MARSHALL & ILSLEY CORP
Form 10-K
March 01, 2011

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, 2010

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) 765-7700

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 X No __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to 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, 2010 was approximately $3,741,704,000. As of January 31, 2011, the number of shares of Common Stock outstanding was 530,119,395, and the number of shares of Senior Preferred Stock, Series B outstanding was 1,715,000.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates by reference information that will be provided in the Proxy Statement for the registrant's 2011 Annual Meeting of Shareholders or by amendment to this Annual Report on Form 10-K not later than 120 days after the end of the registrant's fiscal year ended December 31, 2010.

MARSHALL & ILSLEY CORPORATION
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

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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, 2010, M&I had consolidated total assets of approximately $50.8 billion and consolidated total deposits of approximately $38.3 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) 765-7700). M&I's principal assets are the stock of its bank and nonbank subsidiaries, which, as of February 15, 2011, consisted of four 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"), 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 23 of the Notes to 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,

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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 Others 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.

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.

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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 any amendments to these reports, as soon as reasonably practicable after these materials are filed with or furnished to the Securities and Exchange Commission (the "SEC"). 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.

Pending Merger with BMO Financial Group

On December 17, 2010, the Corporation entered into a definitive merger agreement under which BMO Financial Group ("BMO" or "Bank of Montreal") will acquire all outstanding shares of common stock of the Corporation in a stock-for-stock transaction. Under the terms of the agreement, each outstanding share of the Corporation's common stock will be exchanged for 0.1257 shares of BMO common stock upon closing. The transaction is expected to close prior to July 31, 2011. The transaction is subject to customary closing conditions, including regulatory approvals and approval of the shareholders of M&I.

Acquisitions by M&I

M&I did not complete any acquisitions in 2010. Information on M&I's acquisitions in previous years can be found in Note 6 of the Notes to Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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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
2010	$ 1,959,087	64.4 %	$ 203,728	6.7 %	$ 280,368	9.2 %	$ 3,043,150
2009	2,208,427	65.5	251,882	7.5	265,146	7.9	3,370,896
2008	2,926,334	72.8	339,804	8.5	282,182	7.0	4,018,140

M&I business segment information is contained in Note 23 of the Notes to Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Competition

M&I and its subsidiaries face substantial competition from hundreds of competitors in the markets they serve, some of which are larger and have greater resources than M&I. M&I's bank subsidiaries compete for deposits and other sources of funds and for credit relationships with other banks, savings associations, credit unions, finance companies, mutual funds, life insurance companies (and other long-term lenders) and other financial and non-financial companies located both within and outside M&I's primary market 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, 2010, M&I and its subsidiaries employed, in the aggregate, 9,137 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, 2011, M&I owned a total of four bank and trust subsidiaries, including two Wisconsin state banks, 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 (the "DFI"), as well as by the Federal Reserve Board. M&I's federal savings bank subsidiary is subject to regulation and examination by the Office of Thrift Supervision ("OTS"). 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, three of M&I's four 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, 2010 can be found in Note 17 of the Notes to 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

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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 all states. M&I Bank currently maintains interstate branches in Arizona, Florida, Indiana, Kansas, Minnesota and Missouri and 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.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") was signed into law on July 21, 2010. Since the Dodd-Frank Act calls for federal regulatory agencies to adopt almost 250 new rules and conduct more than 60 studies over the next several years in order to implement its provisions, the ultimate impact of the legislation on M&I will not be known for many months or years. However, since many of the provisions apply to "systemically important" companies, including M&I, M&I will be subject to substantial new requirements and enhanced regulatory oversight. Management expects the impact of the new requirements on M&I to be significant.

While the Dodd-Frank Act contains numerous provisions that will in some way affect M&I, key provisions of the Dodd-Frank Act that M&I believes will have the most significant potential impact on M&I, M&I Bank and its other subsidiaries in the near- and long-term include:

Changes in FDIC insurance. The Dodd-Frank Act increases the FDIC's minimum ratio of reserves to insured deposits and changes how deposit insurance premium assessments from the FDIC are calculated through provisions specifically designed to capture more deposit insurance premium income from the larger U.S. banks. These provisions will likely lead to higher FDIC insurance premiums for M&I Bank for the foreseeable future. The legislation also permanently increases federal deposit insurance coverage to $250,000.

Debit card transaction interchange fees. The Dodd-Frank Act directs the Federal Reserve Board to issue rules to ensure that small businesses and other merchants are charged only an amount "reasonable and proportional" to the cost incurred by payment processors and issuers of debit cards. These rules are likely to have a negative impact on M&I Bank's debit card interchange fee income, though the extent of any such impact will not be known until the final rules are issued.

Restrictions on proprietary trading investments in private equity and hedge funds. With certain exceptions, the Dodd-Frank Act prohibits insured depositary institutions and their parent holding companies (including M&I and its banking subsidiaries) from engaging in proprietary trading, except for limited purposes, and from sponsoring or owning equity interests in private equity and hedge funds, subject to several exemptions, including a de minimis exemption that permits a banking entity to make investments in funds that are sponsored by the banking entity in an aggregate amount not exceeding 3% of the bank's Tier 1 capital. M&I, M&I Bank and its other subsidiaries engage in only a de minimis amount of proprietary trading. M&I is currently evaluating the effect that these new restrictions will have on its investments in private equity and hedge funds, but this portfolio is relatively small. Furthermore, final regulations adopted by the Federal Reserve Board include a two-year conformance period following the effective date of the final regulations to wind down, sell or otherwise comply with these restrictions. Banking entities may also apply for three one-year extensions and, subject to certain requirements, may petition the Federal Reserve Board for an additional extended period with respect to any "illiquid fund."

Regulation of derivatives. The Dodd-Frank Act imposes significant restrictions on the trading of derivatives, and provides for increased regulation by the SEC and the Commodities Futures Trading Commission of the over-the-counter derivative market. The Dodd-Frank Act will require bank holding companies to spin off certain

riskier derivative trading activities to separately capitalized affiliates, while continuing to authorize perceived lower-risk derivative activities by banks to the extent these activities qualify as risk mitigating activities directly related to the bank's activities. M&I does not currently expect these provisions to have a significant impact on its operations, though they may limit potential areas of expansion by M&I's banking subsidiaries of their derivative activities, products and services.

Bank capital. The Collins Amendment in the Dodd-Frank Act affects the capital requirements for commercial banks, and includes a phased-in exclusion of trust preferred securities as an element of Tier 1 capital for certain bank holding companies. Bank holding companies, such as M&I, with total assets of $15 billion or more have three years to phase-out trust preferred securities from their Tier 1 capital, beginning January 1, 2013. At December 31, 2010, M&I

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had $99.0 million in trust preferred securities outstanding. Preferred stock issued to the United States Department of the Treasury (the "UST") under the Capital Purchase Program is exempt from the Collins Amendment and is includible in Tier 1 capital for all bank holding companies during its entire term.

Minimum Leverage and Risk-Based Capital Requirements. The Dodd-Frank Act mandates federal banking agencies to establish new minimum leverage and risk-based capital requirements for banks, bank holding companies, and "systemically important" non-banking companies. These new requirements must be established within 18 months of the Dodd-Frank Act's effective date. While the Dodd-Frank Act does not provide any specific guidance on what the new capital levels should be, the law does provide that the capital levels currently in place should serve as a floor for any new capital requirements. Further, "systemically important companies," including M&I, will be stress-tested at least annually by the Federal Reserve Board. Accordingly, M&I expects that these new "prudential standards" and stress-testing exercises will lead to higher capital requirements in the future. The new law further mandates regulators to adapt capital requirements as banks grow in size or engage in riskier activities, and codifies for the first time the requirement imposed by bank regulators that a bank holding company must serve as a "source of strength" or provider of funds to its subsidiary depository institutions, if deemed necessary by such regulators.

Consumer Financial Protection Bureau. The Dodd-Frank Act establishes the Consumer Financial Protection Bureau ("CFPB") as a new independent executive agency within the Federal Reserve Board, empowered with broad authority to regulate the offering and provision of consumer financial products and services. The CFPB will have primary examination and enforcement authority over all insured banks with more than $10 billion in assets, including their affiliates, and will become the one central federal regulator with consolidated consumer protection authority for such banks. The CFPB will have authority to require reports and conduct examinations of the largest depository institutions to assess compliance with federal consumer financial laws, to obtain information about activities and compliance systems, and to detect and assess risks to consumers and markets for consumer financial products and services.

The Dodd-Frank Act also directs the CFPB to prevent persons from engaging in or committing an unfair, deceptive or abusive act or practice in connection with a transaction with a consumer for a consumer financial product or service, or the offering thereof, to ensure that "fair disclosures" are provided to consumers, and that information relevant to the purchase of consumer products or services is disclosed to the consumer in plain language in a manner that permits consumers to understand the costs, benefits, and risks associated with the product or service.

Generally, M&I believes that its compliance costs and burdens will increase substantially as a result of the creation of the CFPB and the new rules it is expected to implement for consumer financial products and services.

Insurance for noninterest-bearing transaction accounts. Under the Dodd-Frank Act, beginning December 31, 2010 (the termination date for the Transaction Account Guarantee Program (the "TAGP"), a component of the FDIC's Temporary Liquidity Guarantee Program in which M&I was formerly a participant) and continuing through December 31, 2012, all funds held in noninterest-bearing transaction accounts will be fully guaranteed by the FDIC for the full amount of the account. This unlimited insurance coverage was eliminated for Interest on Lawyer Trust Accounts and minimal interest-bearing NOW accounts, which were originally covered under TAGP. However, subsequent to the enactment of the Dodd-Frank Act, Congress amended the Federal Deposit Insurance Act to include Interest on Lawyer Trust Accounts within the definition of "noninterest-bearing transaction accounts," thereby granting such accounts unlimited insurance coverage by the FDIC from December 31, 2010 through December 31, 2012.

Corporate governance and executive compensation. The Dodd-Frank Act contains a number of provisions relating to corporate governance and executive compensation practices and disclosure. These include, among others, "say on pay," which is a nonbinding shareholder vote on executive compensation; disclosure of so-called golden parachute arrangements; clawback provisions to recover erroneously awarded executive compensation; provisions relating to the

independence and composition of compensation committees; and provisions requiring disclosure of the relationship between executive compensation and company performance, and the ratio of mean employee compensation to CEO compensation. Pursuant to authority granted it under the Dodd-Frank Act, the SEC recently issued rules relating primarily to executive compensation matters. A number of additional rules are to be adopted later in 2011. M&I will take any necessary actions to comply with the applicable requirements as they take effect.

In 1999, Congress enacted the Gramm-Leach-Bliley Act (the “GLB Act”). Among other things, the GLB Act repealed certain restrictions on affiliations between banks and securities firms. The GLB Act also amended the BHCA to permit bank holding companies that qualify as “financial holding companies” to engage in a broad list of “financial

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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 GLB 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 GLB 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 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.

Under the terms of the Securities Purchase Agreement, 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. 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 no longer subject to any contractual restrictions on transfer. 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, 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) of the Emergency Economic Stabilization Act and the rules and regulations of the UST promulgated thereunder.

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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.

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) Information regarding the Corporation's short-term borrowings, including amounts outstanding and weighted average interest rate for certain categories, can be found in Liquidity and Capital Resources which is included in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations.

(8) 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.

(9) 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.

(10) 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.

(11) 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.

(12) 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.

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.

Risks Related to the Corporation's Pending Merger with BMO

On December 17, 2010, the Corporation entered into a definitive merger agreement under which BMO will acquire all outstanding shares of the Corporation's common stock in a stock-for-stock transaction. There can be no assurance that the merger with BMO will be completed. In connection with the pending merger, certain additional risks and uncertainties should also be considered, including, without limitation:

- attrition of deposits and customers, operating costs and business disruption before and following the completion of the pending merger, including potential difficulties in maintaining relationships with employees, may be greater than expected;

- the inability to obtain governmental approvals of the pending merger on the proposed terms and schedule; and

- the failure of the Corporation's shareholders to approve the pending merger and/or the failure of the parties to complete the merger on the proposed terms and schedule.

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.

The Federal Reserve Board 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 Board released supervisory letter SR 09-4 (the "SR 09-4") to provide direction to bank holding companies on, among other things, the declaration and payment of dividends. SR 09-4 states 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. It is possible that the Corporation will determine or will be required under SR 09-4 to eliminate, defer or significantly reduce the dividends on its common stock, the Senior Preferred Stock, or both. In addition, the Corporation is currently required to obtain the prior approvals of the Federal Reserve and the DFI to pay a cash dividend on its common stock. There can be no assurance that the Corporation will be able to obtain such approvals in future quarters. The inability of the Corporation to continue to pay dividends on its common stock or on the Senior Preferred Stock could have a material adverse effect on the trading price of the Corporation's common stock and could have consequences under the Letter Agreement relating to the Corporation's participation in the UST's Capital Purchase Program.

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.

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

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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.

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 FDIC, 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.

The Dodd-Frank Act will have a significant impact on the business and operations of the Corporation and its banking subsidiaries and will substantially increase their cost of doing business, which could, in turn, have a material adverse effect on the Corporation's results of operations and financial condition.

It is anticipated that the Corporation, including some or all of its banking subsidiaries, will become subject to the following provisions of the Dodd-Frank Act, any or all of which may directly or indirectly increase their costs of doing business, in some cases materially:

- increased federal deposit insurance premiums to fund shortfalls in the FDIC's deposit insurance fund;
- provisions designed to address perceived industry-wide deficiencies in the residential mortgage loan underwriting process, in part by creating new documentation requirements and underwriting criteria, and increasing the Corporation's and its banking subsidiaries' potential liability to their customers if they fail to take steps to ensure and document that each borrower has the capacity and ability to repay their loans;
- increased regulatory oversight of our consumer lending functions through the establishment of the Consumer Financial Protection Bureau; and

- increasingly strict rules for capital, leverage, liquidity, risk management and other requirements applicable to large bank holding companies.

In addition, certain provisions of the Dodd-Frank Act will restrict and/or prohibit the Corporation and/or M&I Bank from engaging in certain business activities, such as proprietary trading, private equity investments and certain hedging activities. There can be no assurance that such restrictions and prohibitions will not have a material adverse effect on the Corporation's business, financial condition and results of operations.

A significant proportion of the Dodd-Frank Act's provisions will not become effective until the various federal bank and other regulatory agencies propose and issue regulations to give effect to those provisions. The

Corporation will continue to conduct its banking and other operations and make strategic decisions about its business during this period of legal and regulatory uncertainty consistent with existing federal and state law and the Dodd-Frank Act. There can be no assurance that the Corporation's or its banking subsidiaries business decisions and strategic initiatives made in response to the applicable provisions of the Dodd-Frank Act, or in anticipation of the scope, content and application of the regulations under the Dodd-Frank Act, will be the correct decisions that will enable them to conduct business in a competitive manner, or that their competitors will not implement strategic initiatives to address or minimize the cost of complying with the Dodd-Frank Act or the regulations that will be more successful than those employed by the Corporation or its banking subsidiaries.

The Corporation expects that compliance with the Dodd-Frank Act and the rules and regulations that will be adopted thereunder may create significant additional costs to its operations and those of M&I Bank and may negatively impact their competitive position, which could have a material adverse effect on the Corporation's business, financial condition and results of operations.

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

The Emergency Economic Stabilization Act of 2008 (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 American Recovery and Reinvestment Act (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.

On July 21, 2010, the Dodd-Frank Act was signed into law. The purpose of the Dodd-Frank Act is to promote the financial stability of the United States by improving accountability and transparency in the financial system, to protect consumers from abusive financial services practices, and for other purposes. The provisions of the Dodd-Frank Act that are most likely to affect the Corporation are described elsewhere in this report.

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 since 2008. 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

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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;
- 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;
- failure to successfully integrate the Corporation's acquisitions or realize anticipated benefits from the Corporation's acquisitions; or
- announcements or events that affect the price of shares of BMO common stock.

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 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.

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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 Corporation's 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, and payment of dividends by M&I Bank is subject to prior approval of the Federal Reserve and the DFI, and with respect to M&I Bank FSB, the OTS. 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.

The inability of the Corporation's banking subsidiaries to pay dividends to the Corporation for any of the reasons described above could have a material adverse effect on the Corporation's financial condition and results of operations.

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 ("GAAP") 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 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.

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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 GAAP 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 SEC 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 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 of the Corporation and its data processing subsidiary formerly known as Metavante Corporation in November 2007 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 of the Corporation and its data processing subsidiary formerly known as Metavante Corporation in November 2007, 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 Corporation's successor entity would recognize a taxable gain that would result in significant U.S. federal income tax liabilities to Metavante Corporation's successor entity. Metavante Corporation's successor entity 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

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indemnify against any such taxes unless such taxes would not have been imposed but for an act of Metavante Corporation's successor entity, 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 Corporation's successor entity if there is an acquisition of the Corporation's common stock or the stock of Metavante Corporation's successor entity 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 such stock. In this situation, the Corporation may be required to indemnify Metavante Corporation's successor entity 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 Corporation's successor entity. 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.

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 182 branch offices among the Phoenix and Tucson, Arizona metropolitan areas, the St. Louis metropolitan area, Kansas City and nearby communities, Florida's west coast and Orlando, Florida, Minneapolis/St. Paul and Duluth, Minnesota, and central Indiana. 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

On December 17, 2010, the Corporation and BMO announced that they had entered into a definitive merger agreement under which BMO will acquire all outstanding shares of common stock of the Corporation in a stock-for-stock transaction which is referred to as the "pending merger".

Eight putative class action complaints have been filed in the Circuit Court of Milwaukee County, Wisconsin against the Corporation, its directors, and BMO relating to the Corporation's pending merger with BMO: Berens v. Marshall & Ilsley Corp., et al., Case No. 10CV021273; Ohlgart v. Marshall & Ilsley Corp., et al., Case No. 10CV021485; Sayeg v. Marshall & Ilsley Corp., et al., Case No. 10CV021622; Schindler v. Marshall & Ilsley Corp., et al., Case No. 10CV021528; Stadler v. Marshall & Ilsley Corp., et al., Case No. 10CV021676; Onwudebe v. Marshall & Ilsley Corp., et al., Case No. 10CV021742; Anthony v. Marshall & Ilsley Corp., et al., Case No. 11CV000338; and Drummond v. Marshall & Ilsley Corp., et al., Case No. 11CV000380. Each of these complaints names the Corporation and the members of the Corporation's board of directors as defendants and alleges that the Corporation's directors breached their fiduciary duties to its shareholders. Each of the complaints except the Onwudebe action also names BMO as a defendant and alleges that BMO aided and abetted the alleged breach of fiduciary duty. In addition, the Anthony action names Gregory A. Smith, the Corporation's Senior Vice President and Chief Financial Officer, as a defendant and alleges that Mr. Smith breached fiduciary duties to the Corporation's shareholders.

Two putative class actions have been filed in the United States Court for the Eastern District of Wisconsin relating to the merger: Fruchter v. Marshall & Ilsley Corp., et al., No. 10-cv-01157, and Folisi v. Marshall & Ilsley Corp., et al., No. 11-cv-00025. These complaints allege that the Corporation and its directors breached fiduciary duties to the Corporation's shareholders and that BMO aided and abetted such breaches.

All ten lawsuits seek, among other things, to enjoin completion of the merger and an award of costs and attorneys' fees. Certain of the actions also seek the imposition of a constructive trust for benefits allegedly improperly received by the defendants and/or an accounting of damages sustained as a result of the alleged breaches of fiduciary duty. The state court actions were consolidated on February 11, 2011 by stipulation of the parties to these actions. The stipulation and proposed order of consolidation is pending approval by the Wisconsin state court.

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At this early stage of the state court lawsuits, it is not possible for management of the Corporation to assess the probability of a material adverse outcome or reasonably estimate the amount of any potential loss at this time. The Corporation intends to vigorously defend the state court lawsuits.

In April 2010, two substantially identical putative class action lawsuits were filed in the United States District Court for the Eastern District of Wisconsin against the Corporation, the M&I Retirement Plan Investment Committee, and certain of the Corporation's officers and directors. The lawsuits were purportedly filed on behalf of M&I Retirement Program, three other retirement savings plans and a class of former and current participants in those plans, relating to the holdings of Corporation common stock during the period from November 10, 2006 to December 17, 2009. The complaints, which were consolidated into a single complaint in July 2010, allege breaches of fiduciary duties in violation of the Employee Retirement Income Security Act (ERISA) relating to Corporation common stock being offered as an investment alternative for participants in the retirement plans and seek monetary damages. At this early stage of the lawsuit, it is not possible for management of the Corporation to assess the probability of a material adverse outcome or reasonably estimate the amount of any potential loss at this time. The Corporation intends to vigorously defend this lawsuit.

In June 2010, M&I Bank was named as a defendant in a putative class action alleging that M&I Bank's posting of debit card transactions is a breach of the implied obligation of good faith and fair dealing, is a breach of the Wisconsin Consumer Act, is unconscionable, constitutes conversion, and unjustly enriches the Corporation. The plaintiffs allege that the daily high to low postings of debit card entries, rather than chronological postings, results in excessive overdraft fees. The plaintiffs seek to represent a nationwide class for all of the claims except that involving the Wisconsin Consumer Act, for which it seeks to represent a class of Wisconsin customers of M&I Bank. The lawsuit, while initially filed in the United States District Court for the Middle District of Florida, has been transferred for pretrial purposes in a multi-district litigation ("MDL") proceeding in the Southern District of Florida, in which numerous other putative class actions against financial institutions asserting similar claims are pending. The consolidation in the MDL is for pre-trial discovery and motion proceedings. The Corporation has filed a motion to compel the plaintiffs to arbitrate the dispute. This motion is pending. At this early stage of the lawsuit, it is not possible for management of the Corporation to assess the probability of a material adverse outcome or reasonably estimate the amount of any potential loss at this time. M&I Bank intends to vigorously defend this lawsuit.

ITEM 4. RESERVED

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Executive Officers of the Marshall & Ilsley Corporation
(Ages as of March 1, 2011)

Name of Officer	Office
Richard C. Becker Age 59	Senior Vice President since October 2010 of Marshall & Ilsley Corporation; Executive Vice President since October 2010, and Senior Vice President from January 2008 to October 2010 of M&I Marshall & Ilsley Bank.
Ann M. Benschoter Age 53	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 and Vice President of SWB Holdings, Inc.; Director, Marshall & Ilsley Trust Company National Association, M&I Bank of Mayville, M&I Equipment Finance Company, M&I Business Credit, LLC, M&I Private Equity Group II, LLC, and Water Street Land, LLC.
Walt A. Buckhanan Age 49	Vice President and Director of Corporate Diversity since December 2007 of Marshall & Ilsley Corporation; Senior Vice President from 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 57	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.
Bradley D. Chapin Age 50	Senior Vice President since October 2010 of Marshall & Ilsley Corporation; Executive Vice President since October 2010, Senior Vice President from April 2010 to October 2010 and Vice President/Regional President from January 2005 to April 2010 of M&I Marshall & Ilsley Bank.
Ryan R. Deneen Age 46	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 53	Executive Vice President since October 2010, Senior Vice President from February 2005 to October 2010 of Marshall & Ilsley Corporation; President since October 2010, Executive Vice President from February 2005 to October 2010, Senior Vice President from 1998 to February 2005 of M&I Marshall & Ilsley Bank; Director of Marshall & Ilsley Trust Company National Association, M&I Equipment Finance Company, M&I Financial Advisors, Inc. and M&I Insurance Services,

	Inc.
Randall J. Erickson Age 51	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 Treasurer of M&I Private Equity Group LLC; Director, Vice President and Secretary of M&I Ventures, L.L.C. and TCH MI Holding Company, Inc.; Director of M&I Bank FSB, M&I Community Development Corporation, M&I Investment Partners Management, 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. (Nasdaq: RLRN), a provider of computer-based assessment technology for K-12 schools.

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Name of Officer	Office
Mark F. Furlong Age 53	Chairman of the Board since October 2010; 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 Company; Chairman of the Board since December 2009, Director since July 2004, Chief Executive Officer since April 2007, and President from July 2004 to October 2010 of M&I Marshall & Ilsley Bank; Director and Vice President of M&I Private Equity Group LLC; Director, Vice President and Treasurer of M&I Ventures L.L.C.; Director of Marshall & Ilsley Trust Company National Association and Milease, LLC. 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.
Patricia R. Justiliano Age 60	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. 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; and Trustee of SWB Investment II Corporation.
Beth D. Knickerbocker Age 44	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 61	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 50	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 Chief Executive Officer 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; and Manager of M&I MEDC Fund, LLC.
Paul J. Renard Age 50	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.

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Name of Officer	Office
John L. Roberts Age 58	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.
Thomas A. Root Age 54	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 47	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 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.
Michael C. Smith Age 52	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 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; 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 64	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 17 in Item 8, Consolidated Financial Statements and Supplementary Data.

Holders of Common Equity

There were approximately 13,564 record holders of the Corporation's common stock as of December 31, 2010.

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, 2010	10,249	$ 6.94	N/A	N/A
November 1 to November 30, 2010	6,783	$ 7.15	N/A	N/A
December 1 to December 31, 2010	17,642	$ 6.00	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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Equity Compensation Plan Information

Plan Category (1)	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (2)(3)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (2)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in First Column) (3) (4)
Equity compensation plans approved by security holders	31,465,142	$ 25.07	19,800,247
Equity compensation plans not approved by security holders (5)	—	—	—
Total	31,465,142	$ 25.07	19,800,247

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(1) The table does not include information regarding the following plans: the Company's Dividend Reinvestment and Cash Investment Plan; and the M&I Retirement Program (an employee benefit plan intended to meet the qualification requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended).

(2) Includes 30,365,007 shares to be issued upon exercise of outstanding options under all of the Company's stock option plans. This includes 94,102 shares to be issued upon exercise of outstanding options under plans assumed by the Company in mergers. The weighted-average exercise price of outstanding options granted under plans assumed in mergers as of December 31, 2010 was $18.94. There will be no further grants under these assumed plans. Also includes 1,100,135 shares held in the Directors Deferred Compensation Plan. These shares were not included in computing the weighted average exercise price. Under the Directors Deferred Compensation Plan, directors may elect to defer all or a portion of their directors' fees into one of two accounts: (i) a cash account, earning interest at a rate equal to that earned on U.S. Treasury Bills with maturities of 13 weeks, or (ii) a Common Stock account in which shares are purchased on the open market and held in trust until the director's retirement.

(3) Does not include 1,638,903 units available for issuance under the LTIP (not including additional units credited to the accounts of participants in lieu of the payment of cash dividends). See the description of the LTIP in the narrative under "Executive Compensation—Compensation Discussion and Analysis—Elements of Executive Compensation" in this Proxy Statement. Any payout obligations under the LTIP must be satisfied in cash, in an amount equal to the fair market value of the number of shares represented by the units. Also does not include

740,725 shares held in the Executive Deferred Compensation Plan. Under the Executive Deferred Compensation Plan, participants had the ability to elect to defer the receipt of restricted shares.

(4) Includes 407,845 shares available for issuance under the 2003 Executive Stock Option and Restricted Stock Plan; 5,925,157 shares available for issuance under the 2006 Equity Incentive Plan; 12,273 shares available under the 2009 Equity Incentive Plan; and 13,454,972 shares available under the 2010 Equity Compensation Plan.

(5) All of the Company's existing equity compensation plans have been approved by shareholders.

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ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Earnings

($000's except share data)

	Years Ended December 31,				
	2010	2009	2008	2007	2006
Interest and Fee Income					
Loans and leases	$ 1,959,087	$ 2,208,427	$ 2,926,334	$ 3,243,109	$ 2,856,043
Investment securities:					
Taxable	168,104	207,235	286,054	311,837	277,938
Exempt from federal income taxes	35,624	44,647	53,750	59,237	61,769
Trading securities	686	3,696	2,530	1,012	614
Short-term investments	4,677	3,888	9,026	18,001	14,707
Loan to Metavante	—	—	—	35,969	43,163
Total interest and fee income	2,168,178	2,467,893	3,277,694	3,669,165	3,254,234
Interest Expense					
Deposits	405,772	535,426	902,944	1,231,252	1,083,392
Short-term borrowings	6,310	9,550	139,627	236,671	186,746
Long-term borrowings	198,825	340,308	454,413	585,025	476,540
Total interest expense	610,907	885,284	1,496,984	2,052,948	1,746,678
Net interest income	1,557,271	1,582,609	1,780,710	1,616,217	1,507,556
Provision for loan and lease losses	1,758,888	2,314,649	2,037,707	319,760	50,551
Net interest income (loss) after provision for loan and lease losses	(201,617)	(732,040)	(256,997)	1,296,457	1,457,005
Other Income					
Wealth management	280,368	265,146	282,182	262,835	221,554
Net investment securities gains	99,816	121,789	17,229	34,814	9,701
Other	494,788	516,068	441,035	429,949	348,878
Total other income	874,972	903,003	740,446	727,598	580,133
Other Expense					
	713,658	690,818	723,245	659,871	613,394

Salaries and employee benefits					
Goodwill impairment	—	—	1,535,144	—	—
Other	859,191	874,417	727,178	650,709	463,328
Total other expense	1,572,849	1,565,235	2,985,567	1,310,580	1,076,722
Income (loss) before income taxes	(899,494)	(1,394,272)	(2,502,118)	713,475	960,416
Provision (benefit) for income taxes	(385,059)	(637,233)	(459,525)	213,641	307,435
Income (loss) from continuing operations including noncontrolling interests	(514,435)	(757,039)	(2,042,593)	499,834	652,981
Less: Net income attributable to noncontrolling interests	(1,436)	(1,578)	(869)	(2,895)	(5,267)
Income (loss) from continuing operations	(515,871)	(758,617)	(2,043,462)	496,939	647,714
Income from discontinued operations, net of tax	—	—	—	653,997	160,124
Net Income (Loss) Attributable to Marshall & Ilsley Corporation	$ (515,871)	$ (758,617)	$ (2,043,462)	$ 1,150,936	$ 807,838
Preferred dividends	(101,068)	(100,164)	(12,737)	—	—
Net Income (Loss) Attributable to Marshall & Ilsley Corporation Common Shareholders	$ (616,939)	$ (858,781)	$ (2,056,199)	$ 1,150,936	$ 807,838
Per Share Attributable to Marshall & Ilsley Corporation Common Shareholders					
Basic:					
Continuing Operations	$ (1.18)	$ (2.46)	$ (7.92)	$ 1.91	$ 2.60
Discontinued operations	—	—	—	2.51	0.64

Net Income (Loss)	$ (1.18)	$ (2.46)	$ (7.92)	$ 4.42	$ 3.24
Diluted:					
Continuing Operations	$ (1.18)	$ (2.46)	$ (7.92)	$ 1.87	$ 2.54
Discontinued operations	—	—	—	2.47	0.63
Net Income (Loss)	$ (1.18)	$ (2.46)	$ (7.92)	$ 4.34	$ 3.17
Other Significant Data:					
Return on Average Marshall & Ilsley Corporation Shareholders' Equity	n.m.%	n.m. %	n.m. %	17.23 %	14.42 %
Return on Average Assets	n.m.	n.m.	n.m.	1.98	1.53
Common Dividend Declared	$ 0.04	$ 0.04	$ 1.27	$ 1.20	$ 1.05
Dividend Payout Ratio	n.m.%	n.m. %	n.m. %	27.65 %	33.12 %
Average Equity* to Average Assets Ratio	12.51	10.96	11.03	11.55	10.76
Ratio of Earnings to Fixed Charges**					
Excluding Interest on Deposits	n.m.x	n.m. x	n.m. x	1.85 x	2.42 x
Including Interest on Deposits	n.m.x	n.m. x	n.m. x	1.34 x	1.54 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,				
	2010	2009	2008	2007	2006
Assets:					
Cash and due from banks	$ 670,108	$ 761,199	$ 897,709	$ 1,005,362	$ 974,120
Trading assets	285,518	418,056	197,237	56,580	45,559
Short-term investments	1,805,266	1,330,360	427,147	352,235	297,859
Investment securities:					
Taxable	5,964,953	5,916,658	6,454,016	6,208,495	5,664,199
Tax Exempt	873,710	1,022,499	1,158,185	1,287,066	1,303,872
Total investment securities	6,838,663	6,939,157	7,612,201	7,495,561	6,968,071
Loan to Metavante	—	—	—	817,885	982,000
Loans and Leases:					
Commercial	11,767,250	13,878,063	14,841,714	12,672,367	11,175,436
Real estate	26,879,471	31,117,184	32,410,830	28,865,495	25,808,422
Personal	2,048,844	2,090,286	1,732,247	1,416,411	1,478,816
Lease financing	552,721	690,269	722,289	695,756	661,466
Total loans and leases	41,248,286	47,775,802	49,707,080	43,650,029	39,124,140
Allowance for loan and lease losses	(1,486,589)	(1,356,675)	(877,730)	(448,222)	(406,390)
Net loans and leases	39,761,697	46,419,127	48,829,350	43,201,807	38,717,750
Premises and equipment, net	552,975	571,146	528,846	458,819	415,150
Accrued interest and other assets	4,514,709	3,823,481	4,637,427	3,555,545	2,927,220
Total assets of continuing operations	54,428,936	60,262,526	63,129,917	56,943,794	51,327,729
Assets of discontinued operations	—	—	—	1,265,833	1,323,369
Total Assets	$ 54,428,936	$ 60,262,526	$ 63,129,917	$ 58,209,627	$ 52,651,098

Liabilities and Equity:					
Deposits:					
Noninterest bearing	$ 7,861,893	$ 7,429,499	$ 5,857,485	$ 5,469,774	$ 5,361,014
Interest bearing:					
Savings and NOW	6,042,380	4,946,671	3,248,955	2,904,953	3,031,503
Money market	13,712,105	10,462,750	11,015,942	10,473,079	8,297,189
Time	12,325,786	17,212,532	16,392,293	12,292,832	12,603,081
Foreign	216,549	563,852	2,759,868	2,928,259	2,843,649
Total interest bearing deposits	32,296,820	33,185,805	33,417,058	28,599,123	26,775,422
Total deposits	40,158,713	40,615,304	39,274,543	34,068,897	32,136,436
Short-term borrowings	751,563	3,316,810	6,163,488	4,693,890	3,637,634
Long-term borrowings	5,662,125	8,676,229	9,749,118	11,533,685	10,070,881
Accrued expenses and other liabilities	1,046,453	1,046,502	981,108	1,041,522	976,113
Liabilities of discontinued operations	—	—	—	149,723	162,899
Total Liabilities	47,618,854	53,654,845	56,168,257	51,487,717	46,983,963
Equity					
Marshall & Ilsley Corporation shareholders' equity	6,799,162	6,596,997	6,951,712	6,680,464	5,600,906
Noncontrolling interest in subsidiaries	10,920	10,684	9,948	41,446	66,229
Total Equity	6,810,082	6,607,681	6,961,660	6,721,910	5,667,135
Total Liabilities and Equity	$ 54,428,936	$ 60,262,526	$ 63,129,917	$ 58,209,627	$ 52,651,098
Other Significant Data:					
Book Value Per Common Share at Year End	$ 8.89	$ 10.21	$ 17.58	$ 26.86	$ 24.24
Average Common Shares Outstanding	527,447,541	349,634,959	260,272,334	260,906,330	249,723,333
Credit Quality Ratios:					
	4.49 %	4.26 %	2.74 %	0.59 %	0.10 %

Net Loan and Lease Charge-offs to Average Loans and Leases					
Total Nonperforming Loans and Leases and OREO to End of Period Loans and Leases and OREO	5.11	5.54	3.67	1.73	0.69
Allowance for Loan and Lease Losses to End of Period Loans and Leases	3.75	3.35	2.41	1.07	1.00
Allowance for Loan and Lease Losses to Total Nonperforming Loans and Leases*	90	75	82	72	159

* 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):

	2010	2009	2008	2007	2006
Commercial, financial and agricultural	$11,196,883	$12,475,628	$14,880,153	$13,793,257	$12,048,190
Real estate:					
Construction	1,436,118	3,122,216	6,091,501	6,691,716	6,088,206
Mortgage:					
Commercial	13,093,460	14,488,239	13,371,288	12,002,162	10,965,607
Residential	9,627,493	11,257,814	12,937,934	11,518,406	10,670,840
Total mortgage	22,720,953	25,746,053	26,309,222	23,520,568	21,636,447
Total real estate	24,157,071	28,868,269	32,400,723	30,212,284	27,724,653
Personal	1,142,345	2,258,282	1,929,374	1,560,573	1,458,628
Lease financing	503,058	615,447	774,294	730,144	703,580
Total loans and leases	36,999,357	44,217,626	49,984,544	46,296,258	41,935,051
Less: loans held for sale	138,213	214,159	220,391	131,873	300,677
Portfolio loans and leases	36,861,144	44,003,467	49,764,153	46,164,385	41,634,374
Allowance for loan and lease losses	(1,387,575)	(1,480,470)	(1,202,167)	(496,191)	(420,610)
Net loans and leases	$35,473,569	$42,522,997	$48,561,986	$45,668,194	$41,213,764

Loan Balances and Maturities

The analysis of selected loan maturities at December 31, 2010 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	$7,247,064	$3,735,318	$214,501	$11,196,883	$1,122,450	$2,827,369	$3,949,819
Real estate – construction	1,010,328	425,790	—	1,436,118	39,184	386,606	425,790

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 available for sale and held to maturity investment securities at December 31 of each year are ($ in thousands):

	2010	2009	2008
U.S. treasury	$ 2,104	$ 7,335	$ 1,283
U.S. government agencies	5,479,691	5,291,115	5,663,664
States and political subdivisions	839,173	933,814	1,111,192
Residential mortgage backed securities	149	221,819	175,740
Other	360,264	348,887	464,405
Total	$ 6,681,381	$ 6,802,970	$ 7,416,284

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, 2010 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	$1,104	1.18%	$1,000	1.47%	$—	—%	$—	—%	$2,104	1.32%
U.S. government agencies	148,927	4.04	4,007,180	2.32	1,320,502	3.01	3,082	5.82	5,479,691	2.53
States and political subdivisions	23,401	6.80	124,501	6.07	325,547	6.03	365,724	5.81	839,173	5.96
Residential mortgage backed securities	—	—	149	8.97	—	—	—	—	149	8.97
Other	14,627	n.m.	47,919	n.m.	35,845	n.m.	261,873	n.m.	360,264	n.m.
Total	$188,059	4.06%	$4,180,749	2.42%	$1,681,894	3.53%	$630,679	3.83%	$6,681,381	2.87%

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

Overview

The following discussion should be read in conjunction with the Corporation's consolidated financial statements and accompanying notes included elsewhere in this annual report.

On December 17, 2010, the Corporation and BMO Financial Group ("BMO" or "Bank of Montreal") announced that they had entered into a definitive merger agreement (the "agreement") under which BMO will acquire all outstanding shares of common stock of the Corporation in a stock-for-stock transaction. The transaction, which has been approved by the Corporation's Board of Directors and the Board of Directors of BMO, is expected to close prior to July 31, 2011 subject to customary closing conditions, including regulatory approvals and approval by the Corporation's shareholders.

Under the terms of the agreement, each outstanding share of the Corporation's common stock will be exchanged for 0.1257 shares of common stock of Bank of Montreal upon closing. Based on the closing share price of Bank of Montreal on the Toronto Stock Exchange of C$62.05 on December 16, 2010, the transaction values each share of the Corporation at US$7.75, or an aggregate amount of approximately US$4.1 billion in Bank of Montreal common shares.

As part of the agreement, BMO will purchase the Corporation's 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") at par plus accrued interest , with full repayment to the UST immediately prior to closing. The Corporation's existing stock purchase warrant held by the UST will also be purchased by BMO.

In connection with the agreement, the Corporation issued to BMO an option, exercisable under certain circumstances, to purchase up to 19.7% of the Corporation's common stock.

The Corporation's financial results for the years ended December 31, 2010, 2009 and 2008 were significantly impacted by the condition of the U.S. economy and weakened real estate markets. The recessionary economy beginning in 2008, high unemployment levels and a decline in commercial and residential real estate values lead to an increase in loan delinquencies, charge-offs, and higher levels of nonperforming loans and leases in the Corporation's loan portfolio. The Corporation's strong capital and liquidity base has provided a solid foundation during these economic downturns. The Corporation's loan and lease portfolio credit quality trends continued to improve in 2010 even though the pace and growth of the economic recovery was slow and unemployment levels remained elevated.

2010 compared to 2009

For the year ended December 31, 2010, the net loss attributable to the Corporation's common shareholders ("net loss") amounted to $616.9 million or $1.18 per diluted common share compared to a net loss of $858.8 million or $2.46 per diluted common share for the year ended December 31, 2009.

The net loss for the years ended December 31, 2010 and December 31, 2009 included $101.1 million and $100.2 million, or $0.20 and $0.28 per diluted common share, respectively, for dividends on the Senior Preferred Stock.

Financial performance in 2010 compared to 2009 based on diluted earnings per share is affected by the number of average common shares used to determine earnings per share. Average common shares increased 176.1 million or

50.5% in 2010 compared to 2009. The increase in the number of average common shares used to determine diluted earnings per share was primarily due to the effect of sales of newly-issued shares of common stock during June and October of 2009.

Growth in transaction deposits, a favorable shift in deposit types, lower term funding costs and higher yields on loans and leases enabled the Corporation to maintain a relatively stable level of net interest income in 2010 compared to 2009, despite continued loan contraction, maintenance of excess liquidity in cash and lower yielding short-term investments and reduced interest income due to the sales of investment securities during 2010. The ratio of net interest income on a fully taxable equivalent basis divided by average earning assets ("net interest margin") improved by 30 basis points in 2010 compared to 2009.

Credit quality-related charges continued to be the primary driver of the Corporation's financial performance in each of the years ended December 31, 2010 and 2009. For the year ended December 31, 2010, the provision for loan

and lease losses amounted to $1,758.9 million, which on an after-tax basis was approximately $1,108.1 million or $2.12 per diluted common share. By comparison, the provision for loan and lease losses for the year ended December 31, 2009 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.

Write-downs associated with loans held for sale (other than mortgage loans originated for sale) are reported as a reduction of other income in the Consolidated Statements of Income and amounted to $16.1 million, which, on an after-tax basis, was approximately $10.2 million or $0.02 per diluted common share for the year ended December 31, 2010. By comparison, write-downs associated with loans held for sale amounted to $40.9 million, which on an after-tax basis, was approximately $25.7 million, or $0.07 per diluted common share for the year ended December 31, 2009.

Nonaccrual loans and leases, which the Corporation refers to as nonperforming loans, decreased $477.1 million or 23.3% from December 31, 2009 to December 31, 2010. The Corporation has reported a decrease in nonperforming loans in each of the past six consecutive quarters. The highest reported point of nonperforming loans at any quarter-end in the prior two years was $2,416.1 million at June 30, 2009. Since June 30, 2009, nonperforming loans declined approximately $848.4 million or 35.1% and amounted to $1,567.7 million at December 31, 2010. The elevated levels of nonperforming loans reflect the anemic economy, elevated 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. The decrease in nonperforming loans at December 31, 2010 reflects the decline in new nonperforming loans, charge-offs and the effects of the Corporation's actions taken to reduce the levels of nonperforming loans.

The amount of loans and leases that were placed on nonperforming status in 2010 amounted to $2,631.0 million compared to $4,208.2 million in 2009, a decrease of $1,577.2 million or 37.5%. The amount of loans and leases that went into nonperforming status in the fourth quarter of 2010 amounted to $637.6 million which was relatively consistent with the amount of loans and leases that were placed on nonperforming status in the first and second quarters of 2010. In the third quarter of 2010, three larger commercial real estate loan relationships that were classified as troubled debt restructurings, which the Corporation refers to as "renegotiated loans," were transferred from previously accruing renegotiated loans to nonperforming loans.

Loans past due 30-89 days, excluding credit card loans, student loans and loans in nonperforming status, which the Corporation refers to as "early stage delinquencies", decreased $107.7 million or 20.0% at December 31, 2010 compared to December 31, 2009, and decreased $75.7 million or 14.9% compared to September 30, 2010. At both December 31, 2010 and 2009 early stage delinquencies were 1.2% of total loans and leases.

Management believes these credit quality metrics are evidence of continuing credit quality improvement but recognizes that the economic recovery remains fragile, unemployment remains elevated and real estate markets remain relatively weak.

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.

Accruing renegotiated loans amounted to $548.4 million at December 31, 2010 compared to $793.5 million at December 31, 2009, a decrease of $245.1 million or 30.9%.

The allowance for loan and lease losses amounted to $1,387.6 million or 3.75% of total loans and leases outstanding at December 31, 2010 compared to $1,480.5 million or 3.35% at December 31, 2009. Net charge-offs amounted to $1,851.8 million or 4.49% of average loans and leases for the year ended December 31, 2010 compared to $2,036.3 million or 4.26% of average loans and leases for the year ended December 31, 2009.

Included in net charge-offs and the provision for loan and lease losses in 2010 was the impact of bringing one hospitality/lodging industry credit relationship toward a final resolution. That credit relationship consisted of multiple geographically dispersed commercial real estate loans. Two commercial real estate loans aggregating $83.2 million were transferred from accruing renegotiated loans to nonperforming loans and $209.4 million was charged-off across all ten of the related commercial real estate loans. An additional provision for loan and lease losses of $94.6 million was recorded for the shortfall over the amounts reserved in prior periods that resulted from a valuation based on the sale disposition strategy. On an after-tax basis, that incremental provision for loan and lease losses amounted to $59.6 million or $0.12 per share for the year ended December 31, 2010.

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Sales growth in both personal and institutional trust business lines resulted in higher wealth management revenue for the year ended December 31, 2010 compared to the year ended December 31, 2009.

Fewer mortgage loan closings resulted in lower mortgage banking revenue for the year ended December 31, 2010 compared to the year ended December 31, 2009.

During 2010, the Corporation sold United States government agency investment securities, resulting in a gain and also realized gains on private equity investments that are included in Net Investment Securities Gains for the year ended December 31, 2010. During 2009, the Corporation sold United States government agency investment securities and sold its shares of Visa, Inc. ("Visa"), Class B common stock. The gain resulting from these transactions is included in Net Investment Securities Gains for the year ended December 31, 2009.

The results of operations for the years ended December 31, 2010 and 2009 reflect the deployment of excess liquidity to acquire and extinguish existing borrowings at a gain. This gain is reported in Gain on Termination of Debt in the Corporation's Consolidated Statements of Income.

During 2010, the Corporation sold its merchant portfolio processing at a gain. The gain from this transaction is reported as Sale of Merchant Portfolio Processing in the Corporation's Consolidated Statements of Income for the year ended December 31, 2010.

Noninterest expense for the years ended December 31, 2010 and 2009 included elevated expenses associated with Federal Deposit Insurance Corporation ("FDIC") deposit insurance. FDIC insurance expense for the year ended December 31, 2009 included a special assessment by the FDIC that was levied on all banks.

Noninterest expense for the years ended December 31, 2010 and 2009 remained at elevated levels due to the increased costs associated with collection efforts and carrying nonperforming assets. The estimated expense associated with collection efforts and carrying nonperforming assets, net of related gains, amounted to $160.7 million for the year ended December 31, 2010 compared to $215.8 million for the year ended December 31, 2009, a decrease of $55.1 million. On an after-tax basis, that net expense amounted to $101.2 million or $0.20 per diluted common share in 2010 compared to $135.9 million or $0.39 per diluted common share in 2009. The decrease in net expense associated with collection efforts and carrying nonperforming assets in the comparative periods was primarily due to improved results from the sale of other real estate owned ("OREO") and lower post-transfer write-downs on OREO.

In conjunction with its activities to re-align the Corporation's funding profile, the Corporation has selectively exercised its call option associated with brokered certificates of deposit ("CDs") to redeem those CDs at par. In conjunction with these activities, the Corporation incurred a non-cash charge to write-off the unamortized issuance costs attributable to those brokered CDs that have been redeemed. The loss is reported in Other expense in the Consolidated Statements of Income as Loss on Brokered CDs.

During 2010, the Corporation recognized additional net tax benefits that in total amounted to $10.9 million and reduced net loss by approximately $0.02 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.

At December 31, 2010, the Corporation's Tier 1 regulatory capital ratio was 11.14% or $2,044.4 million 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, 2010 includes the impact of the closing of two underwritten public offerings of its 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.

2009 Compared to 2008

For the year ended December 31, 2009, the net loss attributable to the Corporation's common shareholders 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.

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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 issued to the UST in the fourth quarter of 2008.

Comparative performance in 2009 compared to 2008 based on diluted earnings per share was 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 held for sale (other than mortgage loans originated for sale) 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 held for sale in 2008.

Nonperforming loans and leases at December 31, 2009 increased $517.8 million or 33.9% since December 31, 2008. Nonperforming loans and leases continued to increase during the first and second quarters of 2009. At June 30, 2009, nonperforming loans and leases amounted to $2,416.1 million. 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. 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, early stage delinquencies decreased by $352.1 million or 39.5%, from December 31, 2008 to December 31, 2009.

Accruing 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 accruing 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 gains, amounted to $215.8 million for the year ended December 31, 2009 compared to $104.5 million for the year ended December 31, 2008, an increase of $111.3 million. On an after-tax basis, that net expense amounted to $135.9 million or $0.39 per diluted common share in

2009 compared to $65.9 million or $0.25 per diluted common share in 2008. The increase in net expense associated with collection efforts and carrying nonperforming assets in the comparative periods was primarily due to higher expenses and losses associated with OREO.

Declining asset yields, competitive deposit pricing in the low interest rate environment, elevated levels of nonperforming loans and management's decision to maintain liquidity in cash and cash equivalents 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.

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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 Class B common stock of Visa 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 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.

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 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 regulatory capital 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.

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. 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.

Other Noteworthy Transactions and Events

Some of the more noteworthy transactions and events in 2010, 2009 and 2008 consisted of the following:

2010

As previously discussed, on December 17, 2010, the Corporation and BMO announced that they had entered into a definitive merger agreement under which BMO will acquire all outstanding shares of common stock of the

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Corporation in a stock-for-stock transaction. Under the terms of the agreement, each outstanding share of the Corporation's common stock will be exchanged for 0.1257 shares of common stock of Bank of Montreal upon closing. The transaction, which has been approved by the Corporation's Board of Directors and the Board of Directors of BMO, is expected to close prior to July 31, 2011 subject to customary closing conditions, including regulatory approvals and approval by the Corporation's shareholders.

During 2010, the Corporation realized gains of $82.8 million from the sale of approximately $2.2 billion in aggregate principal amount of United States government agency investment securities. In addition, the Corporation realized net gains of $18.0 million on private equity investments. Approximately $8.6 million of the gains on private equity investments was related to the sale of one investment. In total, net investment securities gains reported in the Consolidated Statements of Income in 2010 amounted to $99.8 million. On an after-tax basis, the reported net gain amounted to $62.9 million or $0.12 per diluted common share for the year ended December 31, 2010.

The Corporation continued to re-acquire and extinguish banking affiliate long-term borrowings. During 2010, the Corporation re-acquired and extinguished long-term borrowings with a par value of $223.3 million. The gain on termination of debt amounted to $19.7 million. On an after-tax basis, the gain on termination of debt amounted to $12.4 million or $0.02 per diluted common share for the year ended December 31, 2010.

During 2010, the Corporation sold its merchant portfolio processing. Like other bank holding companies, the Corporation determined that processing, clearing, settlement and related services with respect to credit card and debit card transactions with merchants was not a material source of revenue or part of the Corporation's core operating activities. The gain, which is reported as Sale of Merchant Portfolio Processing in the Consolidated Statements of Income, amounted to $48.3 million which, on an after-tax basis, amounted to $30.4 million or $0.05 per diluted common share for the year ended December 31, 2010.

In conjunction with its activities to re-align the Corporation's funding profile, the Corporation has selectively exercised its call option associated with brokered CDs to redeem those CDs at par. During 2010, the Corporation redeemed $3,998.6 million of brokered CDs. The Corporation incurred a non-cash charge to write-off the unamortized issuance costs attributable to those brokered CDs. That charge amounted to $47.1 million which is reported in Other Expense in the Consolidated Statements of Income as Loss on Brokered CDs. On an after-tax basis, the reported charge amounted to $29.7 million or $0.05 per diluted common share for the year ended December 31, 2010.

During 2010, the Corporation recognized additional net tax benefits that in total amounted to $10.9 million and reduced net loss by approximately $0.02 per diluted common share. Additional tax benefits related to the final resolution of a tax matter and adjustments for income tax audit settlements were offset by additional income tax expense that was recorded to write-off deferred tax assets to reflect the change in the tax treatment of the Medicare Part D federal subsidy as a result of health care reform legislation.

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.

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.

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 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 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 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 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.

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.

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 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 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 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 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.

Net Interest Income

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

2010 Compared to 2009

Net interest income for the year ended December 31, 2010 amounted to $1,557.3 million compared to $1,582.6 million reported for the year ended December 31, 2009, a decrease of $25.3 million or 1.6%. Growth in transaction deposits, a favorable shift in deposit types, lower term funding costs and higher yields on loans enabled the Corporation to maintain a relatively stable level of net interest income in 2010 compared to 2009, despite continued loan contraction, maintenance of excess liquidity in cash and lower yielding short-term investments and reduced interest income due to the sales of investment securities during 2010.

For the year ended December 31, 2010, average interest earning assets amounted to $50.2 billion compared to $56.5 billion for the year ended December 31, 2009, a decrease of $6.3 billion or 11.1%. Average loans and leases decreased $6.5 billion or 13.7% in the year ended December 31, 2010 compared to the year ended December 31, 2009. Average investment and trading securities decreased $0.2 billion or 3.2% in 2010 compared to 2009. Average other short-term investments averaged $1.8 billion in 2010 compared to $1.3 billion in 2009, an increase of $0.5 billion which reflects the impact of excess liquidity.

Average interest bearing liabilities decreased $6.5 billion or 14.3% in 2010 compared to 2009. Average interest bearing deposits decreased $0.9 billion or 2.7% in the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 2009. Average wholesale deposits and average bank-issued time deposits in total decreased $4.0 billion or 19.4% in 2010 compared to 2009. That decrease was offset by the growth in average bank-issued interest-bearing transaction deposits which increased $3.1 billion or 24.4% in 2010 compared to

2009. Average short-term borrowings declined $2.6 billion or 77.3% and average long-term borrowings decreased $3.0 billion or 34.7% in 2010 compared to 2009. As previously discussed, the decline in average long-term borrowings reflects the effect of the acquisition and extinguishment of long-term borrowings throughout 2009 and 2010, at a net gain, in addition to maturities. Over the 24 months ended December 31, 2010, the Corporation re-acquired and extinguished $1.5 billion in par value of long-term borrowings.

For the year ended December 31, 2010 compared to the year ended December 31, 2009, average noninterest bearing deposits increased $0.4 billion or 5.8%.

2009 Compared to 2008

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%. Net interest income in 2009 was pressured as interest rates on earning assets declined more rapidly than the rates paid for interest bearing liabilities. The Corporation’s inability

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to continue to lower deposit pricing in the low interest rate environment due to competition for deposits contributed to lower net interest income. In addition, net interest income was 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.

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	
				2010 vs 2009	2009 vs 2008
	2010	2009	2008		
Commercial Loans and Leases					
Commercial	$11,767.3	$13,878.0	$14,841.7	(15.2) %	(6.5) %
Commercial Lease Financing	444.7	511.7	520.8	(13.1)	(1.7)
Total Commercial Loans and Leases	12,212.0	14,389.7	15,362.5	(15.1)	(6.3)
Real Estate					
Commercial Real Estate	13,255.1	13,522.8	11,839.9	(2.0)	14.2
Residential Real Estate	4,677.0	5,450.7	5,504.0	(14.2)	(1.0)
Construction and Development					
Commercial Construction	1,942.2	3,186.8	4,476.4	(39.1)	(28.8)
Commercial Land	765.4	887.9	965.8	(13.8)	(8.1)
Construction by Developers	315.6	650.8	1,385.7	(51.5)	(53.0)
Residential Land	1,307.4	1,915.4	2,345.4	(31.7)	(18.3)
Construction by Individuals	146.9	593.8	992.1	(75.3)	(40.1)

Total Construction and Development	4,477.5	7,234.7	10,165.4	(38.1)	(28.8)
Total Real Estate	22,409.6	26,208.2	27,509.3	(14.5)	(4.7)
Consumer Loans and Leases					
Home Equity Loans and Lines of Credit	4,469.8	4,909.0	4,901.6	(8.9)	0.2
Other Personal Loans	2,048.9	2,090.3	1,732.2	(2.0)	20.7
Personal Lease Financing	108.0	178.6	201.5	(39.5)	(11.4)
Total Consumer Loans and Leases	6,626.7	7,177.9	6,835.3	(7.7)	5.0
Total Consolidated Average Loans and Leases	$41,248.3	$47,775.8	$49,707.1	(13.7) %	(3.9) %
Total Consolidated Average Loans and Leases Excluding Total Construction and Development	$36,770.8	$40,541.1	$39,541.7	(9.3) %	2.5 %

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2010 Compared to 2009

Total consolidated average loans and leases decreased approximately $6.5 billion or 13.7% for the year ended December 31, 2010 compared to the year ended December 31, 2009.

Total average commercial loans and leases declined $2.2 billion or 15.1% for the year ended December 31, 2010 compared to the year ended December 31, 2009. Commercial and industrial loans continued to contract in the fourth quarter of 2010 compared to the third quarter of 2010. Commercial customers appear to still be focused on expense management and debt reduction by delaying capital expenditures and reducing working capital demand. Commercial loan commitments and credit line utilization have declined. Commercial loan and lease balances and the demand for new credit will depend on the pace and strength of economic improvement.

Total average commercial real estate loans decreased $0.3 billion or 2.0% in the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 2009. The relative stability of the reported year to date average balance in commercial real estate loans reflects the migration of construction loans to commercial real estate loans once construction was completed. All performing past due loans transferred from the construction portfolio to the commercial portfolio retain their past due status upon transfer. In normal market conditions, the Corporation generally limited the amount of post construction financing (permanent financing) it provided to those loans with interest rates and terms that conform to the Corporation's interest rate risk profile or loans where a significant long-term customer relationship existed. In many cases, the interest rate and term that customers wanted for permanent financing was readily available and provided by institutional investors in normal market conditions. The current lack of market liquidity has resulted in customers not being able to secure financing elsewhere irrespective of their ability to service the debt. As a result, the Corporation has provided interim loans that are intended to provide temporary financing until such time as the liquidity in the commercial real estate lending markets returns to normal conditions. The interim loans may be interest only or structured to ensure a significant amount of the income generated from the commercial real estate project is used to pay interest at market rates and reduce outstanding principal. The Corporation continues to experience declines in new commercial real estate development originations and expects this trend to continue. As a result of that reduced demand and normal payment activity, commercial real estate loans are expected to continue to contract. Commercial real estate loans held for sale amounted to $4.5 million at December 31, 2010.

Total average residential real estate loans declined $0.8 billion or 14.2% for the year ended December 31, 2010 compared to the year ended December 31, 2009. Throughout 2009 and 2010, the Corporation sold over 93% of its residential real estate production to the secondary market. For the years ended December 31, 2010 and 2009, residential real estate loans sold to investors amounted to $2.1 billion and $3.1 billion, respectively. At December 31, 2010, the Corporation had approximately $80.7 million of residential mortgage loans held for sale. Gains from the sale of residential mortgage loans amounted to $34.9 million in 2010 compared to $44.3 million in 2009. As a result of selling the majority of new production and normal payment activity, residential real estate loans are expected to continue to contract.

Total average construction and development loans declined $2.8 billion or 38.1% in the year ended December 31, 2010 compared to the year ended December 31, 2009. The decrease in construction and development loans has been due to payments, transfers to other loan types when projects are completed, loan sales and charge-offs. At December 31, 2010, the Corporation had approximately $27.4 million of construction and development loans held for sale. Given market conditions and the lack of new originations, construction and development loans are expected to continue to contract. Construction and development loans amounted to $3.2 billion at December 31, 2010, which were 8.7% of total loans and leases outstanding at that date and was $0.3 billion less than average construction and development loans for the quarter ended December 31, 2010.

Total average consumer loans and leases declined $0.6 billion or 7.7% in 2010 compared to 2009. Average home equity loans and lines of credit declined $0.4 billion or 8.9% in the year ended December 31, 2010 compared to the year ended December 31, 2009. Average consumer auto loans increased $0.2 billion or 18.3% in the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 2009. However, during the fourth quarter of 2010, the Corporation sold $0.9 billion of consumer auto loans at a gain of $8.5 million. That gain is reported in the Other line of Other Income in the Consolidated Statements of Income. Average auto leases, student loans and other consumer loans decreased $0.3 billion in 2010 compared to 2009. Credit card loans averaged $0.3 billion for the year ended December 31, 2010 and were relatively unchanged compared to average credit card loans in 2009. Credit card loans represented less than 1.0% of the Corporation's total average loan and leases in 2010 and 2009 and are not a significant component of the Corporation's loan and lease portfolio.

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2009 Compared to 2008

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 resulted in lower demand for new loans and lower utilization of existing lines of credit.

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 was completed. As previously discussed, the Corporation has provided more interim financing for post-construction loans than it has historically due to the commercial real estate lending environment.

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 amounted to $5.5 billion at December 31, 2009 which was 12.5% of total loans and leases outstanding at that date.

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.

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Deposits

The growth and composition of the Corporation's consolidated average deposits for 2010 and prior two years are reflected below ($ in millions):

	2010	2009	2008	Percent Growth 2010 vs 2009	Percent Growth 2009 vs 2008
Noninterest Bearing					
Commercial	$ 5,934.3	$ 5,624.4	$ 4,237.7	5.5 %	32.7 %
Personal	1,072.3	983.3	1,015.9	9.1	(3.2)
Other	855.3	821.8	603.9	4.1	36.1
Total Noninterest Bearing	7,861.9	7,429.5	5,857.5	5.8	26.8
Interest Bearing Deposits					
Savings and NOW					
Savings	2,418.4	1,764.3	871.9	37.1	102.4
NOW	3,564.7	3,129.5	2,375.9	13.9	31.7
Brokered NOW	59.3	52.9	1.2	12.0	n.m.
Total Savings and NOW	6,042.4	4,946.7	3,249.0	22.2	52.3
Money Market					
Money Market Index	6,625.7	6,310.6	7,914.7	5.0	(20.3)
Money Market Savings	2,937.2	967.3	1,272.0	203.6	(23.9)
Brokered Money Market	4,149.2	3,184.8	1,829.2	30.3	74.1
Total Money Market	13,712.1	10,462.7	11,015.9	31.1	(5.0)
Time					
CDs $100,000 and Over					
Large CDs	2,213.4	3,776.3	3,967.1	(41.4)	(4.8)
Brokered CDs	5,119.8	7,646.8	7,393.7	(33.0)	3.4
Total CDs $100,000 and Over	7,333.2	11,423.1	11,360.8	(35.8)	0.5
Other CDs and Time					
Brokered CDs	20.6	31.2	—	(34.0)	n.m.
Other CDs and Time	4,972.0	5,758.2	5,031.5	(13.7)	14.4
Total Other CDs and Time	4,992.6	5,789.4	5,031.5	(13.8)	15.1
Total Time	12,325.8	17,212.5	16,392.3	(28.4)	5.0
Foreign					
Foreign Activity	216.5	500.6	1,798.2	(56.7)	(72.2)
Foreign Time	—	63.3	961.6	(100.0)	(93.4)
Total Foreign	216.5	563.9	2,759.8	(61.6)	(79.6)
Total Interest Bearing Deposits	32,296.8	33,185.8	33,417.0	(2.7)	(0.7)
Total Consolidated Average Deposits	$ 40,158.7	$ 40,615.3	$ 39,274.5	(1.1) %	3.4 %

Average Bank-Issued Deposits:

Average Bank-Issued Transaction Deposits	$ 23,624.4	$ 20,101.8	$ 20,090.2	17.5 %	0.1 %
Average Bank-Issued Time Deposits	7,185.4	9,534.5	8,998.6	(24.6)	6.0
Total Average Bank-Issued Deposits	30,809.8	29,636.3	29,088.8	4.0	1.9
Average Wholesale Deposits	9,348.9	10,979.0	10,185.7	(14.8)	7.8
Total Consolidated Average Deposits	$ 40,158.7	$ 40,615.3	$ 39,274.5	(1.1) %	3.4 %

2010 Compared to 2009

For the year ended December 31, 2010 compared to the year ended December 31, 2009, total consolidated average deposits decreased $0.5 billion or 1.1%.

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Total average deposits that were originated directly with customers, which the Corporation refers to as bank-issued deposits, increased $1.2 billion or 4.0% in 2010 compared to 2009. The Corporation has placed emphasis on originating transaction deposits (noninterest bearing, savings and NOW, foreign activity and money market) and de-emphasized the origination of time deposits. Average bank-issued transaction deposits increased $3.5 billion or 17.5% in 2010 compared to 2009. Average bank-issued time deposits decreased $2.3 billion or 24.6% compared to 2009.

The growth in transaction deposits, especially money market accounts and savings and NOW accounts, compared with the prior year reflects the reconfiguration of many of the Corporation's deposit product offerings. In addition, some existing customers have transferred their balances from other deposit types as those deposit instruments matured. The growth in transaction deposits and shift in the mix of average deposit types was beneficial to net interest income and the net interest margin in 2010.

The Corporation has historically used wholesale deposits (brokered NOW, brokered money market, brokered CDs and foreign time) to supplement deposits generated through the Corporation's banking branch network due to pricing advantages. In addition, the Corporation used wholesale deposits due to the cost advantage over the cost of issuing debt, especially new long-term borrowings, during unstable market conditions in the capital markets. As assets have contracted, the Corporation has been able to reduce the use of wholesale deposits as a funding source. Average wholesale deposits decreased $1.6 billion or 14.8% in 2010 compared to 2009. In conjunction with its activities to re-align the Corporation's funding profile, the Corporation has selectively exercised its call option associated with brokered CDs to redeem those CDs at par. During 2010, the Corporation redeemed $4.0 billion of brokered CDs. In conjunction with these redemptions, the Corporation incurred a non-cash charge to write-off the unamortized issuance costs attributable to those brokered CDs that were redeemed. This charge is reported in Other expense in the Consolidated Statements of Income as Loss on brokered CDs.

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.

The Corporation elected to opt out of the FDIC's Temporary Liquidity Guarantee Program (the "TAGP") effective as of June 30, 2010. Under the TAGP, all noninterest-bearing transaction accounts held at the Corporation's affiliate banks were fully guaranteed by the FDIC for the entire amount in the account, in addition to and separate from the coverage available under the FDIC's general deposit rules. Due to the stressed economic conditions that existed in 2008 and 2009, the Corporation believes that its participation in the TAGP was warranted and that such participation had a positive affect on its deposit growth in 2009. As anticipated, certain NOW deposits and certain noninterest bearing deposits, migrated to other deposit accounts, investment products or into products offered by other entities.

Under the Dodd-Frank Act, beginning December 31, 2010 and continuing through December 31, 2012, all funds held in noninterest-bearing transaction accounts will be fully guaranteed by the FDIC for the full amount of the account. This unlimited insurance coverage was eliminated for Interest on Lawyer Trust Accounts and minimal interest-bearing NOW accounts, which were originally covered under TAGP. However, subsequent to the enactment of the Dodd-Frank Act, Congress amended the Federal Deposit Insurance Act to include Interest on Lawyer Trust Accounts within the definition of "noninterest-bearing transaction accounts," thereby granting such accounts unlimited insurance coverage by the FDIC from December 31, 2010 through December 31, 2012.

In addition to the continuation of insurance coverage for noninterest-bearing transaction accounts, the Dodd-Frank Act permanently increased the standard maximum FDIC deposit insurance amount to $250,000.

2009 Compared to 2008

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

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growth in average savings and NOW balances reflected 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.

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):

	2010			2009			2008		
	Average Balance	Interest Earned/ Paid	Average Yield or Cost (3)	Average Balance	Interest Earned/ Paid	Average Yield or Cost (3)	Average Balance	Interest Earned/ Paid	Average Yield or Cost (3)
oans and leases (1)(2)	$41,248,286	$1,962,510	4.76%	$47,775,802	$2,210,842	4.63%	$49,707,080	$2,928,699	5.89%
nvestment securities:									
axable	5,964,953	168,104	2.83	5,916,658	207,235	3.50	6,454,016	286,054	4.40
ax-exempt (1)	873,710	54,309	6.36	1,022,499	66,543	6.62	1,158,185	78,782	6.82
ederal funds sold and ecurity resale agreements	13,534	55	0.41	34,613	229	0.66	223,000	5,613	2.52
rading assets (1)	285,518	739	0.26	418,056	4,757	1.14	197,237	2,974	1.51
ther short-term nvestments	1,791,732	4,622	0.26	1,295,747	3,659	0.28	204,147	3,413	1.67
otal interest earning ssets	50,177,733	2,190,339	4.37%	56,463,375	2,493,265	4.42%	57,943,665	3,305,535	5.70%
ash and demand deposits ue from banks	670,108			761,199			897,709		
remises and equipment, et	552,975			571,146			528,846		
ther assets	4,514,709			3,823,481			4,637,427		
llowance for loan and ease losses	(1,486,589)			(1,356,675)			(877,730)		
otal assets	$54,428,936			$60,262,526			$63,129,917		
nterest bearing deposits:									
avings and NOW	$6,042,380	$22,169	0.37%	$4,946,671	$19,635	0.40%	$3,248,955	$18,464	0.57%
Money market	13,712,105	107,435	0.78	10,462,750	78,554	0.75	11,015,942	211,925	1.92
Time	12,325,786	275,283	2.23	17,212,532	435,224	2.53	16,392,293	622,467	3.80
Foreign	216,549	885	0.41	563,852	2,013	0.36	2,759,868	50,088	1.81
otal interest bearing eposits	32,296,820	405,772	1.26	33,185,805	535,426	1.61	33,417,058	902,944	2.70
hort-term borrowings	751,563	6,310	0.84	3,316,810	9,550	0.29	6,163,488	139,627	2.27
ong-term borrowings	5,662,125	198,825	3.51	8,676,229	340,308	3.92	9,749,118	454,413	4.66
otal interest bearing abilities	38,710,508	610,907	1.58%	45,178,844	885,284	1.96%	49,329,664	1,496,984	3.03%

Noninterest bearing deposits	7,861,893		7,429,499		5,857,485	
Other liabilities	1,046,453		1,046,502		981,108	
Total equity	6,810,082		6,607,681		6,961,660	
Total liabilities and equity	$54,428,936		$60,262,526		$63,129,917	
Net interest income		$1,579,432		$1,607,981		$1,808,551
Net yield on interest earning assets		3.15%		2.85%		3.12%

Notes:

(1) Fully taxable equivalent ("FTE") 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.

2010 Compared to 2009

The net interest margin FTE as a percent of average earning assets was 3.15% in 2010 compared to 2.85% in 2009, an increase of 30 basis points. The favorable shift in deposit types, redemption of brokered CDs, lower term

funding costs due in part to the reduction in higher cost long-term borrowings through re-acquisition and maturities and lower nonperforming loans resulted in relatively stable net interest income in the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 2009. At December 31, 2010, the Corporation's ratio of loans to deposits was 96.7% compared to 106.2% at December 31, 2009. The yield on earning assets decreased by 5 basis points and the cost for interest bearing liabilities declined by 38 basis points for the year ended December 31, 2010 compared to the year ended December 31, 2009. Net interest income in 2010 continued to be compressed as a result of the elevated levels of nonperforming loans and leases, interest rate concessions associated with accruing renegotiated loans and management's decision to maintain higher levels of liquid assets. The net interest margin FTE in the fourth quarter of 2010 increased by one basis point compared to the reported net interest margin FTE of 3.14% for the third quarter of 2010.

Net interest income and the net interest margin percentage can vary and will continue to be influenced by loan and deposit growth, product spreads, pricing competition in the Corporation's markets, prepayment activity, future interest rate changes, levels of nonperforming loans and various other factors.

Total long-term borrowings amounted to $5.0 billion at December 31, 2010 compared to $6.4 billion at December 31, 2009, a decrease of $1.4 billion or 21.7%. During 2010, the Corporation re-acquired and extinguished $223.3 million of long-term borrowings at a gain of $19.7 million. Those gains are reported as Gain on Termination of Debt in the Consolidated Statements of Income. During 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt, which resulted in a gain of $99.4 million for the year ended December 31, 2009. 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.

2009 Compared to 2008

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 was adversely affected by 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 which 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.

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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):

	2010 versus 2009			2009 versus 2008		
	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)	$ (302,224)	$ 53,892	$ (248,332)	$ (113,752)	$ (604,105)	$ (717,857)
Investment securities:						
Taxable	324	(39,455)	(39,131)	(25,099)	(53,720)	(78,819)
Tax-exempt (1)	(9,970)	(2,264)	(12,234)	(10,320)	(1,919)	(12,239)
Federal funds sold and security resale agreements	(139)	(35)	(174)	(4,747)	(637)	(5,384)
Trading assets (1)	(1,511)	(2,507)	(4,018)	3,334	(1,551)	1,783
Other short-term investments	1,389	(426)	963	18,230	(17,984)	246
Total interest income change	$ (279,631)	$ (23,295)	$ (302,926)	$ (87,153)	$ (725,117)	$ (812,270)
Expense on interest bearing liabilities:						
Interest bearing deposits:						
Savings and NOW	$ 4,383	$ (1,849)	$ 2,534	$ 9,677	$ (8,506)	$ 1,171
Money market	24,370	4,511	28,881	(10,621)	(122,750)	(133,371)
Time	(123,635)	(36,306)	(159,941)	31,169	(218,412)	(187,243)
Foreign	(1,250)	122	(1,128)	(39,748)	(8,327)	(48,075)
Total interest bearing deposits	(14,313)	(115,341)	(129,654)	(6,244)	(361,274)	(367,518)
Short-term borrowings	(7,439)	4,199	(3,240)	(64,620)	(65,457)	(130,077)
Long-term borrowings	(118,153)	(23,330)	(141,483)	(49,997)	(64,108)	(114,105)
Total interest expense change	$ (126,779)	$ (147,598)	$ (274,377)	$ (125,770)	$ (485,930)	$ (611,700)

Notes:

(1) Fully taxable equivalent basis ("FTE"), 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, 2010, as well as selected comparative years:

Consolidated Credit Quality Information

December 31, ($000's)

	2010	2009	2008	2007	2006
Nonperforming Assets:					
Nonaccrual Loans and Leases	$ 1,544,211	$ 1,987,081	$ 1,457,811	$ 686,888	$ 264,890
Nonaccrual Loans Held for Sale	23,448	57,670	69,139	—	—
Total Nonperforming Loans and Leases	1,567,659	2,044,751	1,526,950	686,888	264,890
Other Real Estate Owned ("OREO")	339,462	430,821	320,908	115,074	25,452
Total Nonperforming Assets	$ 1,907,121	$ 2,475,572	$ 1,847,858	$ 801,962	$ 290,342
Accruing Renegotiated Loans	$ 548,436	$ 793,459	$ 270,357	$ 224,398	$ 125
Loans Past Due 90 Days or More and Still Accruing Interest	$ 6,114	$ 8,755	$ 14,528	$ 13,907	$ 2,991
Allowance for Loan and Lease Losses	$ 1,387,575	$ 1,480,470	$ 1,202,167	$ 496,191	$ 420,610
Consolidated Statistics					
Net Charge-offs to Average Loans and Leases	4.49 %	4.26 %	2.74 %	0.59 %	0.10 %
Total Nonperforming Loans and Leases to Total Loans and Leases	4.24	4.62	3.05	1.48	0.63
Total Nonperforming Assets to Total Loans and Leases and Other Real Estate Owned	5.11	5.54	3.67	1.73	0.69
Allowance for Loan and Lease Losses to Total Loans and Leases	3.75	3.35	2.41	1.07	1.00
Allowance for Loan and Lease Losses to Nonaccrual Loans and Leases	90	75	82	72	159

(Excluding Nonaccrual
Loans Held for Sale)

Credit Quality Trends

The Corporation's credit quality statistics as of and for the year ended December 31, 2010 reinforced recent trends with additional positive evidence that the Corporation has experienced credit improvement. Those trends included the following:

Nonaccrual loans and leases, which the Corporation refers to as nonperforming loans and leases, are considered to be those loans and leases with the greatest risk of loss. 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 quarterly increase in nonperforming loans and leases since December 31, 2006. Since June 30, 2009, nonperforming loans and leases have declined each consecutive quarter-end and amounted to $1,567.7 million or 4.24% of consolidated loans and leases at December 31, 2010, a decrease of $477.1 million or 23.3% since December 31, 2009 and a decrease of $848.4 million or 35.1% since June 30, 2009.

The amount of loans and leases that were placed on nonperforming status in 2010 amounted to $2,631.0 million compared to $4,208.2 million in 2009, a decrease of $1,577.2 million or 37.5%. The amount of loans and leases that were placed on nonperforming status in the fourth quarter of 2010 amounted to $637.6 million compared to $707.1 million in the third quarter of 2010, a decrease of $69.5 million or 9.8%.

Loans past due 30-89 days, excluding credit card loans, student loans and loans in nonperforming status, which the Corporation refers to as early stage delinquencies, decreased $107.7 million or 20.0% at December 31, 2010 compared to December 31, 2009 and decreased $75.8 million or 14.9% at December 31, 2010 compared to September 30, 2010. At December 31, 2010, early stage delinquencies were $431.4 million or 1.2% of total loans and leases compared to $539.1 million or 1.2% at December 31, 2009 and $507.2 million or 1.3% at September 30, 2010. Early stage delinquencies amounted to $1,477.0 million or 3.0% of outstanding loans and leases at March 31, 2009. Since March 31, 2009, early stage delinquencies have decreased $1,045.6 million or 70.8%.

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Included in net charge-offs and the provision for loan and lease losses for the year ended December 31, 2010 was the impact of bringing one credit relationship toward a final resolution. That credit relationship consisted of multiple geographically dispersed commercial real estate loans related to the hospitality/lodging industry ("the hospitality/lodging loans"). In conjunction with the actions taken towards that resolution, two commercial real estate loans aggregating $83.2 million were transferred from accruing renegotiated loans to nonperforming loans and $209.4 million was charged off across all of the related commercial real estate loans based on a sale disposition strategy. An additional provision for loan and lease losses of $94.6 million was recorded in 2010 for the shortfall over the amounts reserved in prior periods that resulted from the valuation based on a sale disposition strategy. Management does not believe this credit event is indicative of a trend because the Corporation has no other outstanding credit exposure with the size and characteristics that resemble this one credit relationship. The actions taken by the Corporation in connection with the hospitality/lodging loans adversely affected the reported amounts of net charge-offs, provision for loan and lease losses and the amount of loans and leases that went into nonperforming status for the year ended December 31, 2010, but significantly contributed to the decrease in nonperforming loans and accruing renegotiated loans at December 31, 2010.

Nonperforming Loans and Leases

At December 31, 2010, total nonperforming loans and leases amounted to $1,567.7 million or 4.24% of consolidated loans and leases compared to $2,044.8 million or 4.62% of consolidated loans and leases at December 31, 2009, a decrease of $477.1 million or 23.3%. Included in nonperforming loans and leases at December 31, 2010 and 2009 were $238.1 million and $272.1 million, respectively, of nonperforming renegotiated loans.

The Corporation's policy for determining when a loan is impaired and placed on nonaccrual status is described in Note 2 in Notes to Consolidated Financial Statements in Consolidated Financial Statements and Supplementary Data for years ended December 31, 2010, 2009 and 2008.

At December 31, 2010, approximately $504.9 million or 32.2% of the Corporation's total nonperforming loans and leases were less than 30 days past due. In addition, approximately $108.4 million or 6.9% of the Corporation's total nonperforming loans and leases were greater than 30 days past due but less than 90 days past due at December 31, 2010. In total, approximately $613.3 million or 39.1% of the Corporation's total nonperforming loans and leases were less than 90 days past due at December 31, 2010. By comparison, at December 31, 2009, approximately $517.8 million or 25.3% of the Corporation's total nonperforming loans and leases were less than 30 days past due. In addition, approximately $169.4 million or 8.3% of the Corporation's total nonperforming loans and leases were greater than 30 days past due but less than 90 days past due at December 31, 2009. In total, approximately $687.2 million or 33.6% of the Corporation's total nonperforming loans and leases were less than 90 days past due at December 31, 2009.

Due to the stress in the real estate markets, which includes 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. These factors resulted in the Corporation's loan and lease portfolio experiencing significantly higher incidences of default and a significant increase in loss severity especially in 2009 and 2008.

For commercial real estate loans, the Corporation obtains updated appraisals at the time a borrower begins to show financial stress. This typically coincides with management's reassessment of the borrower's creditworthiness. For consumer type loans, market valuation information is obtained each quarter and appraisals are obtained when a loan is transferred to nonperforming status in anticipation of foreclosure.

An "as is" value estimates the market value of a property in its current physical condition, use, and zoning as of the appraisal date. Depending upon the market and the product type, there is an assumed marketing time of between 6

and 12 months and an assumption that the seller is not compelled to consummate a transaction. Both buyer and seller are typically assumed to be motivated to transact, are well informed, and are acting in what they consider to be in their own best interests.

An "as developed" value estimates the market value of a property value as of the time the development is expected to be completed. Unlike an as is value, an as developed value incorporates assumptions that are projected to occur between the current date and completion date.

A "liquidation value" is the most probable price that a specified interest in real property is likely to bring under the following conditions: (a) consummation of a sale will occur within a severely limited marketing period, (b)

the actual marketing conditions are those currently prevailing for similar properties, (c) the seller is under extreme compulsion to sell, and (d) the buyer is knowledgeable and is acting in what it considers to be its own best interests.

For construction and development loans, specifically for loans where land is the primary collateral for either commercial construction or residential property construction loans, both “as is” and “liquidation value” valuations are obtained in updated appraisals. If these loans are on nonaccrual status, greater emphasis is placed on the liquidation value as the basis for identifying potential impairment.

For construction and development loans, specifically where construction has commenced, “as is,” “as developed,” and/or “liquidation value” valuations may be obtained. Greater weight is placed on the valuation alternative based on the percentage of completion of the project. If substantial construction has been completed, the “as is” or “as developed” valuations would be used to identify potential impairment if the loan is in nonperforming status. Determining the percentage of completed construction requires significant management judgment. The quality of existing tenants, lease commitments for future construction, and lease rates are all considered when selecting the appropriate valuation method for loans where the primary collateral is income producing properties.

In calculating the fair value of collateral for collateral dependent loans, which is used in determining the adequacy of the allowance for loan and lease losses, the Corporation applies 5% to 10% discounts for selling expenses in measuring impairment. In addition, the appropriateness of discounts for “as is” or “liquidation value” appraisals that are more than nine months old are considered in evaluating impairment for collateral dependent loans. The Corporation continuously re-assesses 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.

The Corporation continues to work 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. During 2010, the Corporation sold $268.0 million of nonperforming and $23.0 million of potential problem loans. At December 31, 2010, the Corporation held for sale $23.4 million of nonperforming loans and $8.6 million of potential problem loans. Those loans were charged down to their net realizable value when they were classified as held for sale.

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The following table shows the Corporation's nonperforming loans and leases by type of loan or lease, including nonaccrual loans held for sale, at December 31, 2010 and 2009:

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

	December 31, 2010				December 31, 2009			
	Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease Type	Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease Type
Commercial Loans & Leases	$ 11,623	31.4 %	$ 190.3	1.64 %	$ 12,950	29.3 %	$ 350.5	2.71 %
Real Estate:								
Commercial Real Estate	12,401	33.5	572.8	4.62	13,646	30.9	584.9	4.29
Residential Real Estate	4,341	11.7	273.8	6.31	4,969	11.2	206.1	4.15
Construction and Development:								
Commercial Construction	1,179	3.2	153.2	12.99	2,414	5.5	227.3	9.42
Commercial Land	692	1.9	91.8	13.26	843	1.9	122.9	14.59
Construction by Developers	188	0.5	54.4	28.92	408	0.9	100.1	24.53
Residential Land	1,074	2.9	127.7	11.90	1,574	3.5	273.4	17.37
Construction by Individuals	69	0.2	8.8	12.71	300	0.7	83.7	27.92
Construction and Development	3,202	8.7	435.9	13.61	5,539	12.5	807.4	14.58
Total Real Estate	19,944	53.9	1,282.5	6.43	24,154	54.6	1,598.4	6.62
Consumer Loans & Leases:								
Home Equity Loans and Lines of Credit	4,213	11.4	88.2	2.09	4,715	10.7	84.9	1.80
Other Consumer Loans and Leases	1,219	3.3	6.7	0.55	2,399	5.4	11.0	0.46
	5,432	14.7	94.9	1.75	7,114	16.1	95.9	1.35

Total Consumer Loans & Leases								
Total Loans & Leases	$ 36,999	100.0 %	$ 1,567.7	4.24 %	$ 44,218	100.0 %	$ 2,044.8	4.62 %

Every major category of loans and leases experienced a decline in the amount of nonperforming loans and leases at December 31, 2010 compared to December 31, 2009 except for residential real estate loans and home equity loans and lines of credit.

Consistent with recent quarters, nonperforming real estate loans were the primary source of the Corporation's nonperforming loans and leases and represented approximately 81.8% of total nonperforming loans and leases at December 31, 2010 compared to approximately 78.2% of total nonperforming loans and leases at December 31, 2009. Nonperforming real estate loans amounted to $1,282.5 million at December 31, 2010 compared to $1,598.4 million at December 31, 2009, a decrease of $315.9 million or 19.8%. Nonperforming real estate loans consisted of the following categories:

Nonperforming commercial real estate loans amounted to $572.8 million at December 31, 2010 compared to $584.9 million at December 31, 2009, a decrease of $12.1 million or 2.1%. Included in the category of nonperforming commercial real estate loans are nonperforming business real estate, multifamily and farmland loans. Nonperforming business real estate loans decreased $64.8 million or 15.8% at December 31, 2010 compared to December 31, 2009. The decrease in the nonperforming hospitality/lodging loans previously discussed was approximately $159.1 million at December 31, 2010 compared to December 31, 2009. Nonperforming multifamily loans increased $48.0 million or 30.1% at December 31, 2010 compared to December 31, 2009. Business and multifamily real estate loans outside the Corporation's primary markets continued to exhibit stress. Nonperforming farmland loans increased $4.7 million at December 31, 2010 compared to December 31, 2009.

Nonperforming residential real estate (1-4 family) loans increased $67.7 million or 32.9% at December 31, 2010 compared to December 31, 2009 and amounted to $273.8 million or 6.31% of total residential real estate loans at December 31, 2010, compared to $206.1 million or 4.15% of total residential real estate loans at December 31, 2009. Elevated levels of unemployment have continued to be a source of economic stress for this portfolio. Nonperforming residential real estate loans in Arizona were $169.4 million or

61.9% of total nonperforming residential real estate loans at December 31, 2010 and accounted for the majority of the increase in nonperforming residential real estate loans from December 31, 2009 to December 31, 2010.

Since December 31, 2009, nonperforming construction and development loans have declined at each consecutive quarter-end and amounted to $435.9 million at December 31, 2010 compared to $807.4 million at December 31, 2009, a decrease of $371.5 million or 46.0%. 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 construction and development loans reflect the decline in volume of new larger construction loans transferring to nonperforming status, especially in Florida and Arizona. Nonperforming construction and development loans represented 34.0% of the Corporation's nonperforming real estate loans and 27.8% of the Corporation's total nonperforming loans and leases at December 31, 2010. By comparison, nonperforming construction and development loans represented 50.5% of the Corporation's nonperforming real estate loans and 39.5% of the Corporation's total nonperforming loans and leases at December 31, 2009. Nonperforming construction and development loans in Florida and Arizona accounted for $173.4 million or 39.8% of total nonperforming construction and development loans at December 31, 2010.

Nonperforming consumer loans and leases amounted to $94.9 million at December 31, 2010 compared to $95.9 million at December 31, 2009, a decrease of $1.0 million or 1.0%. Nonperforming consumer loans and leases as a percent of total consumer loans and leases were 1.75% at December 31, 2010 and 1.35% at December 31, 2009. The modest increase reflects the effect of lingering elevated levels of unemployment that have continued to be a source of economic stress for consumers.

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The following table presents a geographical summary of nonperforming loans and leases, including nonaccrual loans held for sale, at December 31, 2010 and 2009:

Geographical Summary of Nonperforming Loans & Leases ($ in millions)

	December 31, 2010			
	Loans & Leases	Percent of Total Loans & Leases	Non-performing Loans & Leases	Percent Non-performing to Loan & Lease by State
Wisconsin	$ 14,713	39.8 %	$ 309.4	2.10 %
Arizona	4,131	11.2	314.7	7.62
Minnesota	4,072	11.0	165.8	4.07
Missouri	2,695	7.3	80.3	2.98
Florida	2,076	5.6	213.3	10.28
Indiana	1,577	4.2	40.2	2.55
Kansas	730	2.0	41.1	5.63
Others	7,005	18.9	402.9	5.75
Total	$ 36,999	100.0 %	$ 1,567.7	4.24 %

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

At December 31, 2010, nonperforming loans in Arizona amounted to $314.7 million or 7.62% of loans outstanding in Arizona compared to $431.4 million or 8.08% of loans outstanding in Arizona at December 31, 2009, a decrease in nonperforming loans of $116.7 million or 27.1%. Nonperforming loans in Arizona represented 20.1% of total consolidated nonperforming loans and leases at December 31, 2010 and continue to be one of the largest concentrations of nonperforming loans in the Corporation's loan and lease portfolio. Nonperforming residential real estate loans in Arizona increased $48.3 million or 39.9% during 2010 and amounted to $169.4 million or 53.8% of

nonperforming loans in Arizona at December 31, 2010 compared to $121.1 million or 28.1% of nonperforming loans in Arizona at December 31, 2009. Nonperforming construction and development loans in Arizona decreased $155.2 million or 65.9% during 2010 and amounted to $80.2 million or 25.5% of nonperforming loans in Arizona at December 31, 2010 compared to $235.4 million or 54.6% of nonperforming loans in Arizona at December 31, 2009.

The largest geographic concentration of loans and leases in the Corporation's loan and lease portfolio is in Wisconsin. The Wisconsin loan and lease portfolio has consistently maintained the lowest percent of nonperforming loans and leases to total loans and leases compared to the Corporation's other markets. Consistent with the Corporation's total loan and lease portfolio, loans and leases in Wisconsin have experienced some elevated levels of stress across the portfolio but generally have performed better than the Corporation's other markets. Nonperforming loans in Wisconsin represented 19.7% of total consolidated nonperforming loans at December 31, 2010.

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Nonperforming loans and leases in Wisconsin amounted to $401.7 million or 2.43% of total loans and leases outstanding in Wisconsin at December 31, 2009. Nonperforming loans and leases in Wisconsin decreased $92.3 million or 23.0% from December 31, 2009 to December 31, 2010. Approximately $50.0 million of that decrease was associated with a loan to a bank holding company that was charged-off during the first quarter of 2010.

Loans and leases in Minnesota and Indiana have experienced some elevated levels of stress. The increase in nonperforming loans in Minnesota at December 31, 2010 compared to December 31, 2009 was primarily attributable to commercial real estate and residential real estate loans placed on nonperforming status during 2010. The increase in nonperforming loans in Indiana at December 31, 2010 compared to December 31, 2009 was generally across all loan types except commercial loans. Nonperforming loans and leases in Kansas and Missouri decreased across most loan types in 2010 compared to 2009 except for nonperforming residential real estate loans.

Nonperforming loans in Florida amounted to $213.3 million at December 31, 2010 compared to $307.5 million at December 31, 2009, a decrease of $94.2 million or 30.6%. Nonperforming loans in Florida represented 13.6% of total consolidated nonperforming loans at December 31, 2010. Nonperforming commercial real estate loans in Florida decreased $17.9 million or 19.5% during 2010 and amounted to $74.0 million or 34.7% of nonperforming loans in Florida at December 31, 2010 compared to $91.9 million or 29.9% of nonperforming loans in Florida at December 31, 2009. Nonperforming construction and development loans in Florida decreased $77.6 million or 45.4% during 2010 and amounted to $93.2 million or 43.7% of nonperforming loans in Florida at December 31, 2010 compared to $170.8 million or 55.5% of nonperforming loans in Florida at December 31, 2009. Consistent with the trends exhibited in the Corporation’s other markets, nonperforming residential real estate loans increased in 2010 compared to 2009.

Nonperforming loans outside of the Corporation’s primary markets amounted to $402.9 million at December 31, 2010 compared to $513.6 million at December 31, 2009, a decrease in nonperforming loans of $110.7 million or 21.5%. The decrease in the nonperforming hospitality/lodging loans previously discussed was approximately $121.9 million at December 31, 2010 compared to December 31, 2009. In addition, nonperforming construction and development loans outside of the Corporation’s primary markets decreased $77.4 million or 38.4% at December 31, 2010 compared to December 31, 2009. Business and multifamily real estate loans outside the Corporation’s primary markets continued to exhibit stress in 2010.

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, 2010 consisted of the following:

	Years Ended December 31, ($ in millions)		
	2010	2009	2008
Other Real Estate Owned (OREO):			
Beginning Balance	$ 430.8	$ 320.9	$ 115.1
Additions, Net of Initial Write-Downs	460.6	534.3	343.8
Dispositions	(475.5)	(322.8)	(93.2)
Capitalized Costs	6.1	7.5	10.8

Valuation Adjustments	(82.5)	(109.1)	(55.6)
Ending Balance	$ 339.5	$ 430.8	$ 320.9

Write-downs at initial transfer from loans to OREO are recorded as charge-offs. Valuation adjustments after the initial transfer, which are included as a component of Net OREO Expenses in the Consolidated Statements of Income, reflect the decline in real estate values due to the economy and elevated levels of unemployment and other real estate market conditions at the measurement date.

At December 31, 2010, properties acquired in partial or total satisfaction of problem loans, based on loan type, consisted of construction and development of $202.3 million, 1-4 family residential real estate of $54.3 million and commercial real estate of $82.9 million. 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. OREO in Arizona represented approximately 17.8%, 43.1% and 50.8% of total OREO at December 31, 2010, 2009 and 2008, 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 remain at elevated levels in future quarters.

Troubled Debt Restructurings (Renegotiated Loans)

The Corporation does not characterize all modified loans as troubled debt restructurings ("TDR"). In the ordinary course of business, the Corporation modifies loan terms across loan types, including both consumer and commercial loans, for a variety of reasons. For example, modifications to consumer loans are generally limited to short-term deferrals to accommodate specific, temporary circumstances. The Corporation frequently grants extensions to help consumers who have demonstrated a willingness and ability to repay their loan in the event of a specific unforeseen temporary hardship event. An extension defers monthly payments and requires a balloon payment at the original contractual maturity. Extensions are predominantly granted to defer one monthly payment. On an exception basis, an extension may occasionally be granted to defer up to three monthly payments. The Corporation does not consider these extensions to be troubled debt restructurings. The Corporation believes that these short-term extensions represent the type of modification any bank would otherwise consider especially in situations where the temporary event is not expected to impact a borrower's ability to repay the debt, and where the Corporation expects to collect all amounts due including interest accrued at the contractual interest rate for the period of delay at contractual maturity.

Modifications to commercial loans may include, but not be limited to, changes in interest rate, maturity, amortization and financial covenants. In the original underwriting, loan terms are established that represent the then current and projected financial condition of the borrower. Over any period of time, modifications to these loan terms may be required due to changes in the original underwriting assumptions. These assumptions may include the changing financial requirements of the borrower as well as changes in underwriting standards of the Corporation. If the modified terms are consistent with competitive market conditions and representative of terms the borrower could otherwise obtain in the open market, the modified loan is not categorized as a TDR.

For a loan modification to be a TDR, which the Corporation also refers to as "renegotiated loans," the following three conditions must all be present: (1) the borrower is experiencing financial difficulty, (2) the Corporation makes a concession to the original contractual loan terms, and (3) the concessions are for economic or legal reasons related to the borrower's financial difficulty that the Corporation would not otherwise consider.

Modifications of loan terms to borrowers experiencing financial difficulty are made in an attempt to protect as much of the Corporation's investment in the loan as possible. These modifications are generally made to either prevent a loan from becoming nonaccrual or to return a nonaccrual loan to performing status based on the expectation that the borrower can adequately perform in accordance with the modified terms.

The determination of whether a modification should be accounted for as a TDR requires significant judgment after taking into consideration all facts and circumstances surrounding the transaction. No single characteristic or factor, taken alone, is determinative of whether a modification should be classified as a TDR. The fact that a single characteristic is present in a transaction is not considered sufficient to overcome the preponderance of contrary evidence.

Assuming all the other TDR criteria are met, the Corporation considers one or a combination of the following concessions to the loan terms to be a TDR: (1) a reduction of the stated interest rate, (2) an extension of the contractual maturity at a stated interest rate lower than the current market rate for a new loan with a similar term, or (3) forgiveness of principal or accrued interest.

Overview

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. Through various forms of communications, the Corporation encourages all customers to contact the Corporation if they are experiencing financial difficulties so that their individual situations can be assessed and to discuss alternatives before formal collection actions are required. In addition, the Corporation monitors borrowers that are not currently delinquent. For those borrowers with an original credit bureau score at or below an established level, the Corporation determines if there has been a specified decline in their current credit bureau score. Customers meeting

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those criteria are solicited directly and encouraged to contact the Corporation if they are experiencing financial difficulties.

In many cases, the Corporation has restructured loan terms for certain qualified financially distressed borrowers that have agreed to work in good faith to reach a successful repayment agreement and, as previously discussed, have demonstrated the ability to make the restructured payments in order to avoid a pending foreclosure or a foreclosure in the future. The Corporation has predominantly used reduced interest rates and extended terms to lower contractual payments.

Accruing troubled debt restructured loans, which the Corporation refers to as "accruing renegotiated loans," amounted to $548.4 million at December 31, 2010 compared to $793.5 million at December 31, 2009. At December 31, 2010, approximately 26.1% of accruing renegotiated loans were restructured at market interest rates and could be eligible to be transferred out of renegotiated status at the beginning of next year if their payments remain current according to the restructured terms and were current at the end of the year. Irrespective of their classification, these loans are specifically assessed for impairment for purposes of determining the allowance for loan and lease losses.

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 favorable compared with data published by national bank and thrift regulators.

At December 31, 2010, the re-default rates for those consumer-related renegotiated loans that were restructured between June 2008 and December 2009 by loan type were as follows:

Re-default Rates on Consumer-Related Renegotiated Loans

	December 31, 2010	
Residential Real Estate	28.5	%
Consumer Construction and Development:		
Residential Land	56.9	
Construction by Individuals	65.6	
Total Consumer Construction and Development	57.2	
Other Consumer:		
Home Equity Loans and Lines of Credit	19.8	
Other Consumer	17.8	
Total Other Consumer	19.1	

Total Consumer-Related Re-default	33.0 %

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 accruing renegotiated status. The Corporation's experience with renegotiated loan performance does not encompass an extended period of time. The Corporation generally has not observed a consistent pattern on the frequency of re-defaults based on the passage of time. Based on the Corporation's limited experience, the timing of re-defaults on consumer-related renegotiated loans appear to be more attributable to some event such as loss of employment. Irrespective of the Corporation's procedures and policies, payment performance will continue to be adversely affected by unexpected increases and prolonged levels of elevated unemployment.

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At December 31, 2010 and 2009, the delinquency status of the Corporation's accruing renegotiated loans was as follows:

Accruing Renegotiated Loans Delinquency Status
($000's)

Days Past Due	December 31, 2010	2009
Current	$500,470	$731,859
30-89	47,966	61,600
90 +	—	—
Total	$548,436	$793,459

The Corporation considers accruing renegotiated loans that are less than 30 days past due to be current because of the numerous factors other than credit quality that may cause payments to be temporarily past due. Renegotiated loans past due 90 days or more are classified as nonaccrual and reported as nonperforming loans.

The Corporation expects nonaccrual loans will initially increase until the loan terms are restructured. Upon restructuring, nonaccrual loans will decline and the balance of accruing renegotiated loans will increase. The Corporation expects the balance of accruing renegotiated loans will continue to be elevated in future quarters.

Commercial Loans

Underwriting for all commercial loan modifications follows established credit risk management policies and includes an assessment of the credit risk profile and analysis of the borrower's current financial position. Included in this analysis is a detailed review of the borrower's ability to continue to service its loans under the existing contractual agreement. Each decision to modify a loan is required to be supported by a written underwriting summary appropriate for the size and type of credit that establishes the sufficiency of the primary and secondary sources of repayment based on the modified terms.

This analysis includes, but is not limited to, a detailed analysis of the borrower's ability to adequately maintain a current payment history under the restructured agreement. For collateral-dependent loans, this analysis also includes current appraisals or valuations of the collateral so that updated loan-to-values are within the Corporation's loan policy guidelines. The analysis may also include an assessment of the borrower's management team and the industry in which it competes. These factors, along with any other factors that management of the Corporation may deem appropriate given the risk profile of the borrower, are analyzed to ensure a high probability that the borrower will be able to perform under the terms and conditions of the modified loan.

Commercial loans are returned to an accrual status when receipt of principal and interest payments as they become contractually due is not in doubt based on the preponderance of evidence in the credit analysis, the borrower's successful past performance, or performance under the modified terms exceeds nine months. Otherwise, interest income is recognized using a cost recovery method.

In connection with the extension, renewal or restructuring of a loan with an interest reserve, additional interest reserves may be funded by the borrower, partially funded by the borrower and the Corporation or fully provided by the Corporation. Typically, interest reserves provided by the Corporation are secured by additional collateral and are limited to more conservative advance rates on the pledged collateral. These loans must also be supported by an analysis of the borrower's willingness and capacity to service the debt.

Consumer Loans

Prior to approval of a consumer loan modification, the Corporation performs a comprehensive financial review of the borrower, which entails an evaluation of the borrower's total income and total expenses. The Corporation's evaluation of a borrower's total expenses is more comprehensive than the evaluation typically undertaken by the credit bureaus. The Corporation's review is substantiated by an analysis of the borrower's bank account activity and updated credit bureau reports. Modifications seek to offer the customer an affordable housing payment, maintain total debt service within a prescribed range of net income and provide a monthly cash flow cushion for unexpected events.

For all modified loans, the Corporation maintains the assessment of the borrower's hardship, debt service capacity, financial condition and prospects for repayment under the revised terms, along with a hardship letter, personal

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financial worksheet, credit bureau report, proof of income, bank statements and status of homeowner's insurance and taxes.

In addition to the comprehensive financial review, the Corporation generally requires a successful completion of a performance period prior to a formal modification for consumer loans. For borrowers whose pre-modified loan was less than 90 days past due at the time of modification, three payments at the proposed restructured payment amount (a three-month performance period) are required before the formal restructuring. Since repayment performance had been maintained under the original terms and the Corporation has modified the repayment terms to be consistent with the borrower's re-underwritten debt service capacity, the Corporation is able to determine that it can be reasonably assured that the loan will perform according to the modified terms after the customer successfully completed the three-month performance period prior to the formal restructuring.

If the customer's pre-modified loan was past due 90 days or more or if the customer's Total Debt to Total Income ratio exceeds 100%, nine payments based on the proposed restructured terms are required (a nine-month performance period) before a formal modification is made. Because the borrower was greater than 90 days past due, a longer performance period is required prior to the formal modification. Since the customer will have successfully completed the performance period prior to the formal restructuring based on repayment terms modified to be consistent with the re-underwritten debt service capacity, the Corporation is able to determine that it can be reasonably assured that the loan will perform according to the modified terms.

Successful performance results in a formal restructuring agreement, at which time the restructured loan will return to an accrual status.

The following table shows the Corporation's accruing renegotiated loans by type of loan at December 31, 2010 and 2009.

Major Categories of Accruing Renegotiated Loans ($ in millions)

	December 31, 2010		December 31, 2009	
	Accruing Renegotiated Loans	Percent of Total Accruing Renegotiated Loans	Accruing Renegotiated Loans	Percent of Total Accruing Renegotiated Loans
Commercial	$ 24.3	4.4 %	$ 46.3	5.8 %
Real Estate				
Commercial Real Estate	101.2	18.5	90.9	11.5
Residential Real Estate	263.8	48.1	397.0	50.0
Construction and Development:				
Commercial Construction	9.7	1.8	—	—
Commercial Land	3.8	0.7	1.3	0.2
Construction by Developers	11.6	2.1	3.5	0.4

Residential Land	79.9	14.6	125.6	15.8
Construction by Individuals	2.0	0.3	17.5	2.2
Total Construction and Development	107.0	19.5	147.9	18.6
Total Real Estate	472.0	86.1	635.8	80.1
Consumer Loans				
Home Equity Loans & Lines of Credit	48.6	8.9	106.5	13.5
Other Consumer Loans	3.5	0.6	4.9	0.6
Total Consumer Loans	52.1	9.5	111.4	14.1
Total Accruing Renegotiated Loans	$ 548.4	100.0 %	$ 793.5	100.0 %

At December 31, 2010, consumer-related accruing renegotiated loans (residential real estate, residential land, construction by individuals, home equity loans and lines of credit and other consumer loans) represented 72.5% of total accruing renegotiated loans. By comparison, at December 31, 2009, consumer-related accruing renegotiated loans represented 82.1% of total accruing renegotiated loans.

Total accruing renegotiated loans amounted to $548.4 million at December 31, 2010 compared to $793.5 million at December 31, 2009, a decrease of $245.1 million or 30.9%. In addition to normal activity, that decline

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reflects the effect of approximately $189.0 million of renegotiated loans that were transferred out of renegotiated status to performing loans during the first quarter of 2010.

The amount of accruing renegotiated loans that were placed in nonperforming status for the year ended December 31, 2010 amounted to $275.6 million compared to $334.2 million for the year ended December 31, 2009, a decrease of $58.6 million or 17.6%. Included in the amount of accruing renegotiated loans that were placed in nonperforming status in 2010 were two commercial real estate loans aggregating $83.2 million that were transferred in conjunction with the actions taken toward a final resolution of the previously discussed single credit relationship that consisted of multiple geographically dispersed commercial real estate loans related to the hospitality/lodging industry.

The Corporation has determined that it will be less likely to restructure significant amounts of commercial, commercial real estate and construction and development loans in the future as economic conditions have demonstrated that once a degree of stress becomes evident in a project, the likelihood of a successful outcome is greatly diminished. Unlike commercial and commercial real estate loans, the Corporation believes the restructuring process has been successful with respect to residential real estate and consumer home mortgage loans.

The following table shows the geographical summary of the Corporation's accruing renegotiated loans at December 31, 2010 and 2009.

Geographical Summary of Accruing Renegotiated Loans ($ in millions)

	December 31, 2010		December 31, 2009	
	Accruing Renegotiated Loans	Percent of Total Accruing Renegotiated Loans	Accruing Renegotiated Loans	Percent of Total Accruing Renegotiated Loans
Wisconsin	$ 52.9	9.6 %	$ 54.2	6.8 %
Arizona	309.2	56.4	454.8	57.3
Minnesota	37.7	6.9	30.5	3.8
Missouri	36.0	6.6	12.2	1.5
Florida	26.4	4.8	25.5	3.2
Indiana	7.6	1.4	7.5	0.9
Kansas	0.6	0.1	2.1	0.3
Others	78.0	14.2	206.7	26.2
Total	$ 548.4	100.0 %	$ 793.5	100.0 %

The majority of the accruing renegotiated loans have been originated in the Arizona market. At December 31, 2010, approximately $285.7 million or 92.4% of Arizona accruing renegotiated loans related to consumer-related loans.

Accruing renegotiated loans located outside of the Corporation's primary markets amounted to $78.0 million at December 31, 2010 compared to $206.7 million at December 31, 2009, a decrease of $128.7 million or 62.2%. That decline reflects payments and the transfer of $83.2 million of accruing renegotiated commercial real estate loans to nonperforming status as previously discussed.

Past Due Loans and Leases

Loans 90 days past due and still accruing interest amounted to $6.1 million at December 31, 2010 compared to $8.8 million at December 31, 2009.

Delinquency can be an indicator of potential problem loans and leases. At December 31, 2010, early stage delinquencies amounted to $431.4 million or 1.2% of total loans and leases outstanding compared to $539.1 million or 1.2% of total loans and leases outstanding at December 31, 2009, a decrease of $107.7 million or 20.0%. Early stage delinquencies peaked at March 31, 2009 and amounted to $1,477.0 million or 3.0% of total loans and leases outstanding. Management expects that a stabilized level for early stage delinquencies will be in the range of 1.5% of total loans and leases outstanding.

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The following table presents the reconciliation of the consolidated allowance for loan and lease losses for the year ended December 31, 2010, as well as selected comparative years:

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

	2010	2009	2008	2007	2006
Allowance for Loan and Lease Losses at Beginning of Year	$ 1,480,470	$ 1,202,167	$ 496,191	$ 420,610	$ 363,769
Provision for Loan and Lease Losses	1,758,888	2,314,649	2,037,707	319,760	50,551
Allowance of Banks and Loans Acquired	—	—	32,110	11,713	45,258
Loans and Leases Charged-off:					
Commercial	330,743	436,560	169,566	83,191	16,280
Real Estate	1,552,345	1,590,848	1,186,447	163,932	22,740
Personal	50,488	60,014	36,232	22,335	14,547
Leases	1,991	5,672	2,184	1,887	1,863
Total Charge-offs	1,935,567	2,093,094	1,394,429	271,345	55,430
Recoveries on Loans and Leases:					
Commercial	20,710	19,741	7,125	6,401	6,910
Real Estate	54,044	28,698	16,440	2,876	2,685
Personal	8,043	5,828	5,237	4,259	4,247
Leases	987	2,481	1,786	1,917	2,620
Total Recoveries	83,784	56,748	30,588	15,453	16,462
Net Charge-offs	1,851,783	2,036,346	1,363,841	255,892	38,968
Allowance for Loan and Lease Losses at End of Year	$ 1,387,575	$ 1,480,470	$ 1,202,167	$ 496,191	$ 420,610

Summary of Net Charge-Offs on Loans and Leases

Year Ended December 31, ($000's)

	2010	2009	2008
Net Charge-offs:			
	$ 310,656	$ 418,978	$ 162,319

Commercial Loans and Leases						
Commercial Real Estate		578,174		237,251		99,982
Residential Real Estate		167,798		354,808		38,870
Construction and Development		623,516		853,510		986,447
Home Equity Loans and Lines of Credit		128,813		116,581		44,708
Personal Loans and Leases		42,826		55,218		31,515
Total Net Charge-offs	$	1,851,783	$	2,036,346	$	1,363,841

Net charge-offs amounted to $1,851.8 million or 4.49% of average loans and leases in 2010 compared to $2,036.3 million or 4.26% of average loans and leases in 2009 and $1,363.8 million or 2.74% of average loans and leases in 2008. The net charge-offs for the periods presented in the table above include the net charge-offs related to the loans that were sold during 2010 and 2009.

Included in commercial real estate net charge-offs for the year ended December 31, 2010 was the impact of bringing one credit relationship toward a final resolution. That credit relationship consisted of multiple geographically dispersed commercial real estate loans related to the hospitality/lodging industry. In conjunction with the actions taken towards that resolution, $209.4 million was charged-off across all of the related commercial real estate loans based on a sale disposition strategy.

Included in net charge-offs for commercial loans and leases for the year ended December 31, 2010 was approximately $76.6 million in charge-offs related to loans to certain bank holding companies, of which $50.0 million was related to one bank holding company loan. 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 $159.8 million.

Included in total net charge-offs for the year ended December 31, 2009 were $185.4 million in net charge-offs related to the bulk sale of a pool of consumer loans, of which $184.5 million were residential real estate loans net charge-offs.

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Excluding the charge-offs for the commercial real estate loans related to the hospitality/lodging industry, the loans to bank holding companies and net charge-offs related to the bulk sale of a pool of consumer loans, net charge-offs amounted to $1,565.8 million or 3.80% of average loans and leases in 2010 compared to $1,691.1 million or 3.54% of average loans and leases in 2009, a decrease of $125.3 million or 7.4%. That decrease in net charge-offs was experienced across all loan types except net charge-offs for commercial real estate loans and home equity loans. Net charge-offs on construction and development loans experienced the largest decrease in 2010 compared to 2009.

Net charge-offs for construction and development loans amounted to $623.5 million for the year ended December 31, 2010 compared to $853.5 million for the year ended December 31, 2009, a decrease of $230.0 million or 26.9%. Net charge-offs for construction and development loans represented 33.7% of total net charge-offs in 2010 and, consistent with the prior two years, continued to be the largest concentration of net charge-offs across the various loan types.

Net charge-offs for commercial real estate loans represented 31.2% of total net charge-offs in 2010. Excluding the hospitality/lodging loan charge-offs, net charge-offs for commercial real estate loans amounted to $368.8 million for the year ended December 31, 2010 compared to $237.2 million for the year ended December 31, 2009, an increase of $131.6 million or 55.4%. Approximately $85.5 million of that increase related to loans for commercial and industrial developments and $52.1 million of that increase related to loans for residential real estate developments such as multi-family and residential condominium developments. Within loans for commercial and industrial developments, net charge-offs associated with loans for retail trade, offices and recreation exhibited the largest increase in net charge-offs in 2010 compared to 2009. Like other bank holding companies, this portfolio experienced increased stress across all of the Corporation’s markets in 2010.

The majority of the Corporation’s net charge-offs in 2010 and 2009 were attributable to loans in Arizona, Florida and loans outside the Corporation’s primary markets. Net charge-offs related to loans in Arizona, Florida and loans outside the Corporation’s primary markets amounted to $1,082.9 million or 69.2% of total net charge-offs of $1,565.8 million in 2010, excluding the charge-offs for the commercial real estate loans related to the hospitality/lodging industry and loans to bank holding companies. By comparison, net charge-offs related to loans in Arizona, Florida and loans outside the Corporation’s primary markets amounted to $1,319.8 million or 78.0% of total net charge-offs of $1,691.1 million in 2009, excluding the charge-offs for the loans to bank holding companies and net charge-offs related to the bulk sale of a pool of consumer loans. Although net charge-offs in Arizona, Florida and net charge-offs outside the Corporation’s primary markets continued to be the largest geographical proportion of the Corporation’s net charge-offs, the amount of net charge-offs in Arizona and net charge-offs outside the Corporation’s primary markets decreased in 2010. Net charge-offs in Arizona and net charge-offs outside the Corporation’s primary markets in 2010 decreased $288.7 million or 26.2% compared to 2009. Net charge-offs in the Corporation’s primary markets, other than Arizona, increased in 2010 compared to 2009 due to the increased stress in commercial real estate loans.

While there were signs of improvement, real estate related loans continued to be the primary source of the elevated levels in nonperforming loans and leases and net charge-offs in 2010. Real estate related loans represented the majority of the Corporation’s nonperforming loans and leases at December 31, 2010. In a stressed real estate market, 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 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 additional charge-offs. Declining or reduced collateral values have significantly contributed to the elevated levels of net charge-offs and the elevated levels in the provision for loan and lease losses that the Corporation experienced over the past three years.

Partial Charge-Offs

The Corporation's accounting policies for charge-offs are described in Note 2 in Notes to Consolidated Financial Statements. Consistent with regulatory guidance and the Corporation's loan policy, charge-offs are taken when specific loans, or portions thereof, are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. The Corporation's policy is to promptly charge these loans off in the period the uncollectible loss amount is reasonably determined. The charge-off does not mean that the asset has no recovery or salvage value, but rather that it is not practical to defer writing down this loan when available information confirms that the loan or a portion thereof, is uncollectible.

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The amount of cumulative net charge-offs recorded on the Corporation's nonperforming loans outstanding at December 31, 2010 was approximately $876.2 million or 52.3% of the unpaid principal balance of the affected nonperforming loans.

The Corporation's nonperforming loans and leases at December 31, 2010 and 2009 consisted of the following ($000's):

Nonperforming Loans and Leases	December 31, 2010 Amount	December 31, 2010 Percent of Total Nonperforming Loans and Leases	December 31, 2009 Amount	December 31, 2009 Percent of Total Nonperforming Loans and Leases
Nonaccrual Loans and Leases With Partial Charge-Offs	$ 779,623	49.7 %	$ 717,196	35.1 %
Nonaccrual Loans and Leases Without Partial Charge-Offs	764,588	48.8	1,269,885	62.1
Total Nonaccrual Loans and Leases	1,544,211		1,987,081	
Nonaccrual Loans Held for Sale	23,448	1.5	57,670	2.8
Total Nonperforming Loans and Leases	$ 1,567,659	100.0 %	$ 2,044,751	100.0 %

The result of recording partial charge-offs on nonperforming loans and leases had the following impact on certain credit quality statistics at December 31, 2010 and 2009:

	Total Nonperforming Loans and Leases			
	December 31, 2010		December 31, 2009	
Consolidated Credit Quality Statistics	Including Nonperforming Loans and Leases With Partial Charge-Offs	Excluding Nonperforming Loans and Leases With Partial Charge-Offs	Including Nonperforming Loans and Leases With Partial Charge-Offs	Excluding Nonperforming Loans and Leases With Partial Charge-Offs
Total Nonperforming Loans and Leases to Total Loans and Leases	4.24 %	2.08 %	4.62 %	2.88 %
Allowance for Loan and Lease Losses to Total Loans and Leases	3.75 %	3.83 %	3.35 %	3.41 %
Allowance for Loan and Lease Losses to Nonperforming Loans and Leases (Excluding Nonaccrual Loans Held for Sale)	90 %	181 %	75 %	117 %

As shown in the above table, the ratio of the allowance for loan and lease losses to nonperforming loans and leases (excluding nonperforming loans held for sale) is affected by the amount of partial charge-offs recorded on nonperforming loans because the partial charge-offs reduce the allowance for loan and lease losses required at the measurement date. The partial charge-offs have significantly contributed to the reported decline in the ratio of the allowance for loan and lease losses to nonperforming loans and leases (excluding nonperforming loans held for sale) in recent years.

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

The following table presents the allocation of the consolidated allowance for loan and lease losses at December 31, 2010, as well as selected comparative years:

	December 31, 2010		December 31, 2009		December 31, 2008	
	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	$ 382,180	30.3 %	$ 287,402	28.2 %	$ 183,194	29.8 %
Real Estate						
Commercial Mortgage	483,554	38.6	448,551	38.2	364,723	35.2
Residential Mortgage	478,158	26.7	690,316	27.1	599,882	29.6
Personal	40,510	3.1	51,718	5.1	46,716	3.9
Lease Financing	3,173	1.3	2,483	1.4	7,652	1.5
Total	$ 1,387,575	100.0 %	$ 1,480,470	100.0 %	$ 1,202,167	100.0 %

	December 31, 2007		December 31, 2006	
	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:				
	$ 205,258	29.8 %	$ 251,475	28.7 %

Commercial, Financial & Agricultural				
Real Estate				
Commercial Mortgage	185,601	34.7	83,510	34.2
Residential Mortgage	46,755	30.6	20,454	31.9
Personal	26,889	3.3	18,434	3.5
Lease Financing	31,688	1.6	46,737	1.7
Total	$ 496,191	100.0%	$ 420,610	100.0%

See Note 9 in Notes to Consolidated Financial Statements for additional information on the allocation of the consolidated allowance for loan and lease losses at December 31, 2010.

Provision for Loan and Lease Losses

Consistent with the credit quality trends noted above, the provision for loan and lease losses amounted to $1,758.9 million for the year ended December 31, 2010. By comparison, the provision for loan and lease losses amounted to $2,314.6 million in 2009 and $2,037.7 million in 2008. 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 3.75% at December 31, 2010 compared to 3.35% at December 31, 2009 and 2.41% at December 31, 2008.

Included in net charge-offs and the provision for loan and lease losses for the year ended December 31, 2010 was the impact of bringing one credit relationship toward a final resolution. That credit relationship consisted of multiple geographically dispersed commercial real estate loans related to the hospitality/lodging industry. In conjunction with the actions taken towards that resolution, two commercial real estate loans aggregating $83.2 million were transferred from accruing renegotiated loans to nonperforming loans and $209.4 million was charged-off across all of the related commercial real estate loans based on a sale disposition strategy. An additional provision for loan and

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lease losses of $94.6 million was recorded in 2010 for the shortfall over prior period reserved amounts that resulted from the valuation based on the sale disposition strategy.

At December 31, 2010, the allowance for loan and lease losses amounted to $1,387.6 million or 3.75% of total loans and leases compared to $1,480.5 million or 3.35% of total loans and leases at December 31, 2009. The decrease in the allowance for loan and lease losses in 2010 of $92.9 million compared to 2009 reflects the lower amount of loans and leases and lower amount of nonperforming loans and leases outstanding at December 31, 2010, the other improving credit quality trends previously discussed and the utilization of prior period reserved amounts established for the hospitality/lodging loans charged off during 2010.

The Corporation's credit quality statistics as of and for the year ended December 31, 2010 reinforced recent trends with additional positive evidence that the Corporation has experienced credit improvement. Consistent with prior quarters in 2010, during the fourth quarter of 2010, the Corporation experienced a decline in nonperforming loans for the sixth consecutive quarter, continued reduced levels of delinquencies and new loans going into nonperforming status and lower levels of net charge-offs. The reported amount of the Corporation's nonperforming loans and leases and new loans and leases placed on nonperforming status in 2010 continue to be elevated especially in the commercial loan portfolios. The improving economy remains fragile, unemployment levels continue to be elevated and underlying collateral values continue to reflect a somewhat illiquid market. The Corporation's allowance for loan and lease losses at December 31, 2010 has taken these factors into consideration.

Management expects that these trends will continue. Management also expects that continuing credit improvement along with continued improvement in the economy and a reduction or stabilization in unemployment would result in lower provisions for loan and lease losses and a reduced allowance for loan and lease losses in future quarters. There are numerous unknown factors at this time that will ultimately affect the timing and amount of nonperforming loans and leases, net charge-offs and the provision for loan and lease losses that will be recognized in 2011. The timing and amount of charge-offs will continue to be influenced by loan sales and the Corporation's other strategies for managing its nonperforming loans and leases.

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 Loans and Leases

	Commercial ($ in millions)			
	December 31, 2010	% of Consolidated Total	December 31, 2009	% of Consolidated Total
Loans and Leases	$ 11,623.4	31.4 %	$ 12,949.9	29.3 %
Nonaccrual Loans and Leases	190.3	12.1	350.5	17.2
	24.3	4.4	46.3	5.8

Accruing Renegotiated Loans				
Loans and Leases Past Due 30-89 Days	42.1	7.8	56.9	8.0
Year-to-Date Net Charge-Offs	310.7	16.8	419.0	20.6

Commercial loans and leases are extended across many industry types that at December 31, 2010 included: manufacturing (24%), wholesale trade (15%), finance and insurance (10%), retail trade (8%), real estate (7%), construction (5%), professional (5%), agriculture (5%), transportation and warehousing (4%), management companies (3%) and health care (3%).

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 business security agreements and real estate.

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Commercial loans and leases are associated with customers located in Wisconsin (43%), Minnesota (14%), Missouri (10%), Illinois (5%), Arizona (4%), Indiana (4%), Florida (3%) and Kansas (3%).

Commercial and industrial loans continued to contract in 2010 compared to 2009. Commercial customers appear to still be focused on expense management and debt reduction by delaying capital expenditures and reducing working capital demand. Commercial loan commitments and credit line utilization have declined. Commercial loan and lease balances and the demand for new credit will depend on the pace and strength of economic improvement.

Nonperforming commercial loans and leases amounted to $190.3 million at December 31, 2010 compared to $350.5 million at December 31, 2009, a net decrease of $160.2 million.

Accruing renegotiated commercial loans decreased $22.0 million or 47.4% at December 31, 2010 compared to December 31, 2009. That decrease was primarily the result of the payout of the largest loan that was classified as an accruing renegotiated commercial loan as of December 31, 2009. At December 31, 2010, the remaining accruing renegotiated commercial loans consisted of numerous smaller balance loans.

Charge-offs related to loans to bank holding companies amounted to $76.6 million in 2010. Included in net charge-offs for the year ended December 31, 2010, was a charge-off of approximately $50.0 million related to a loan to one bank holding company. That loan had been fully reserved since being placed in nonperforming status earlier in 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 $159.8 million.

The charge-offs in 2009 related to four bank holding companies and were taken due to a series of events that included: (1) a significant deterioration in the loan portfolios of certain of these bank holding companies, (2) unanticipated difficulties or delays in capital raising transactions by certain of these bank holding companies, and (3) regulatory actions against certain of these bank holding companies. At December 31, 2010 and 2009, loans outstanding to bank holding companies were approximately $392.9 million and $535.0 million, respectively. At December 31, 2010, the loans outstanding to bank holding companies included $12.2 million of loans in nonperforming status and $224.4 million identified as potential problem loans.

The ratio of nonaccrual commercial loans and leases to total commercial loans and leases at December 31, 2010 was 1.64% compared to 2.71% at December 31, 2009. The average annualized net charge-offs for commercial loans and leases over the past nine quarters based on end of period loans were 2.8%. Excluding the charge-offs relating to loans to bank holding companies, the average annualized net charge-offs for commercial loans and leases over the past nine quarters based on end of period loans was 2.0%.

At December 31, 2010, the allowance for consolidated commercial loan and lease losses amounted to $384.9 million or 3.31% of consolidated commercial loans and leases compared to an allowance of $289.9 million or 2.24% of consolidated commercial loans and leases at December 31, 2009. The increase in the allowance for consolidated commercial loan and lease losses was primarily due to the exposure to loans to bank holding companies.

Commercial Real Estate Loans

	Commercial Real Estate ($ in millions)			
	December 31, 2010	% of Consolidated Total	December 31, 2009	% of Consolidated Total
Loans	$ 12,401.3	33.5 %	$ 13,645.9	30.9 %
	572.8	36.5	584.9	28.6

Nonaccrual Loans				
Accruing Renegotiated Loans	101.2	18.5	90.9	11.5
Loans Past Due 30-89 Days	117.9	21.9	135.0	19.0
Year-to-Date Net Charge-Offs	578.2	31.2	237.2	11.7

Commercial real estate loans include multi-family properties and business purpose loans secured by 1-4 family residences (28%), industrial (16%), office (15%), retail (15%), farmland (6%), hospitality/lodging (5%), and medical facilities (4%). Commercial real estate loans as presented do not include commercial construction and land development loans.

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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 (5%), Indiana (4%) and Kansas (2%). Commercial real estate loans in higher risk markets include Arizona (7%) and Florida (7%).

As a result of the economy, the Corporation has experienced minimal new development loan activity. For the year ended December 31, 2010, average commercial real estate loans amounted to $13,255.1 million compared to average commercial real estate loans of $13,522.8 million for the year ended December 31, 2009.

A portion of the reported year end average amount represents the migration of construction loans to commercial real estate loans once construction is completed. In normal market conditions, the Corporation generally limited the amount of post construction financing (permanent financing) it provided to those loans with interest rates and terms that conform to the Corporation's interest rate risk profile or loans where a significant long-term customer relationship existed. In many cases, the interest rate and term that customers wanted for permanent financing was readily available and provided by institutional investors in normal market conditions. The current lack of market liquidity has resulted in customers not being able to secure financing elsewhere irrespective of their ability to service the debt. As a result, the Corporation has provided interim loans that are intended to provide temporary financing until such time as the liquidity in the commercial real estate lending markets returns to normal conditions. The interim loans may be interest only or structured to ensure a significant amount of the income generated from the commercial real estate project is used to pay interest at market rates and reduce outstanding principal. At the present time, management does not believe that these interim loans have resulted in increased incremental credit risk compared to other commercial real estate loans or have resulted in a significant increase in concentration risk that requires special consideration in determining the adequacy of the allowance for loan and lease losses.

At December 31, 2010, commercial real estate loans consisted of business real estate loans of $8,337.0 million, multi-family properties and business purpose loans secured by 1-4 family residences of $3,326.3 million and farmland loans of $738.0 million. At December 31, 2010, nonperforming business real estate loans amounted to $345.4 million or 4.14% of total business real estate loans, nonperforming multi-family properties and business purpose loans secured by 1-4 family residences amounted to $207.5 million or 6.24% of total multi-family properties and business purpose loans secured by 1-4 family residences and nonperforming farmland loans amounted to $19.9 million or 2.71% of total farmland loans.

At December 31, 2010, approximately 40% of the business real estate loans were owner-occupied. Owner-occupied real estate loans are generally expected to have lower levels of default risk.

Nonperforming commercial real estate loans amounted to $572.8 million at December 31, 2010 compared to $584.9 million at December 31, 2009, a decrease of $12.1 million or 2.1%. Included in the category of nonperforming commercial real estate loans are nonperforming business real estate, multifamily and farmland loans. Nonperforming business real estate loans decreased $64.8 million or 15.8% at December 31, 2010 compared to December 31, 2009. The decrease in the nonperforming hospitality/lodging loans discussed below was approximately $159.1 million at December 31, 2010 compared to December 31, 2009. Nonperforming multifamily loans increased $48.0 million or 30.1% at December 31, 2010 compared to December 31, 2009. Business and multifamily real estate loans outside the Corporation's primary markets continued to exhibit stress. Nonperforming farmland loans increased $4.7 million at

December 31, 2010 compared to December 31, 2009.

Included in commercial real estate net charge-offs for the year ended December 31, 2010 was the impact of bringing one credit relationship toward a final resolution. That credit relationship consisted of multiple geographically dispersed commercial real estate loans related to the hospitality/lodging industry. In conjunction with the actions taken towards that resolution, two commercial real estate loans aggregating $83.2 million were transferred from accruing renegotiated loans to nonperforming loans and $209.4 million was charged-off across all of the related commercial real estate loans based on a sale disposition strategy. Management does not believe this credit event is indicative of a trend because the Corporation has no other outstanding credit exposure of a size and characteristic that resembles this one credit relationship.

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Net charge-offs for commercial real estate loans represented 31.2% of total net charge-offs in 2010. Excluding the hospitality/lodging loan charge-offs, net charge-offs for commercial real estate loans amounted to $368.8 million for the year ended December 31, 2010 compared to $237.2 million for the year ended December 31, 2009, an increase of $131.6 million or 55.4%. Approximately $85.5 million of that increase related to loans for commercial and industrial developments and $52.1 million of that increase related to loans for residential real estate developments such as multi-family and residential condominium developments. Within loans for commercial and industrial developments, net charge-offs associated with loans for retail trade, offices and recreation exhibited the largest increase in net charge-offs in 2010 compared to 2009. Like other bank holding companies, this portfolio experienced increased stress across all of the Corporation's markets in 2010.

The ratio of nonaccrual commercial real estate loans to total commercial real estate loans at December 31, 2010 was 4.62%, compared to 4.29% at December 31, 2009. The ratio of nonaccrual commercial real estate loans to total commercial real estate loans in Arizona and Florida at December 31, 2010 was 4.93% and 8.30%, respectively. Nonaccrual commercial real estate loans in Arizona and Florida amounted to $117.1 million or 20.4% of total nonaccrual commercial real estate loans at December 31, 2010. Nonaccrual commercial real estate loans in Wisconsin amounted to $137.1 million or 23.9% of total nonaccrual commercial real estate loans at December 31, 2010. The ratio of nonaccrual commercial real estate loans to total commercial real estate loans in Wisconsin at December 31, 2010 was 2.45%.

The average annualized net charge-offs for commercial real estate loans over the past nine quarters based on end of period loans were 3.0%. Excluding the hospitality/lodging loan charge-offs, the average annualized net charge-offs for commercial real estate loans over the past nine quarters based on end of period loans was 2.3%. Excluding the hospitality/lodging loan charge-offs, the average annualized net charge-offs for commercial real estate loans based on end of period loans was 2.8% in 2010 compared to 1.7% in 2009.

Residential Real Estate Loans

	Residential Real Estate ($ in millions)			
	December 31, 2010	% of Consolidated Total	December 31, 2009	% of Consolidated Total
Loans	$ 4,341.3	11.7 %	$ 4,968.9	11.2 %
Nonaccrual Loans	273.8	17.5	206.1	10.1
Accruing Renegotiated Loans	263.8	48.1	397.0	50.0
Loans Past Due 30-89 Days	170.1	31.5	193.2	27.3
Year-to-Date Net Charge-Offs	167.8	9.1	354.8	17.4

Consistent with long standing practices, 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 below market or so-called teaser interest rates at closing and then increase after some contractual period of time.

Residential real estate loans are concentrated in Arizona (37%) and Wisconsin (35%).

Throughout 2009 and 2010, the Corporation sold over 93% of its residential real estate production to the secondary market without servicing responsibilities. At December 31, 2010, the residential real estate portfolio consisted of approximately 17% of residential real estate loans that were originated in 2004 or before, 33% that were originated in 2008 or later and 50% that were originated in 2005 through 2007. Loans originated in 2005 through 2007 have higher potential loss severity in the event of default because the collateral values underlying these loans experienced the greatest depreciation in value.

The Corporation processes a relatively low volume of residential mortgage foreclosures and many of the relevant processes are manual in nature and, as a result, the Corporation believes it does not have any significant issues relating to "robo signing" or documents not being reviewed prior to legal action. At December 31, 2010, residential real estate loans held for investment and in the process of foreclosure amounted to $167.8 million. The portfolio of residential mortgage loans serviced for others was $351.4 million, of which $3.4 million was in the process of foreclosure at December 31, 2010.

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Residential real estate loans in Arizona have elevated levels of risk. At December 31, 2010, Arizona residential real estate loans amounted to $1,594.2 million. At December 31, 2010, nonperforming residential real estate loans in Arizona amounted to $169.4 million or 10.63% of total Arizona residential real estate loans. Nonperforming residential real estate loans in Arizona represented 61.9% of total nonperforming residential real estate loans at December 31, 2010.

The ratio of nonaccrual residential real estate loans to total residential real estate loans was 6.31% at December 31, 2010 compared to 4.15% at December 31, 2009. In Wisconsin, the ratio of nonaccrual residential real estate loans to total residential real estate loans at December 31, 2010 was 2.73%.

At December 31, 2010, approximately $206.3 million or 78.2% of accruing renegotiated residential real estate loans were in Arizona. The total estimated cumulative default and re-default rate as of December 31, 2010 for renegotiated residential real estate loans that were restructured between June 2008 and December 2009 was approximately 28.5%.

The average annualized net charge-offs for residential real estate loans over the past nine quarters based on end of period loans was 4.7%. Excluding the net charge-offs for the bulk loan sales completed in 2009, the average annualized net charge-offs for residential real estate loans over the past nine quarters based on end of period loans was 3.2% and the average annualized net charge-offs for residential real estate loans based on end of period loans was 3.7% in 2010 compared to 3.2% in 2009.

Construction and Development Loans

	Construction and Development ($ in millions)			
	December 31, 2010	% of Consolidated Total	December 31, 2009	% of Consolidated Total
Loans	$ 3,201.7	8.7 %	$ 5,538.9	12.5 %
Nonaccrual Loans	435.9	27.8	807.4	39.5
Accruing Renegotiated Loans	107.0	19.5	147.9	18.6
Loans Past Due 30-89 Days	120.0	22.1	228.1	32.2
Year-to-Date Net Charge-Offs	623.5	33.6	853.5	41.9

Construction and development loans consist of commercial construction, commercial land, construction by developers, residential land and construction by individuals.

The cumulative net charge-offs for construction and development loans was 42.4% of total loan and lease cumulative net charge-offs for the nine quarters ended December 31, 2010. The average annualized net charge-offs for construction and development loans over the past nine quarters based on end of period loans was 14.9%. Those losses were predominantly associated with construction and development loans located 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 reduce the construction

and development portfolio. Given market conditions, construction and development loans are expected to continue to contract. Construction and development loans were 8.7% of total consolidated loans and leases at December 31, 2010.

The Corporation has also significantly reduced the amount of nonperforming construction and development loans. Since June 30, 2009, nonperforming construction and development loans have decreased at each consecutive quarter-end through December 31, 2010. At June 30, 2009, nonperforming construction and development loans amounted to $1,043.4 million or 15.28% of outstanding construction and development loans compared to nonperforming construction and development loans of $435.9 million or 13.61% of outstanding construction and development loans at December 31, 2010, a decrease of $607.5 million or 58.2%. The decrease in nonperforming construction and development loans was primarily due to reduced levels of new nonperforming loans, restructurings, 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.

Construction and development loans in Florida and Arizona amounted to $1,182.7 million or 36.9% of total construction and development loans at December 31, 2010 compared to $2,019.5 million or 36.5% of total construction

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and development loans at December 31, 2009, a decrease of $836.8 million or 41.4%. At December 31, 2010, nonperforming construction and development loans in Florida and Arizona amounted to $173.4 million or 14.66% of total construction and development loans in Florida and Arizona compared to nonperforming construction and development loans of $406.2 million or 20.12% of total construction and development loans in Florida and Arizona at December 31, 2009, a decrease of $232.8 million or 57.3%. Nonperforming construction and development loans in Florida and Arizona represented 39.8% of total nonperforming construction and development loans at December 31, 2010 and 50.3% of total nonperforming construction and development loans at December 31, 2009. Accruing renegotiated construction and development loans in Florida and Arizona amounted to $80.2 million or 75.0% of total accruing renegotiated construction and development loans at December 31, 2010 compared to $139.4 million or 94.2% of total accruing renegotiated construction and development loans at December 31, 2009, a decrease of $59.2 million or 42.5%.

Residential land loans have higher potential loss severity in the event of default because the collateral values underlying these loans have experienced the largest relative decline in value, especially in Arizona. At December 31, 2010, residential land loans amounted to $1,073.4 million or 33.5% of total construction and development loans compared to $1,574.3 million or 28.4% of total construction and development loans at December 31, 2009, a decrease of $500.9 million or 31.8%. Residential land loans in Arizona were 52.9% of total residential land loans at December 31, 2010 and 55.3% of total residential land loans at December 31, 2009. At December 31, 2010, nonperforming residential land loans amounted to $127.7 million or 11.90% of total residential land loans compared to nonperforming residential land loans of $273.4 million or 17.37% of total residential land loans at December 31, 2009, a decrease of $145.7 million or 53.3%. Nonperforming residential land loans in Arizona were 37.2% of total nonperforming residential land loans at December 31, 2010 and 44.0% of total nonperforming residential land loans at December 31, 2009. Nonperforming residential land loans were 29.3% of total nonperforming construction and development loans at December 31, 2010 and 33.9% of total nonperforming construction and development loans at December 31, 2009.

Consumer Loans and Leases

	Consumer ($ in millions)			
	December 31, 2010	% of Consolidated Total	December 31, 2009	% of Consolidated Total
Loans and Leases	$ 5,431.7	14.7 %	$ 7,114.0	16.1 %
Nonaccrual Loans and Leases	94.9	6.1	95.9	4.6
Accruing Renegotiated Loans	52.1	9.5	111.4	14.1
Loans and Leases Past Due 30-89 Days	89.7	16.7	95.3	13.5
Year-to-Date Net Charge-Offs	171.6	9.3	171.8	8.4

The majority of consumer loans and leases are home equity loans and lines of credit which amounted to $4,212.8 million at December 31, 2010. At December 31, 2010, home equity lines of credit represented 59% and home equity

loans represented 41% of total home equity loans and lines of credit. Approximately 45% of home equity loans and lines of credit are secured by first mortgages. At December 31, 2010, home equity lines of credit outstanding (amount drawn) represented approximately 61% of the total lines of credit outstanding. During 2005 and 2006, when real estate market values were at a peak, the majority of the Corporation's wholesale home equity 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 over the past nine quarters based on end of period loans were 2.5%. The average annualized net charge-offs for home equity loans and lines of credit for the years ended December 31, 2010 and 2009, based on end of period loans were 2.9% and 2.4%, respectively.

Credit card loans amounted to $289.6 million or 0.8% of total loans and leases at December 31, 2010. Credit cards are not a significant component of the Corporation's loan and lease portfolio.

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Other Income

2010 Compared to 2009

Total other income amounted to $875.0 million in 2010 compared to $903.0 million in 2009, a decrease of $28.0 million or 3.1%.

Total other income for the year ended December 31, 2010 includes net investment securities gains, gain on debt terminations, gain on sale of merchant portfolio processing and write-downs associated with loans held for sale (other than mortgage loans originated for sale). For the year ended December 31, 2010, these items amounted to $151.6 million. 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 held for sale (other than mortgage loans originated for sale). Excluding these items, total other income was $723.4 million and $722.7 million for the years ended December 31, 2010 and 2009, respectively.

Wealth management revenue was $280.4 million in 2010 compared to $265.1 million in 2009, an increase of $15.3 million or 5.7%. Wealth management revenue is affected by market volatility and direction. Assets under management ("AUM") were $33.6 billion at December 31, 2010 compared to $32.9 billion at December 31, 2009, an increase of $0.7 billion or 2.1%, which reflects the effect of market volatility despite continued expansion of the customer base. Assets under administration ("AUA") increased by $11.9 billion or 9.7% and amounted to $134.2 billion at December 31, 2010 compared to $122.3 billion at December 31, 2009. Favorable asset management performance resulted in new customer relationships and increased sales and has positively impacted opportunities for new customers. Revenue growth was experienced in both personal and institutional trust services.

Service charges on deposits amounted to $127.5 million in 2010 compared to $136.6 million in 2009, a decrease of $9.1 million or 6.6%. A portion of this source of fee income is sensitive to interest rates. Competitive pricing in the form of earnings credits was used to encourage customers to maintain higher deposit balances resulting in lower fee income. In addition and as expected, a portion of the decline in service charge revenue for the year ended December 31, 2010 compared to the year ended December 31, 2009 is attributable to the decline in overdraft fee revenue due to recent changes in banking regulations. Overdraft revenue is not a significant source of revenue to the Corporation. However, the Corporation has introduced new products targeted to those customers that have historically generated overdrafts and has had success in recovering a portion of this expected lost revenue.

Total mortgage banking revenue was $37.6 million in 2010 compared with $48.3 million in 2009, a decrease of $10.7 million or 22.2%. Reduced sales volume resulted in lower fee income from mortgage banking. Throughout 2010 and 2009, the Corporation sold substantially all of its residential real estate production to the secondary market. Residential mortgage loans sold in the secondary market amounted to $2.1 billion and $3.1 billion in 2010 and 2009, respectively. The retained interests in the form of mortgage servicing rights in 2010 and 2009 were not material and at December 31, 2010, the carrying value of mortgage servicing rights was insignificant.

Net investment securities gains amounted to $99.8 million in 2010 compared to $121.8 million in 2009. During 2010, the Corporation realized a gain of $82.8 million from the sale of approximately $2.2 billion in aggregate principal amount of United States government agency investment securities. In addition, the Corporation realized gains of $18.0 million on private equity investments. Approximately $8.6 million of gains on private equity investments was related to the sale of one investment. 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.

BOLI revenue amounted to $46.6 million in 2010 compared to $39.0 million in 2009, an increase of $7.6 million or 19.4%. The recovery in the value of the underlying invested assets throughout 2009 and 2010 resulted in improved crediting rates in the year ended December 31, 2010 compared to the year ended December 31, 2009.

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. At December 31, 2010, the cash surrender value protection had not been exceeded for any BOLI policies.

Throughout 2010 and 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 privately negotiated transactions in 2010 and 2009. In addition, a $400 million public tender offer for M&I Bank's senior and subordinated bank notes was completed in 2009. During

2010, the Corporation re-acquired and extinguished $223.3 million of debt at a gain of $19.7 million. During 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt at a gain of $99.4 million.

During 2010, the Corporation sold its merchant portfolio processing at a gain of $48.3 million. Like other bank holding companies, the Corporation determined that processing, clearing, settlement and related services with respect to credit card and debit card transactions with merchants was not a significant source of revenue or part of the Corporation's core operating activities.

Other noninterest income amounted to $215.1 million in 2010 compared to $192.8 million in 2009, an increase of $22.3 million or 11.6%. Write-downs associated with loans held 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 $16.8 million for the year ended December 31, 2010 and $40.9 million for the year ended December 31, 2009. Excluding the write-downs, other income in 2010 amounted to $231.9 million compared to $233.7 million in 2009, a decrease of $1.8 million. The decline in other income over the comparative twelve month periods, excluding the write-downs, was primarily due to lower earnings on the Corporation's deferred compensation trust accounts that primarily consist of fixed income investments which were partially offset by the gain from the sale of auto loans in 2010.

2009 Compared to 2008

Total other income amounted to $903.0 million in 2009 compared to $740.4 million in 2008, an increase of $162.6 million or 22.0%. 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 held 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%. 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 acquisitions amounted to approximately $11.2 million in 2009. AUM was $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%. 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.

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.

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.

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

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$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 Bank. Small blocks of various bank notes were acquired in individual transactions in 2008 and 2009. In addition, a $400 million public tender offer 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.

Other noninterest income amounted to $192.8 million in 2009 compared to $218.2 million in 2008, a decrease of $25.4 million or 11.6%. Write-downs associated with loans held for sale (other than mortgage loans originated for sale) are reported as a reduction in the Other line of Other Income in the Consolidated Statements of Income and amounted to $40.9 million for the year ended December 31, 2009. There were no write-downs associated with loans held for sale in 2008.

Other Expense

Total other expense in 2010, 2009 and 2008 amounted to $1,572.8 million, $1,565.2 million and $2,985.6 million, respectively.

Total other expense included elevated levels of credit and collection-related expenses and elevated levels of expenses associated with the acquisition, valuation and holding of OREO properties, which are referred to collectively as "credit and collection expense".

Total other expense included FDIC insurance premiums for insurance on deposits including the cost of participating in the TAGP. Total other expense in 2009 included the FDIC special assessment related to insurance on deposits in addition to increased expense related to regular insurance premiums for insurance on deposits.

Total other expense included non-cash charges to write-off the unamortized issuance costs attributable to redeemed brokered CDs.

Total other expense included legal and advisor fees incurred in 2010 associated with the definitive merger agreement between the Corporation and BMO entered into on December 17, 2010.

The results of goodwill impairment testing at the end of the fourth quarter of 2008 resulted in a non-cash charge to pre-tax earnings for goodwill impairment. Tier 1 and Total regulatory capital ratios were unaffected by this adjustment.

The following table summarizes these components of Other Expense ($ in millions):

	Years Ended December 31,		
	2010	2009	2008
Credit and Collection Expenses	$ 160.7	$ 215.8	$ 104.5

FDIC Insurance	99.4	107.9	17.3
Loss on Brokered CDs	47.1	9.2	1.8
Legal and Advisor Fees	5.8	—	—
Goodwill Impairment	—	—	1,535.1
All Other	1,259.8	1,232.3	1,326.9
Total Other Expense	$ 1,572.8	$ 1,565.2	$ 2,985.6

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The efficiency ratio is a non-GAAP statistical measure that is used to evaluate comparative expense control across the financial services industry. The efficiency ratio is calculated by dividing total other expense by the sum of total other income (excluding investment securities gains and losses) and net interest income FTE. The Corporation's efficiency ratios for the years ended December 31, 2010, 2009 and 2008 were:

Efficiency Ratio ($ in millions)

	Years Ended December 31,		
	2010	2009	2008
Total Other Expense	$ 1,572.8	$ 1,565.2	$ 2,985.6
Net Income Attributable to Noncontrolling Interests	1.5	1.6	0.8
Total Expense for Efficiency Ratio	$ 1,574.3	$ 1,566.8	$ 2,986.4
Net Interest Income	$ 1,557.3	$ 1,582.6	$ 1,780.7
FTE Adjustment	22.1	25.4	27.9
Total Other Income	875.0	903.0	740.4
Less: Net Investment Securities Gains	(99.8)	(121.8)	(17.2)
Total Other Income and Net Interest Income FTE	$ 2,354.6	$ 2,389.2	$ 2,531.8
Efficiency Ratio	66.9 %	65.6 %	118.0 %

The Corporation estimates that the operating expenses associated with collection efforts and carrying nonperforming assets, net of OREO income, increased the Corporation's 2010 efficiency ratio statistic by approximately 7.0%. By comparison, 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 9.2% and increased the Corporation's 2008 efficiency ratio statistic by approximately 4.1%.

The Corporation's 2010 efficiency ratio was also adversely affected by the write-downs associated with loans held for sale (other than mortgage loans originated for sale), the loss on brokered CDs, severance and the BMO transaction fees. Conversely, the Corporation's 2010 efficiency ratio statistic was positively impacted by the gain on debt terminations and sale of merchant portfolio processing. The estimated adverse net impact of these items on the Corporation's efficiency ratio in 2010 was approximately 1.0%.

The Corporation's 2009 efficiency ratio statistic was also adversely impacted by elevated levels of provisions for loss exposures associated with unfunded loan commitments, write-downs associated with loans held 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 0.6%.

The Corporation's 2008 efficiency ratio statistic was also 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 63.3%.

2010 Compared to 2009

Total other expense in 2010 amounted to $1,572.8 million compared to $1,565.2 million in 2009, an increase of $7.6 million or 0.5%.

For the year ended December 31, 2010, credit and collection expenses associated with the acquisition, valuation and holding of OREO properties amounted to $160.7 million compared to $215.8 million for the year ended December 31, 2009, a decrease of $55.1 million or 25.5%. At December 31, 2010, the carrying value of OREO properties amounted to $339.5 million compared to $430.8 million at December 31, 2009.

FDIC insurance premiums for insurance on deposits including the cost of participating in the TAGP amounted to $99.4 million in 2010 compared to $107.9 million in 2009, a decrease of $8.5 million or 7.9%. Total FDIC

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insurance expense in 2009 included the FDIC special assessment of $29.3 million related to insurance on deposits in addition to increased expense related to regular insurance premiums for insurance on deposits.

Non-cash charges to write-off the unamortized issuance costs attributable to redeemed brokered CDs, which is reported as Loss on Brokered CDs in the Consolidated Statements of Income, amounted to $47.1 million in 2010 compared to $9.2 million in 2009, an increase of $37.9 million. In conjunction with its activities to re-align the Corporation's funding profile, the Corporation has selectively exercised its call option associated with brokered CDs to redeem those CDs at par. During 2010, the Corporation redeemed $3,998.6 million of brokered CDs.

Total other expense in 2010 included $5.8 million in legal and advisor fees associated with the definitive merger agreement between the Corporation and BMO entered into on December 17, 2010.

The Corporation's expense in 2010 compared to 2009, excluding the items discussed above, increased $27.5 million or 2.2%.

Salaries and employee benefits expense amounted to $713.7 million in 2010 compared to $690.8 million in 2009, an increase of $22.9 million or 3.3%. Salaries and employee benefits expense associated with credit and collection efforts increased $3.2 million.

Net occupancy and equipment expense amounted to $133.6 million in 2010 compared to $135.7 million in 2009, a decrease of $2.1 million or 1.6%. The decrease reflects the effect of curtailing de novo branch expansion activity in 2010.

Software, processing, supplies, printing, postage and delivery expenses amounted to $192.5 million in 2010 compared to $196.2 million in 2009, a decrease of $3.7 million or 1.9%.

Professional services fees amounted to $116.4 million in 2010 compared to $91.4 million in 2009, an increase of $25.0 million or 27.4%. Legal fees and other professional fees associated with problem loans amounted to $23.5 million in 2010 compared to $29.5 million in 2009, a decrease of $6.0 million. The decline in legal fees and other professional fees associated with problem loans in 2010 compared to 2009 was offset by increased consulting fees associated with numerous items, including updating certain internal systems and processes, strategic consulting and the legal and advisor fees associated with the BMO transaction incurred in 2010.

Amortization of intangibles amounted to $20.2 million in 2010 compared to $23.4 million in 2009. Amortization of intangibles decreased $3.2 million in 2010 compared to 2009. 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 impairment as of June 30th. Based on the results of the 2010 test, the Corporation determined that the recorded goodwill was not impaired as of June 30, 2010. See Note 13 in Notes to Consolidated Financial Statements and the fair value discussion in Critical Accounting Policies included in Management's Discussion and Analysis of Financial Condition and Results of Operations for more information regarding the goodwill impairment test.

Net OREO expenses amounted to $116.7 million in 2010 compared to $169.0 million in 2009, a decrease of $52.3 million. The costs of acquiring and holding the elevated levels of foreclosed properties increased $6.9 million or 14.6% in 2010 compared to 2009. The increased costs of acquiring and holding the elevated levels of foreclosed properties were more than offset by lower valuation write-downs and the impact of realizing net gains on the disposition of OREO in 2010 compared to incurring net losses on the disposition of OREO in 2009. Valuation write-downs decreased $26.6 million in 2010 compared to 2009. For the year ended December 31, 2010, net gains

from the sale of OREO amounted to $19.9 million. For the year ended December 31, 2009, net losses from the sale of OREO amounted to $12.7 million. The Corporation expects that elevated levels of expenses associated with acquiring and holding foreclosed properties will continue. Valuation write-downs and net gains or losses on the disposition of OREO will depend on real estate market conditions.

Other noninterest expense amounted to $133.3 million in 2010 compared to $141.6 million in 2009, a decrease of $8.3 million or 5.9%. The decline in other noninterest expense in 2010 compared to 2009 was primarily due to reduced provision for losses for unfunded commitments and other off-balance sheet exposures such as letters of credit. The reduced provision for losses for unfunded commitments and other off-balance sheet exposures primarily reflects the lower amount of unfunded commitments outstanding.

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2009 Compared to 2008

Total other expense in 2009 amounted to $1,565.2 million compared to $2,985.6 million in 2008, a decrease of $1,420.4 million or 47.6%.

For the year ended December 31, 2009, credit and collection expenses associated with the acquisition, valuation and holding of OREO properties amounted to $215.8 million compared to $104.5 million for the year ended December 31, 2008, an increase of $111.3 million. At December 31, 2009, the carrying value of OREO properties amounted to $430.8 million compared to $320.9 million at December 31, 2008.

FDIC insurance premiums for the year ended December 31, 2009 amounted to $107.9 million compared to $17.3 million in 2008, an increase of $90.6 million. Total FDIC insurance expense in 2009 included the FDIC special assessment of $29.3 million related to insurance on deposits in addition to increased expense related to regular insurance premiums for insurance on deposits.

Non-cash charges to write-off the unamortized issuance costs attributable to redeemed brokered CDs amounted to $9.2 million in 2009 compared to $1.8 million in 2008, an increase of $7.4 million.

As previously discussed, during 2008 the Corporation recorded 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 Corporation's expense in 2009 compared to 2008, excluding the items discussed above, decreased $94.6 million or 7.1%.

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%.

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.

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 Commercial Banking segment recorded goodwill impairment of $925.6 million and the Community Banking segment recorded goodwill impairment of $609.5 million.

Net OREO expenses amounted to $169.0 million in 2009 compared to $75.5 million in 2008, an increase of $93.5 million. Approximately $70.1 million of the increase from 2008 to 2009 was due to valuation write-downs and net 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.

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Other noninterest expense amounted to $141.6 million in 2009 compared to $210.6 million in 2008, a decrease of $69.0 million or 32.8%. 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 incurred in 2008 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.

Income Tax Provision

The benefit for income taxes amounted to $385.1 million or 42.8% of the pre-tax loss for the year ended December 31, 2010. 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. For the year ended December 31, 2008, the benefit for income taxes amounted to $459.5 million or 18.4% of the pre-tax loss.

The Health Care Acts signed in to law during March 2010 effectively changed the income tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide qualifying prescription drug benefits. Under the Health Care Acts, beginning in 2013 the Corporation's income tax deduction for the costs of providing Medicare Part D-equivalent prescription drug benefits to retirees will be reduced by the amount of the subsidy. As a result, the Corporation recognized a non-cash charge of $4.1 million in 2010 for the write-off of deferred tax assets to reflect the change in tax treatment of the federal subsidy. That tax expense was offset by additional tax benefits of $15.0 million which included the closing of audits for certain open years by the Internal Revenue Service ("IRS").

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 reflected, 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 IRS'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 during 2008.

Liquidity and Capital Resources

Total consolidated equity was $6.3 billion or 12.5% of total consolidated assets at December 31, 2010, compared to $7.0 billion or 12.2% of total consolidated assets at December 31, 2009.

Total equity at December 31, 2010 and December 31, 2009 was affected by the following transactions:

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 during the second quarter of 2009 resulting in proceeds of $4.5 million, net of fees and commissions and offering expenses.

During 2010, the Corporation paid cash dividends of $21.0 million or $0.04 per share of on its common stock. Currently, the Corporation is required to obtain the prior approval of the Federal Reserve Bank of Chicago (the

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"Federal Reserve") and the Wisconsin Department of Financial Institutions (the "DFI") to pay a cash dividend on its common stock.

During 2010, the Corporation issued 950,237 shares of its common stock for $5.9 million to fund its obligation under its employee stock purchase plan (the "ESPP"). For the year ended December 31, 2009, the Corporation issued 1,409,358 shares of its common stock for $6.9 million to fund its obligation under the ESPP.

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, 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.

Under the terms of the Securities Purchase Agreement, 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. 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 no longer subject to any contractual restrictions on transfer. 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, 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) of the Emergency Economic Stabilization Act 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 $101.1 million for the year ended December 31, 2010. On November 15, 2010, the Corporation paid the quarterly preferred dividend covering the period from August 15, 2010 through November 15, 2010 in the amount of $21.4 million. Preferred dividends paid on the Senior Preferred Stock amounted to $85.8 million for the year ended December 31, 2010.

On December 17, 2010, the Corporation and BMO announced that they have entered into a definitive merger agreement under which BMO will acquire all outstanding shares of common stock of the Corporation in a stock-for-stock transaction. As part of the agreement, BMO has agreed to purchase the Senior Preferred Stock at par plus accrued interest - with full repayment to the UST immediately prior to closing. The Corporation's existing warrants held by the UST will also be purchased by BMO.

At December 31, 2010, the net loss in accumulated other comprehensive income amounted to $106.8 million which represents a negative change in accumulated other comprehensive income of $55.5 million since December 31, 2009. Net accumulated other comprehensive income associated with available for sale investment securities was a net loss of $66.2 million at December 31, 2010, compared to a net loss of $13.0 million at December 31, 2009, resulting in a net loss of $53.2 million over the twelve month period. The net unrealized loss associated with the change in fair value of the Corporation's derivative financial instruments designated as cash flow hedges decreased $2.4 million since December 31, 2009, and amounted to $41.7 million at December 31, 2010, compared to a net loss of $44.1 million at December 31, 2009. 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 $1.0 million as of December 31, 2010.

At December 31, 2010, the Corporation's Tier 1 regulatory capital ratio was 11.14% or $2.0 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, 2010 includes the impact of the two underwritten public offerings of its common stock completed in 2009, plus the at-the-market offering 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.

Cash and short-term investments held at the Federal Reserve amounted to $2.3 billion at December 31, 2010. At the present time, these balances 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 $6.5 billion at December 31, 2010, represent a highly accessible source of liquidity. The Corporation's portfolio of held-to-maturity investment securities provides liquidity from maturities.

Depositors within the Corporation's defined markets are another source of liquidity. Core deposits (demand, savings, NOW, money market and consumer time deposits) averaged $28.6 billion in 2010. These core deposits represented 71.2% of total consolidated average deposits for the year ended December 31, 2010. As previously discussed, the Corporation elected to opt out of the TAGP program extension effective as of July 1, 2010. As anticipated, certain NOW deposits and certain noninterest bearing deposits migrated to other deposit accounts, investment products or into products offered by other entities.

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The Corporation has historically used brokered deposits to supplement deposit funding generated through the Corporation's banking branch network due to pricing advantages. As a result of unstable market conditions in the capital markets during 2008 and 2009, the Corporation increased its use of brokered deposits primarily because the cost of brokered deposits was below the cost of issuing debt, especially new long-term borrowings. Brokered and institutional certificates of deposit represented 52.4% of total average wholesale deposit balances in 2010. The weighted average remaining term of outstanding brokered and institutional certificates of deposit at December 31, 2010 was 9.8 years. These long-term deposits have improved the Corporation's structural liquidity.

In conjunction with its activities to re-align the Corporation's funding profile, the Corporation has selectively exercised its call option associated with brokered certificates of deposit and redeemed those brokered certificates of deposit at par. During 2010, the Corporation redeemed $4.0 billion of brokered CDs.

The Corporation's banking affiliates may also access the federal funds markets or utilize collateralized borrowings such as treasury demand notes, FHLB advances or other forms of collateralized borrowings.

As a result of asset contraction, core deposit growth and management's decision to maintain higher levels of liquid assets, the Corporation has also reduced its use of short-term borrowings. In addition to a source of funding, short-term borrowings may be used to accommodate correspondent bank customers' needs and to manage its interest rate risk. The Corporation does not net short-term positions for reporting purposes or account for any security repurchase agreements as sales.

During 2010, short-term borrowings have mainly consisted of federal funds purchased and security repurchase agreements except for a $510.0 million of short-term FHLB advances that matured in February 2010. At December 31, 2010, total short-term borrowings amounted to $227.8 million. The largest amount of total short-term borrowings outstanding at any month-end during 2010 was $1,034.2 million at January 31, 2010, which included the $510.0 million of short-term FHLB advances previously discussed. Total average short-term borrowings were $751.6 million for the year ended December 31, 2010.

Information related to Federal funds purchased and security repurchase agreements for the last three years is as follows:

	2010	2009	2008
Amount outstanding at year end	$ 211,823	$ 520,905	$ 1,190,000
Average amount outstanding during the year	644,416	1,332,932	2,929,677
Maximum outstanding at any month's end	868,097	2,513,038	3,978,229
Weighted average interest rate at year end	0.19 %	0.23 %	0.25 %
Weighted average interest rate during the year (a)	0.23	0.26	2.09

(a) Excludes impact of interest rate swaps.

The national capital markets represent a further source of liquidity to the Corporation.

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, regulatory requirements and other factors the Corporation deems relevant.

For the year ended December 31, 2010, the Corporation re-acquired and extinguished $223.3 million of debt at a gain. The debt consisted of small blocks of various senior and subordinated bank notes issued by M&I Bank. For the year ended December 31, 2009, the Corporation re-acquired and extinguished $1,285.7 million of debt at a gain. The debt consisted of small blocks of various bank notes issued by the Corporation and M&I Bank and included the $400 million debt tender offer.

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. The market impact of the recession and deterioration in the national real estate markets have resulted in a strain on liquidity in the financial services sector. However, the common stock issued in financing transactions in 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. 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.

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, 2010, approximately $11.4 billion of new debt could be issued under M&I Bank's global bank note program.

Total bank notes outstanding at December 31, 2010 amounted to $2.1 billion, of which $1.4 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, 2010, approximately 1.14 million shares of the Corporation's common stock could be issued under the shelf registration statement for future acquisitions.

On October 13, 2010, the Corporation filed a shelf registration statement for the sale of an unspecified number of the Corporation's securities by the Corporation or by selling security holders from time to time. The registration statement covers the sale of senior and subordinated debt securities, common and preferred stock, depositary shares, stock purchase contracts, units, and warrants. The registration statement was filed to replace the Corporation's existing shelf registration statement, which expired on November 6, 2010.

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Contractual Obligations

The following table summarizes the Corporation's more significant contractual obligations at December 31, 2010. 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)	$9,360.3	$3,511.8	$3,274.8	$937.1	$1,636.6
Short-term Debt Obligations	(2)	227.8	227.8	—	—	—
Long-term Debt Obligations	(3)	5,525.0	1,409.3	2,140.0	520.4	1,455.3
Minimum Operating Lease Obligations		190.3	29.1	51.0	41.3	68.9
Obligations to Purchase Foreign Currencies	(4)	297.2	297.2	—	—	—
Purchase Obligations – Facilities (Additions, Repairs and Maintenance)		1.8	1.4	0.4	—	—
Purchase Obligations – Technology		391.6	116.2	218.7	56.0	0.7
Purchase Obligations – Other		5.3	4.2	1.1	—	—
Other Obligations:						
Unfunded Investment Obligations	(5)	22.0	18.1	2.5	1.4	—
Defined Contribution Benefit Obligations	(6)	39.3	39.3	—	—	—
Health and Welfare Benefits	(7)	—	—	—	—	—
Total		$16,060.6	$5,654.4	$5,688.5	$1,556.2	$3,161.5

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-earning 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-earning assets, an estimate of interest charges is included in the amounts reported.

As of December 31, 2010, 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 Obligations table. See Note 18 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 15 in Notes to Consolidated Financial Statements for a description of the Corporation's short-term borrowings.

(3) See Note 16 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, 2010. 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.

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(4) See Note 22 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 $52.3 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 20 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, 2010.

(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.

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 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 4 – Fair Value Measurements and Note 24 – 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. The Corporation discontinued the sale and securitization 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 16 – 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. and Excel Bank Corporation, 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, 2010, 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, 2010, 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.

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 a 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 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 is described in Note 9 – Allowance for Loan and Lease Losses in Notes to Consolidated Financial Statements. Credit quality trends that affected the allowance for loan and lease losses are

discussed in Summary of Loan and Lease Loss Experience and Credit Quality.

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.

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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, such as the timing of reversals of temporary differences and current accounting standards.

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. At December 31, 2010, the Corporation does not expect its unrecognized tax benefits will significantly increase or decreased within the next 12 months.

At December 31, 2010, the Corporation reported a net deferred tax asset of approximately $1.5 billion. On an ongoing basis, management evaluates the deferred tax asset 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 asset at December 31, 2010. The Corporation is in a 3-year cumulative loss position as of December 31, 2010. The cumulative losses were attributable to the significantly higher amount of credit losses associated with real estate loans and the goodwill impairment charge recorded in 2008. This was considered as a significant piece of negative evidence.

The positive evidence the Corporation considered consisted of the following: Despite the credit related losses, the Corporation's pre-tax, pre-provision income has remained stable and provides the base of income that will allow the Corporation to utilize its net operating losses as the economy improves.

Pre-tax, pre-provision income is non-GAAP measure that the Corporation believes is useful in analyzing underlying performance trends. This is the level of earnings adjusted to exclude the impact of the provision for loan and lease losses, which is excluded because its absolute level is elevated and volatile. This financial measure is considered to be an important metric with which to supplement the analysis and evaluation of the Corporation's results of operations and financial strength.

The following table reflects pre-tax, pre-provision, pre-goodwill impairment income for each of the past three years ended December 31, 2010:

Years Ended December 31, ($ in millions)		
2010	2009	2008
$ (899.5)	$ (1,394.3)	$ (2,502.1)

Loss Before Income Taxes			
Add: Provision for Loan and Lease Losses	1,758.9	2,314.6	2,037.7
Add: Goodwill Impairment	—	—	1,535.1
Total Pre-Tax, Pre-Provision, Pre-Goodwill Impairment Income	$ 859.4	$ 920.3	$ 1,070.7

Net operating losses have a 20 year carryforward life. The Corporation forecasted sufficient taxable income during the carryforward period, exclusive of tax planning strategies, to utilize the net operating losses prior to expiration. Projected taxable income was based on objectively verifiable evidence. Under this method, certain losses which were considered "nonrecurring" were added back to the 2010 loss before income taxes. Nonrecurring losses were determined to be primarily credit losses and related expenses associated with the Corporation's construction and development loan portfolio, which the Corporation deemed to be appropriate given its strategy of minimizing this type

of lending. This loan type experienced the greatest amount of stress over the past two years. The Corporation has significantly reduced its exposure to these types of loans through loan sales and charge-offs and minimized this type of lending. Based on this analysis, the deferred tax asset and the net operating losses would be fully recovered well before expiration. The Corporation considered this method to be conservative because the credit losses and related expenses for the Corporation's other loan types were projected to continue in future periods at the 2010 levels which were considered to be elevated compared to historical experience. The Corporation's capital base was considered more than adequate to withstand the expected timeframe required to utilize the net operating losses.

The realization of the deferred tax asset can be subjective and could be significantly reduced in the near term if estimates of future taxable income are significantly lower than currently forecasted.

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 4 – 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 13 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.

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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 30th 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.

The estimated fair values for the Commercial Banking, Private Banking and Trust reporting units at June 30, 2010 were determined by equally weighting an income approach (50%) and market approach (50%) to assess if potential goodwill impairment existed. For the Capital Markets, National Consumer Banking and the Brokerage reporting units the estimated fair value at June 30, 2010 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 ("DCF"). The key assumptions used to determine fair value under the income approach included the cash flows, terminal values based on a terminal growth rate and the discount rate. Under the DCF method, forecasted cash flows were developed for each reporting unit by considering several key business drivers such as new business initiatives, client retention standards, market share changes, anticipated loan and deposit growth, historical performance, and industry and economic trends, among other considerations. The long-term growth rate used in determining the terminal value of each reporting unit was estimated at 10% for the Trust reporting unit and 3% for all other reporting units based on the Corporation's assessment of the minimum expected terminal growth rate of each reporting unit, as well as broader economic considerations such as gross domestic product and inflation. Due to the current state of the economy, unemployment levels and the lending environment, significant judgment was required to estimate the duration of the economic recession and the period and strength of recovery, especially for the Commercial Banking, Private Banking and National Consumer Banking reporting units. Discount rates were estimated based on a Capital Asset Pricing Model, which considers the risk-free interest rate, market risk premium, beta, and in some cases, unsystematic risk and size premium adjustments specific to a particular reporting unit. The risk-free rate was 3.9% at June 30, 2010 and was based on 20-year Treasury Bonds. The discount rates used in the income approach for the six reporting units evaluated at June 30, 2010 ranged from 11.5% to 17%. Higher discount rates were used for banking-related segments and reporting units to account for the risk in the cash flow projections associated with the estimate of the duration of the economic recession and the period and strength of recovery. An increase to the discount rate of 1% would have lowered the preliminary fair value determined under the income approach for the nine reporting units evaluated at June 30, 2010 by a range of $10.0 million to $160.0 million. Each reporting unit with excess shown in the table below would continue to have excess under the increased discount rate.

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) 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 2010. 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.

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The following table presents the goodwill allocated to each segment or reporting unit and the results of the step one analysis, which depicts the extent to which fair value exceeded carrying value (Excess) and the extent to which carrying value exceeded fair value (Deficiency) at June 30, 2010 ($ in millions):

Results of Step One Goodwill Analysis

Segment/Reporting Unit	Allocated Goodwill	Excess (Deficiency)
Commercial Banking Segment	$ 325.0	$ 368.0
Trust Reporting Unit	95.1	200.0
National Consumer Banking Reporting Unit	88.3	(138.0)
Private Banking Reporting Unit	68.5	42.0
Capital Markets Reporting Unit	32.5	116.0
Brokerage Reporting Unit	0.1	20.0
	$ 609.5	

As a result of applying the first step of goodwill impairment testing to determine if potential goodwill impairment existed at June 30, 2010, Trust, Private Banking, and Brokerage, the three reporting units that comprise the Wealth Management segment, the Commercial Banking segment and the Capital Markets reporting unit "passed" (fair value exceeded the carrying amount) the first step of the goodwill impairment test on a preliminary basis. 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, 2010 and was subjected to the second step of the goodwill impairment test.

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. 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 an evaluation of the second step of the process in order to determine if there was any goodwill impairment for the National Consumer Banking reporting unit.

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 the same discounted cash flow analysis as described in Note 4 – Fair Value Measurements in Notes to

Consolidated Financial Statements.

The stress 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 National Consumer Banking reporting unit was less than its reported carrying values. As a result, the Corporation concluded that it was not required to recognize any goodwill impairment.

There have been no events since the annual test at June 30, 2010 to indicate that it is more likely than not that the recorded goodwill had become impaired. That determination was made after considering numerous qualitative and quantitative factors. Qualitative factors included the following: (1) the Corporation has not observed any trends that would indicate a material loss of customers, deposits or unanticipated loss in loans; (2) credit quality trends have improved since June 30, 2010, when the annual test was performed; and (3) pre-tax, pre-provision income, a non-GAAP measure currently being tracked closely in banking, was relatively stable in the second half of 2010 compared to the first half of 2010, and the Corporation has not observed any trends that would indicate a material loss in pre-tax, pre-provision income. Quantitatively, the Corporation updated the estimates of the fair value of the reporting units based on the total value, which includes a control premium, that was established when the Corporation and BMO

announced that they had entered into a definitive merger agreement under which BMO will acquire all of the outstanding shares of common stock of the Corporation in a stock-for-stock transaction.

The results were that the Trust, Brokerage and Capital Markets reporting units continued to have significant excess fair value over book value. The National Consumer reporting unit continued to show a deficiency, which was consistent with the conclusions reached in the annual test. The Commercial Banking segment and the Private Banking reporting unit indicated a small deficiency. Updated estimated fair values of assets and liabilities and an updated estimate of the amount assigned to an unrecognized core deposit intangible were determined for each of the Commercial Banking segment and the Private Banking and the National Consumer reporting units. Based on those updated amounts the implied fair value of goodwill continued to be in excess over the allocated book value of goodwill.

Management expects the prevailing economic and difficult real estate market conditions will last through 2011 in many of the Corporation's markets. The Corporation's pre-tax, pre-provision income was assumed to remain stable. Credit related charges were assumed to gradually improve and be normalized by 2013. 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 credit quality trends, forecasted revenues or margin growth rates for 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.

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

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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. 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, 2010:

Hypothetical Change in Interest Rates	Annual Impact
100 basis point gradual rise in rates	0.1 %
100 basis point gradual decline in rates	(2.4) %

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.

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, 2010, the carrying value of total active private equity investments amounted to approximately $78.7 million.

At December 31, 2010, Wealth Management administered $134.2 billion in assets and directly managed $33.6 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, 2010, 2009 AND 2008

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

	2010	2009
Assets		
Cash and Cash Equivalents:		
Cash and Due from Banks	$ 510,961	$ 769,034
Federal Funds Sold and Security Resale Agreements	25,039	26,839
Money Market Funds	64,966	36,610
Total Cash and Cash Equivalents	600,966	832,483
Interest Bearing Deposits at Other Banks	2,374,010	1,128,794
Trading Assets, at Fair Value	258,066	255,646
Investment Securities:		
Available for Sale, at Fair Value	6,504,607	6,678,311
Federal Reserve Bank Stock and FHLB Stock, at Cost	380,097	395,281
Held to Maturity, Fair Value $74,555 ($106,962 in 2009)	71,918	103,566
Loans Held for Sale	138,213	214,159
Loans and Leases	36,861,144	44,003,467
Allowance for Loan and Lease Losses	(1,387,575)	(1,480,470)
Net Loans and Leases	35,473,569	42,522,997
Premises and Equipment, Net	527,962	565,806
Goodwill	609,517	609,517
Other Intangible Assets	114,813	134,067
Bank-Owned Life Insurance	1,234,384	1,189,360
Other Real Estate Owned (OREO)	339,462	430,821
Accrued Interest and Other Assets	2,204,367	2,149,170
Total Assets	$ 50,831,951	$ 57,209,978
Liabilities and Equity		
Deposits:		
Noninterest Bearing	$ 8,078,733	$ 7,832,752
Interest Bearing	30,179,899	33,804,773
Total Deposits	38,258,632	41,637,525
Short-term Borrowings	227,838	1,120,147
Accrued Expenses and Other Liabilities	977,821	1,040,860
Long-term Borrowings	5,028,787	6,425,855
Total Liabilities	44,493,078	50,224,387

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 (530,164,081 Shares in 2009)		530,164			530,164	
Additional Paid-in Capital		4,947,943			4,997,606	
Retained Earnings		1,028,051			1,666,021	
Treasury Stock, at Cost: 1,487,080 Shares (4,793,885 in 2009)		(34,496	)		(132,191	)
Deferred Compensation		(38,629	)		(37,538	)
Accumulated Other Comprehensive Income (Loss), Net of Related Taxes		(106,813	)		(51,321	)
Total Marshall & Ilsley Corporation Shareholders' Equity		6,327,935			6,974,456	
Noncontrolling Interest in Subsidiaries		10,938			11,135	
Total Equity		6,338,873			6,985,591	
Total Liabilities and Equity	$	50,831,951		$	57,209,978	

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)

	2010	2009	2008
Interest and Fee Income			
Loans and Leases	$ 1,959,087	$ 2,208,427	$ 2,926,334
Investment Securities:			
Taxable	168,104	207,235	286,054
Exempt from Federal Income Taxes	35,624	44,647	53,750
Trading Securities	686	3,696	2,530
Short-term Investments	4,677	3,888	9,026
Total Interest and Fee Income	2,168,178	2,467,893	3,277,694
Interest Expense			
Deposits	405,772	535,426	902,944
Short-term Borrowings	6,310	9,550	139,627
Long-term Borrowings	198,825	340,308	454,413
Total Interest Expense	610,907	885,284	1,496,984
Net Interest Income	1,557,271	1,582,609	1,780,710
Provision for Loan and Lease Losses	1,758,888	2,314,649	2,037,707
Net Interest Loss After Provision for Loan and Lease Losses	(201,617)	(732,040)	(256,997)
Other Income			
Wealth Management	280,368	265,146	282,182
Service Charges on Deposits	127,536	136,570	146,153
Gain on Sale of Mortgage Loans	34,854	44,346	22,370
Other Mortgage Banking Revenue	2,708	3,946	3,655
Net Investment Securities Gains	99,816	121,789	17,229
Bank-Owned Life Insurance Revenue	46,602	39,042	35,940
Gain on Termination of Debt	19,694	99,351	14,718
Sale of Merchant Portfolio Processing	48,272	—	—
Other	215,122	192,813	218,199
Total Other Income	874,972	903,003	740,446
Other Expense			
Salaries and Employee Benefits	713,658	690,818	723,245
Net Occupancy and Equipment	133,630	135,744	126,896
Software Expenses	33,378	28,047	24,684
Processing Charges	126,455	132,985	131,990
Supplies, Printing, Postage and Delivery	32,712	35,163	42,131
FDIC Insurance	99,449	107,925	17,261
Professional Services	116,379	91,366	72,043
Amortization of Intangibles	20,209	23,423	24,282
Goodwill Impairment	—	—	1,535,144
Net OREO Expenses	116,651	168,984	75,543
Loss on Brokered CDs	47,078	9,203	1,779
Other	133,250	141,577	210,569
Total Other Expense	1,572,849	1,565,235	2,985,567
Loss Before Income Taxes	(899,494)	(1,394,272)	(2,502,118)

Benefit for Income Taxes	(385,059)	(637,233)	(459,525)
Net Loss Including Noncontrolling Interests	(514,435)	(757,039)	(2,042,593)
Less: Net Income Attributable to Noncontrolling Interests	(1,436)	(1,578)	(869)
Net Loss Attributable to Marshall & Ilsley Corporation	(515,871)	(758,617)	(2,043,462)
Preferred Dividends	(101,068)	(100,164)	(12,737)
Net Loss Attributable to Marshall & Ilsley Corporation Common Shareholders	$ (616,939)	$ (858,781)	$ (2,056,199)
Per Share Attributable to Marshall & Ilsley Corporation Common Shareholders			
Basic	$ (1.18)	$ (2.46)	$ (7.92)
Diluted	(1.18)	(2.46)	(7.92)

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)

	2010	2009	2008
Cash Flows From Operating Activities:			
Net Loss Attributable to Marshall & Ilsley Corporation	$ (515,871)	$ (758,617)	$ (2,043,462)
Adjustments to Reconcile Net Loss to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	88,130	51,359	9,248
Provision for Loan and Lease Losses	1,758,888	2,314,649	2,037,707
Benefit for Deferred Income Taxes	(375,258)	(482,082)	(284,777)
Stock–based Compensation Expense	33,548	29,688	30,757
Excess Tax Expense (Benefit) from Stock-based Compensation Arrangements	1,310	(1,431)	55
Net Gain on Sales of Assets	(186,932)	(179,633)	(87,026)
Gain on Termination of Debt, Net	(19,687)	(99,233)	(14,718)
Net Decrease in Trading Assets	195,836	660,680	332,736
Net Decrease (Increase) in Mortgage Loans Held for Sale	81,808	147,241	(14,330)
BOLI Revenue from Increase in Cash Surrender Value	(46,048)	(36,143)	(34,371)
OREO Valuation Adjustments	82,545	109,125	55,582
Goodwill Impairment	—	—	1,535,144
Prepaid FDIC Insurance Premiums	—	(333,565)	—
Change in Accrued Interest and Other Assets	230,775	84,590	(320,319)
Change in Accrued Expenses and Other Liabilities	(231,798)	(764,301)	(445,023)
Other	17,415	73,550	40,187
Total Adjustments	1,630,532	1,574,494	2,840,852
Net Cash Provided by Operating Activities	1,114,661	815,877	797,390
Cash Flows From Investing Activities:			
Net Increase in Short-Term Investments	(1,245,215)	(1,119,108)	(9,485)
Proceeds from Sales of Securities Available for Sale	2,264,344	2,152,381	124,626
Proceeds from Redemptions of Federal Reserve Bank Stock and FHLB Stock	63,930	37,455	5,024
Proceeds from Sales of Securities Held to Maturity	—	—	1,633
Proceeds from Maturities of Securities Available for Sale	1,398,936	1,523,126	1,219,955
Proceeds from Maturities of Securities Held to Maturity	47,035	135,796	136,847
Purchases of Securities Available for Sale	(3,513,771)	(3,068,148)	(1,001,014)

Purchases of Federal Reserve Bank Stock and FHLB Stock	(48,746)	(92,958)	(73,888)
Net Decrease (Increase) in Loans and Leases	4,898,769	3,100,425	(3,742,134)
Purchases of Premises and Equipment, Net	(23,766)	(50,526)	(101,657)
Cash Paid for Acquisitions, Net of Cash and Cash Equivalents Acquired	(1,968)	(479)	(476,761)
Proceeds from Divestitures	48,272	—	2,460
Proceeds from Sale of OREO	489,275	302,503	86,069
Net Cash Provided by (Used in) Investing Activities	4,377,095	2,920,467	(3,828,325)
Cash Flows From Financing Activities:			
Net (Decrease) Increase in Deposits	(3,337,684)	648,440	4,223,022
Net Decrease in Short-term Borrowings	(892,190)	(2,934,716)	(2,857,769)
Proceeds from Issuance of Long-term Borrowings	—	375	1,282,056
Payments of Long-term Borrowings	(1,389,876)	(2,989,853)	(1,649,724)
Dividends Paid on Preferred Stock	(85,750)	(85,988)	—
Dividends Paid on Common Stock	(21,031)	(14,187)	(327,820)
Purchases of Common Stock	—	—	(130,870)
Proceeds from the Issuance of Preferred Stock	—	—	1,715,000
Proceeds from the Issuance of Common Stock	5,934	1,428,353	27,832
Excess Tax (Expense) Benefit from Stock-based Compensation Arrangements	(1,310)	1,431	(55)
Other	(1,366)	(30,123)	(842)
Net Cash (Used in) Provided by Financing Activities	(5,723,273)	(3,976,268)	2,280,830
Net Decrease in Cash and Cash Equivalents	(231,517)	(239,924)	(750,105)
Cash and Cash Equivalents Beginning of Year	832,483	1,072,407	1,822,512
Cash and Cash Equivalents End of Year	$ 600,966	$ 832,483	$ 1,072,407
Supplemental Cash Flow Information:			
Cash Paid (Received) During the Year for:			
Interest	$ 658,129	$ 967,800	$ 1,509,961
Income Taxes	(154,637)	(201,211)	63,693

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 in Subsidiaries	Total Equity
alance, ecember 31, 007	$—	$267,455	$2,059,273	$4,923,008	$(117,941)	$(45,359)	$(53,707)	$7,032,729	$9,908	$7,042,637
omprehensive ncome:										
et Loss	—	—	—	(2,043,462)	—	—	—	(2,043,462)	869	(2,042,593
et Unrealized ains (Losses) n Securities	—	—	—	—	—	—	(46,774)	(46,774)	—	(46,774
et Gains Losses) on erivatives edging ariability of ash Flows	—	—	—	—	—	—	(55,810)	(55,810)	—	(55,810
et Gains Losses) on unded Status f Defined ostretirement lan	—	—	—	—	—	—	(1,661)	(1,661)	—	(1,661
ther omprehensive ncome (Loss)								(104,245)	—	(104,245
otal omprehensive ncome (Loss)								(2,147,707)	869	(2,146,838
suance of ,715,000 referred hares Under .S. Treasury apital urchase rogram	1,715	—	1,713,285	—	—	—	—	1,715,000	—	1,715,000
suance of ,863,221 ommon hares in the 008 Business	—	4,864	59,136	—	—	—	—	64,000	432	64,432

ombinations										
ssuance of ,918,432 reasury ommon hares Under tock Based ompensation wards	—	—	(25,668)	—	53,311	—	—	27,643	—	27,643
cquisition f 4,927,215 ommon hares	—	—	383	—	(128,330)	—	—	(127,947)	—	(127,947
ividends eclared on referred Stock	—	—	1,780	(12,737)	—	—	—	(10,957)	—	(10,957
ividends eclared on ommon tock—$1.27 Per hare	—	—	—	(327,820)	—	—	—	(327,820)	—	