November 2007 US Tax Court ruling related to how the TEFRA (interest expense) disallowance should be calculated within a consolidated group and the position the IRS has taken in another related case, the Corporation recognized an additional income tax benefit related to years 1996-2007 of $20.0 million for its similar issue in 2008.

At December 31, 2009, the Corporation reported a net deferred tax asset of $1.1 billion. On an ongoing basis, management evaluates the deferred tax assets to determine if a valuation allowance is required. The determination of whether a valuation allowance is required is based on available positive and negative evidence. Based on its analysis of the evidence, the Corporation determined that no valuation allowance was required to be recorded against the Federal deferred tax assets at December 31, 2009. The Corporation is in a 3-year cumulative loss position as of December 31, 2009. This is considered as a significant piece of negative evidence. The positive evidence for the Corporation is that it forecasts sufficient taxable income during the carryforward period, exclusive of tax planning strategies, even under stressed scenarios. The realization of the deferred tax assets can be subjective and could be significantly reduced in the near term if estimates of future taxable income are significantly lower than currently forecasted.

The Corporation currently does not have any positions for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within 12 months of December 31, 2009.

Fair Value Measurements

The Corporation measures fair value in accordance with the Fair Value Measurements and Disclosures Topic of the Codification, which provides a framework for measuring fair value under accounting principles generally accepted in the United States of America. The topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The topic also addresses the valuation techniques used to measure fair value. These valuation techniques include the market approach, income approach and cost approach. The market approach uses prices or relevant information generated by market transactions that are identical to or comparable with assets or liabilities being valued. The income approach involves converting future amounts based on current market expectations about those future amounts to a single present amount. The cost approach is based on the amount that currently would be required to replace the service capacity of an asset.

The Fair Value Measurements and Disclosures Topic of the Codification, establishes a fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The reported fair value of a financial instrument is categorized within the fair value hierarchy based upon the lowest level of input that is significant to the instrument s fair value measurement. The three levels within the fair value hierarchy consist of the following:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of financial assets or liabilities with similar characteristics or discounted cash flows.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Fair values are initially valued based upon a transaction price and are adjusted to reflect exit values as evidenced by financing and sale transactions with third parties.

A description of the valuation methodologies used for financial instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy is disclosed in Note 5 Fair Value Measurements in Notes to Consolidated Financial Statements.

In addition to financial instruments that are measured at fair value on a recurring basis, fair values are used in purchase price allocations and goodwill impairment testing. See Note 14 in the Notes to Consolidated Financial Statements for the discussion regarding the Corporation s annual test for goodwill impairment.

Measurements other than Level 1 involve various valuation techniques and models, which seek to maximize inputs that are observable, when available. Selecting the relevant inputs, appropriate valuation techniques and the appropriate category to report the fair value of a financial instrument requires varying levels of judgment depending on the facts and circumstances. The determination of some fair values can be a complex analysis of many factors. Judgment is required when determining the fair value of an asset or liability when either relevant observable inputs do not exist or available observable inputs are in a market that is not active. When relevant observable inputs are not available, the Corporation must use its own assumptions about future cash flows and appropriately risk-adjusted discount rates. Conversely, in some cases observable inputs may require significant adjustments. For example, in cases where the volume and level of trading activity in an asset or liability have declined significantly, the available prices vary significantly over time or among market participants, or the prices are not current, the observable inputs might not be relevant and could require significant adjustment.

Valuation techniques and models used to measure the fair value of financial assets on a recurring basis are reviewed and validated by the Corporation at least quarterly and in some cases monthly. In addition, the Corporation monitors the fair values of significant assets and liabilities using a variety of methods including the evaluation of pricing service information, using exception reports based on analytical criteria, comparisons to previous trades or broker quotes and overall reviews and assessments for reasonableness.

Goodwill Impairment Tests

Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. A reporting unit is an operating segment or one level below an operating segment as defined by the Segment Reporting Topic of the Codification. This first step is a screen for potential impairment. The second step, if necessary, measures the amount of impairment, if any. Goodwill is reviewed for impairment annually as of June 30^{th} or more frequently if indicators of impairment exist. Goodwill has been assigned to six reporting units for purposes of impairment testing.

Significant judgment is applied when goodwill is assessed for impairment. The judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions and selecting an appropriate control premium. The assumptions used in the goodwill impairment assessment and the application of these estimates and assumptions are discussed below.

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The estimated fair value for the Commercial Banking segment, Community Banking segment, Private Banking reporting unit and Trust reporting unit at June 30, 2009 was determined by equally weighting an income approach (50%) and market approach (50%) to assess if potential goodwill impairment existed. For the Capital Markets reporting unit, National Consumer Banking reporting unit and the Brokerage reporting unit the estimated fair value at June 30, 2009 was determined by weighting 100% to an income approach. The Corporation determined that there was not sufficient comparable metrics associated with guideline companies and those reporting units to place any reliance on the market approach.

The income approach is based on discounted cash flows which are derived from internal forecasts and economic expectations for each respective reporting unit. The key assumptions used to determine fair value under the income approach included the cash flow period, terminal values based on a terminal growth rate and the discount rate. The discount rate represents the estimated cost of equity, was derived using a capital asset pricing model that uses a risk-free rate (20-year Treasury Bonds) which was 4.3% at June 30, 2009. The risk-free rate was adjusted for the risks associated with the operations of the reporting units. The discount rates used in the income approach for the six reporting units evaluated at June 30, 2009 ranged from 10% to 22%. An increase to the discount rate of 1% would have lowered the fair value determined under the income approach for the six reporting units evaluated at June 30, 2009 by a range of $3.3 million to $83.5 million or 6.3% to 47.0%.

The market approach is a technique that provides indications of value based upon comparisons of the reporting unit to market values and pricing evidence of public companies in the same or similar lines of businesses. Market ratios (pricing multiples) and performance fundamentals relating to the public companies stock prices (equity) as of June 30, 2009 were applied to each reporting unit as previously discussed to determine indications of its fair value.

The aggregate fair values were compared to the Corporation s market capitalization as an assessment of the appropriateness of the fair value measurements. The Corporation used the average stock price for the month of June 2009. The comparison between the aggregate fair values and market capitalization indicated an implied premium. A control premium analysis indicated that the implied premium was within a range of the overall premiums observed in the market place.

As a result of applying the first step of goodwill impairment testing to determine if potential goodwill impairment existed at June 30, 2009, Trust, Private Banking, and Brokerage, the three reporting units that comprise the Wealth Management segment, and the Capital Markets reporting unit passed (fair value exceeded the carrying amount) the first step of the goodwill impairment test. The Commercial Banking segment and the National Consumer Banking reporting unit failed (the carrying amount exceeded the fair value) the first step of the goodwill impairment test at June 30, 2009 and were subjected to the second step of the goodwill impairment test.

For the four reporting units that passed step one, fair value exceeded the carrying amount by 7% to 166% of their respected estimated fair values. For the two reporting units that failed, the carrying amount exceeded fair value by between 37% and 90%.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined. The fair value of a reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The fair value allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) also requires significant judgment, especially for those assets and liabilities that are not measured on a recurring basis such as certain types of loans. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The Corporation believes the implied fair value of goodwill is significantly affected by unobservable inputs and would be categorized as Level 3 within the fair value hierarchy.

The Corporation completed the second step of the process in order to determine if there is any goodwill impairment for the two reporting units that failed step one of the goodwill impairment tests. In addition, the Corporation performed the second step of the process for one reporting unit that marginally passed step one of the goodwill impairment test.

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The implied fair value of a reporting unit s goodwill will generally increase if the fair value of its loans and leases are less than the carrying value of the reporting unit s loans and leases. The fair value of loans and leases was derived from discounted cash flow analysis as described in Note 5 Fair Value Measurements in Notes to Consolidated Financial Statements.

The stress and deterioration in the national real estate markets, liquidity stress and current economic conditions have depressed prices buyers and sellers are paying and receiving for bank-related assets, especially loans and leases. The Corporation s allocation of the fair values to the assets and liabilities assigned to the individual reporting units was less than their reported carrying values. As a result, the Corporation was not required to recognize any goodwill impairment upon completion of the second step of the goodwill impairment test. There have been no events since the annual test to indicate that it is more likely than not that the recorded goodwill had become impaired.

Due to the current economic environment and the uncertainties regarding the impact on the Corporation s reporting units, there can be no assurances that the Corporation s estimates and assumptions regarding the duration of the economic recession, or the period or strength of recovery, made for purposes of the Corporation s annual goodwill impairment test will prove to be accurate predictions of the future. If the Corporation s assumptions regarding forecasted revenues or margin growth rates of certain reporting units are not achieved, the Corporation may be required to record additional goodwill impairment losses in future periods. It is not possible at this time to determine if any such future impairment loss would result or, if it does, whether such charge would be material.

New Accounting Pronouncements

A discussion of new accounting pronouncements that are applicable to the Corporation and have been or will be adopted by the Corporation is included in Note 3 New Accounting Pronouncements in Notes to Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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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.

Interest Rate Risk

The Corporation uses financial modeling techniques to identify potential changes in income and market value 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 limit 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 of the assets and liabilities held by the Corporation. The net change in net interest income in different market rate environments is the amount of earnings at risk. The net change in the present value of the asset and liability cash flows in different market rate environments is the amount of market value at risk. Policies are in place to assure that neither earnings nor market 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 contractual 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 cash flows 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 projects future net interest income levels in several different interest rate environments. Earnings at risk are calculated by modeling net interest income in an environment where rates remain constant, and comparing this result to net interest income in a different rate environment, and then expressing this difference as a percentage of net interest income for the succeeding 12 months. This calculation is a change from prior years. Previously, earnings at risk were measured as a percentage of the Corporation s budgeted operating income before taxes for the calendar year. This change was made to decrease the volatility of the measurement caused by items unrelated to the margin. 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, 2009:

Hypothetical Change in Interest Rates	Annual Impact
100 basis point gradual rise in rates	(0.3)%
100 basis point gradual decline in rates	(2.0)%

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 and changes in spread between key market rates. These results also do not include any management action to mitigate potential income variances within the simulation process. Such action could potentially include, but 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.

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

Equity Risk

In addition to interest rate risk, the Corporation incurs market risk in the form of equity risk. The Corporation invests directly and indirectly through investment funds, in private medium-sized companies to help establish new businesses or recapitalize existing ones. These investments expose the Corporation to the change in equity values of the portfolio companies. However, fair values are difficult to determine until an actual sale or liquidation transaction actually occurs. At December 31, 2009, the carrying value of total active private equity investments amounted to approximately $68.5 million.

At December 31, 2009, Wealth Management administered $122.3 billion in assets and directly managed $32.9 billion in assets. Exposure exists to changes in equity values due to the fact that fee income is partially based on equity balances. Quantification of this exposure is 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, 2009, 2008, AND 2007

Consolidated Balance Sheets

December 31 ($000 s except share data)

	2009	2008
Assets		
Cash and Cash Equivalents:		
Cash and Due from Banks	$ 769,034	$ 851,336
Federal Funds Sold and Security Resale Agreements	26,839	101,069
Money Market Funds	36,610	120,002
Total Cash and Cash Equivalents	832,483	1,072,407
Interest Bearing Deposits at Other Banks	1,128,794	9,684
Trading Assets, at Fair Value	255,646	518,361
Investment Securities:		
Available for Sale, at Fair Value	7,073,592	7,430,552
Held to Maturity, Fair Value $106,962 ($243,395 in 2008)	103,566	238,009
Loans Held for Sale	214,159	220,391
Loans and Leases	44,003,467	49,764,153
Allowance for Loan and Lease Losses	(1,480,470)	(1,202,167)
Net Loans and Leases	42,522,997	48,561,986
Premises and Equipment, Net	565,806	564,789
Goodwill	609,517	605,144
Other Intangible Assets	134,067	158,305
Bank-Owned Life Insurance	1,189,360	1,157,612
Other Real Estate Owned (OREO)	430,821	320,908
Accrued Interest and Other Assets	2,149,170	1,478,270
Total Assets	$ 57,209,978	$ 62,336,418
Liabilities and Equity		
Deposits:		
Noninterest Bearing	$ 7,832,752	$ 6,879,994
Interest Bearing	33,804,773	34,143,147
Total Deposits	41,637,525	41,023,141
Short-term Borrowings	1,120,147	4,058,033
Accrued Expenses and Other Liabilities	1,040,860	1,370,969
Long-term Borrowings	6,425,855	9,613,717
Total Liabilities	50,224,387	56,065,860
Equity:		
Preferred Stock, $1.00 par value, 5,000,000 Shares Authorized; 1,715,000 Shares Issued and Outstanding of Senior Preferred Stock, Series B (Liquidation Preference of $1,000 per Share)	1,715	1,715
Common Stock, $1.00 par value, 700,000,000 Shares Authorized; 530,164,081 Shares Issued (272,318,615 Shares in 2008)	530,164	272,319
Additional Paid-in Capital	4,997,606	3,838,867
Retained Earnings	1,666,021	2,538,989
Treasury Stock, at Cost: 4,793,885 Shares (6,977,434 in 2008)	(132,191)	(192,960)

Deferred Compensation	(37,538)	(40,797)
Accumulated Other Comprehensive Income, Net of Related Taxes	(51,321)	(157,952)
Total Marshall & Ilsley Corporation Shareholders Equity	6,974,456	6,260,181
Noncontrolling Interest in Subsidiaries	11,135	10,377
Total Equity	6,985,591	6,270,558
Total Liabilities and Equity	$ 57,209,978	$ 62,336,418

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)

	2009	2008	2007
Interest and Fee Income			
Loans and Leases	$ 2,208,427	$ 2,926,334	$ 3,243,109
Investment Securities:			
Taxable	207,235	286,054	311,837
Exempt from Federal Income Taxes	44,647	53,750	59,237
Trading Securities	3,696	2,530	1,012
Short-term Investments	3,888	9,026	18,001
Loan to Metavante			35,969
Total Interest and Fee Income	2,467,893	3,277,694	3,669,165
Interest Expense			
Deposits	535,426	902,944	1,231,252
Short-term Borrowings	9,550	139,627	236,671
Long-term Borrowings	340,308	454,413	585,025
Total Interest Expense	885,284	1,496,984	2,052,948
Net Interest Income	1,582,609	1,780,710	1,616,217
Provision for Loan and Lease Losses	2,314,649	2,037,707	319,760
Net Interest Income (Loss) After Provision for Loan and Lease Losses	(732,040)	(256,997)	1,296,457
Other Income			
Wealth Management	265,146	282,182	262,835
Service Charges on Deposits	136,570	146,153	120,616
Gain on Sale of Mortgage Loans	44,346	22,370	28,588
Other Mortgage Banking Revenue	3,946	3,655	5,466
Net Investment Securities Gains	121,789	17,229	34,814
Bank-Owned Life Insurance Revenue	39,042	35,940	37,744
Gain on Termination of Debt	99,351	14,718	
OREO Income	14,227	8,975	1,496
Other	191,185	216,893	237,507
Total Other Income	915,602	748,115	729,066
Other Expense			
Salaries and Employee Benefits	690,818	723,245	659,871
Net Occupancy and Equipment	135,744	126,896	111,977
Software Expenses	28,047	24,684	21,126
Processing Charges	132,985	131,990	135,110
Supplies, Printing, Postage and Delivery	35,163	42,131	42,547
FDIC Insurance	107,925	17,261	3,968
Professional Services	91,366	72,043	42,454
Amortization of Intangibles	23,423	24,282	20,551
Goodwill Impairment		1,535,144	
Loss on Termination of Debt	118		83,662
OREO Expenses	181,583	83,212	8,184
Other	150,662	212,348	182,598
Total Other Expense	1,577,834	2,993,236	1,312,048
Income (Loss) Before Income Taxes	(1,394,272)	(2,502,118)	713,475
Provision (Benefit) for Income Taxes	(637,233)	(459,525)	213,641
Income (Loss) from Continuing Operations Before Noncontrolling Interests	(757,039)	(2,042,593)	499,834

Less: Net Income Attributable to Noncontrolling Interests	(1,578)	(869)	(2,895)
Income (Loss) from Continuing Operations	(758,617)	(2,043,462)	496,939
Income from Discontinued Operations, Net of Tax			653,997
Net Income (Loss) Attributable to Marshall & Ilsley Corporation	(758,617)	(2,043,462)	1,150,936
Preferred Dividends	(100,164)	(12,737)	
Net Income (Loss) Attributable to Marshall & Ilsley Corporation Common Shareholders	$ (858,781)	$ (2,056,199)	$ 1,150,936
Per Share Attributable to Marshall & Ilsley Corporation Common Shareholders			
Basic:			
Continuing Operations	$ (2.46)	$ (7.92)	$ 1.91
Discontinued Operations			2.51
Net Income (Loss)	$ (2.46)	$ (7.92)	$ 4.42
Diluted:			
Continuing Operations	$ (2.46)	$ (7.92)	$ 1.87
Discontinued Operations			2.47
Net Income (Loss)	$ (2.46)	$ (7.92)	$ 4.34

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)

	2009	2008	2007
Cash Flows From Operating Activities:			
Net Income (Loss) Attributable to Marshall & Ilsley Corporation	$ (758,617)	$ (2,043,462)	$ 1,150,936
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	51,359	9,248	133,099
Provision for Loan and Lease Losses	2,314,649	2,037,707	319,760
Benefit for Deferred Income Taxes	(482,082)	(284,777)	(21,818)
Stock based Compensation Expense	29,688	30,757	46,923
Excess Tax (Benefit) Expense from Stock-based Compensation Arrangements	(1,431)	55	(4,251)
Net Gain on Sales of Assets	(179,633)	(87,026)	(101,315)
(Gain) Loss on Termination of Debt, Net	(99,233)	(14,718)	83,662
Gain on Sale of Metavante			(525,576)
Net Decrease in Trading Assets	660,680	332,736	246,020
Net Decrease (Increase) in Mortgage Loans Held for Sale	147,241	(14,330)	113,723
Bank Owned Life Insurance Revenue	(36,143)	(34,371)	(36,731)
OREO Valuation Adjustments	109,125	55,582	1,337
Goodwill Impairment		1,535,144	
Prepaid FDIC Insurance Premiums	(333,565)		
Change in Accrued Interest and Other Assets	84,590	(320,319)	(94,680)
Change in Accrued Expenses and Other Liabilities	(764,301)	(445,023)	(300,958)
Other	73,550	40,187	(7,442)
Total Adjustments	1,574,494	2,840,852	(148,247)
Net Cash Provided by Operating Activities	815,877	797,390	1,002,689
Cash Flows From Investing Activities:			
Net Increase in Short-Term Investments	(1,119,108)	(9,485)	(24,978)
Proceeds from Sales of Securities Available for Sale	2,189,836	129,650	883,812
Proceeds from Sales of Securities Held to Maturity		1,633	
Proceeds from Maturities of Securities Available for Sale	1,523,126	1,219,955	1,355,466
Proceeds from Maturities of Securities Held to Maturity	135,796	136,847	121,741
Purchases of Securities Available for Sale	(3,161,106)	(1,074,902)	(2,424,522)
Net Decrease (Increase) in Loans and Leases	3,100,425	(3,742,134)	(4,015,751)
Proceeds from Loan to Metavante			982,000
Purchases of Premises and Equipment, Net	(50,526)	(101,657)	(87,646)
Cash Paid for Acquisitions, Net of Cash and Cash Equivalents Acquired	(479)	(476,761)	(33,298)
Proceeds from Divestitures		2,460	80,074
Net Proceeds from the Separation			1,592,646
Purchase of Bank-Owned Life Insurance			(286,629)
Net Proceeds from Sale of OREO	302,503	86,069	32,971
Net Cash Provided (Used) by Investing Activities	2,920,467	(3,828,325)	(1,824,114)
Cash Flows From Financing Activities:			
Net Increase (Decrease) in Deposits	648,440	4,223,022	(550,558)
Net Increase (Decrease) in Short-term Borrowings	(2,934,716)	(2,857,769)	1,896,660
Proceeds from Issuance of Long-term Borrowings	375	1,282,056	3,220,316
Payments of Long-term Borrowings	(2,989,853)	(1,649,724)	(3,122,833)
Dividends Paid on Preferred Stock	(85,988)		
Dividends Paid on Common Stock	(14,187)	(327,820)	(313,298)
Purchases of Common Stock		(130,870)	(431,150)
Proceeds from the Issuance of Preferred Stock		1,715,000	
Proceeds from the Issuance of Common Stock	1,428,353	27,832	112,254
Proceeds from Issuance of Common Stock Stock Purchase Contracts			399,989
Excess Tax Benefit (Expense) from Stock-based Compensation Arrangements	1,431	(55)	4,251
Other	(30,123)	(842)	(56,952)

Net Cash (Used) Provided by Financing Activities	(3,976,268)	2,280,830	1,158,679
Net (Decrease) Increase in Cash and Cash Equivalents	(239,924)	(750,105)	337,254
Cash and Cash Equivalents Beginning of Year	1,072,407	1,822,512	1,485,258
Cash and Cash Equivalents End of Year	$ 832,483	$ 1,072,407	$ 1,822,512
Supplemental Cash Flow Information:			
Cash Paid (Received) During the Year for:			
Interest	$ 967,800	$ 1,509,961	$ 2,041,724
Income Taxes	(201,211)	63,693	277,474

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

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Consolidated Statements of Equity

($000 s except share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Common Stock	Deferred Compen-sation	Accumula-ted Other Compre-hensive Income	Marshall & Ilsley Corporation Shareholders Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2006	$	$ 261,972	$ 1,770,540	$ 4,383,642	$ (205,938)	$ (41,299)	$ (17,546)	$ 6,151,371	$ 68,738	$ 6,220,109
Comprehensive Income:										
Net Income				1,150,936				1,150,936	2,895	1,153,831
Net Unrealized Gains (Losses) on Securities							11,684	11,684		11,684
Net Gains (Losses) on Derivatives Hedging Variability of Cash Flows							(46,502)	(46,502)		(46,502)
Net Gains (Losses) on Funded Status of Defined Postretirement Plan							(1,343)	(1,343)		(1,343)
Other Comprehensive Income								(36,161)		(36,161)
Total Comprehensive Income								1,114,775		1,117,670
Changes in connection with the Separation		(8,596)	(346,405)	(298,272)	351,705	2,938		(298,630)	(12,757)	(311,387)
Issuance of 9,226,951 Common Shares Under STACKS/SPACES		9,227	390,762					399,989		399,989
Issuance of 4,851,899 Common Shares in the 2007 Business Combinations		4,852	239,526					244,378		244,378
Issuance of 4,436,659 Treasury Common Shares Under Stock Based Compensation Awards			(50,327)		161,570			111,243		111,243
Issuance of 403,508 Treasury Common Shares for Retirement Plan			6,343		12,836			19,179		19,179

Funding										
Acquisition of 10,792,502 Common Shares			(2,255)		(438,114)			(440,369)		(440,369)
Dividends Declared on Common Stock $1.20 Per Share				(313,298)				(313,298)		(313,298)
Net Change in Deferred Compensation						(6,998)		(6,998)		(6,998)
Distributions to Noncontrolling Interests									(2,768)	(2,768)
Redemptions or Purchases of Noncontrolling Interests									(46,200)	(46,200)
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes			4,251					4,251		4,251
Stock Based Compensation Expense			46,923					46,923		46,923
Other			(85)					(85)		(85)
Balance, December 31, 2007	$	$ 267,455	$ 2,059,273	$ 4,923,008	$ (117,941)	$ (45,359)	$ (53,707)	$ 7,032,729	$ 9,908	$ 7,042,637

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

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Consolidated Statements of Equity

($000 s except share data)

	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Common Stock	Deferred Compen-sation	Accumula-ted Other Compre-hensive Income	Marshall & Ilsley Corporation Shareholders Equity	Non-Controlling Interest	Total Equity
Balance, December 31, 2007	$	$ 267,455	$ 2,059,273	$ 4,923,008	$ (117,941)	$ (45,359)	$ (53,707)	$ 7,032,729	$ 9,908	$ 7,042,637
Comprehensive Income:										
Net Loss				(2,043,462)				(2,043,462)	869	(2,042,593)
Net Unrealized Gains (Losses) on Securities							(46,774)	(46,774)		(46,774)
Net Gains (Losses) on Derivatives Hedging Variability of Cash Flows							(55,810)	(55,810)		(55,810)
Net Gains (Losses) on Funded Status of Defined Postretirement Plan							(1,661)	(1,661)		(1,661)
Other Comprehensive Income								(104,245)		(104,245)
Total Comprehensive Income								(2,147,707)		(2,146,838)
Issuance of 1,715,000 Preferred Shares Under U.S. Treasury Capital Purchase Program	1,715		1,713,285					1,715,000		1,715,000
Issuance of 4,863,221 Common Shares in the 2008 Business Combinations		4,864	59,136					64,000	432	64,432
Issuance of 1,918,432 Treasury			(25,668)		53,311			27,643		27,643

Common Shares Under Stock Based Compensation Awards							
Acquisition of 4,927,215 Common Shares	383		(128,330)		(127,947)		(127,947)
Dividends Declared on Preferred Stock	1,780	(12,737)			(10,957)		(10,957)
Dividends Declared on Common Stock $1.27 Per Share		(327,820)			(327,820)		(327,820)
Net Change in Deferred Compensation				4,562	4,562		4,562
Distributions to Noncontrolling Interests						(832)	(832)
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes	(55)				(55)		(55)
Stock Based Compensation Expense							