MARSHALL & ILSLEY CORP/WI/
Form 10-K
March 02, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2005

OR

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

Commission File No. 1-15403

MARSHALL & ILSLEY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin	**39-0968604**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
770 North Water Street Milwaukee, Wisconsin	**53202**
(Address of principal executive offices)	**(Zip Code)**

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

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

Title of Each Class:	**Name of Each Exchange on Which Registered:**
Common Stock - $1.00 par value	**New York Stock Exchange**
6.50% Common SPACES[SM]	**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 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. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

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, 2005 was approximately $10,002,456,000. The number of shares of common stock outstanding as of January 31, 2006 was 235,817,814.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Proxy Statement for the registrant s Annual Meeting of Shareholders to be held on April 25, 2006.

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MARSHALL & ILSLEY CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2005

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PART I

ITEM 1. BUSINESS

General

Marshall & Ilsley Corporation (M&I or the Corporation), incorporated in Wisconsin in 1959, is a registered bank holding company under the Bank Holding Company Act of 1956 (the BHCA) and is certified as a financial holding company under the Gramm-Leach-Bliley Act. As of December 31, 2005, M&I had consolidated total assets of approximately $46.2 billion and consolidated total deposits of approximately $27.7 billion, making M&I the largest bank holding company headquartered in Wisconsin. The executive offices of M&I are located at 770 North Water Street, Milwaukee, Wisconsin 53202 (telephone number (414) 765-7801).

M&I s principal assets are the stock of its bank and nonbank subsidiaries, which, as of February 1, 2006, included Metavante Corporation (Metavante), five bank and trust subsidiaries and a number of companies engaged in businesses that the Board of Governors of the Federal Reserve System (the Federal Reserve Board) has determined to be closely-related or incidental to the business of banking. M&I provides its subsidiaries with financial and managerial assistance in such areas as budgeting, tax planning, auditing, compliance assistance, asset and liability management, investment administration and portfolio planning, business development, advertising and human resources management.

Generally, M&I organizes its business segments based on legal entities. Each entity offers a variety of products and services to meet the needs of its customers and the particular market served. Based on the way M&I organizes its business, M&I has two reportable segments: Banking and Data Services (or Metavante). Banking consists of accepting deposits, making loans and providing other services such as cash management, foreign exchange and correspondent banking to a variety of commercial and retail customers. Data Services consists of providing data processing services, developing and selling software and providing consulting services to financial services companies, including M&I affiliates, as well as providing credit card merchant services. M&I s primary other business segments include Trust Services, Mortgage Banking (residential and commercial), Capital Markets Group, Brokerage and Insurance Services, and Commercial Leasing.

Banking Operations

M&I s bank subsidiaries provide a full range of banking services to individuals, businesses and governments throughout Wisconsin, and in the Phoenix and Tucson, Arizona metropolitan areas, the Minneapolis/St. Paul, Minnesota and the St. Louis, Missouri metropolitan areas, Las Vegas, Nevada, Naples and Bonita Springs, Florida and Belleville, Illinois. These subsidiaries offer retail, institutional, business, international and correspondent banking and investment services through the operation of 195 banking offices in Wisconsin, 42 offices in Arizona, 14 offices in Minnesota, seven offices in Missouri, two offices in Florida, one office in Nevada and one office in Illinois, as well as on the Internet. M&I s bank subsidiaries hold a significant portion of their mortgage loan and investment portfolios indirectly through their ownership interests in direct and indirect subsidiaries. M&I Marshall & Ilsley Bank (M&I Bank) is M&I s largest bank subsidiary, with consolidated assets as of December 31, 2005 of approximately $38.9 billion.

Through its bank and nonbank subsidiaries, M&I offers a variety of loan products to retail customers, including credit cards, lines of credit, automobile loans and leases, student loans, home equity loans, personal loans, residential mortgage loans and mortgage refinancing. M&I also offers a variety of loan and leasing products to business, commercial and institutional customers, including business loans, lines of credit, standby letters of credit, credit cards, government-sponsored loans, commercial real estate financing, construction financing, commercial mortgage loans and equipment and machinery leases. In addition, through its Home Lending Solutions division, M&I Bank FSB originates residential mortgage loans and lines of credit as part of its wholesale lending program. M&I Business Credit, Inc. provides working capital loans to commercial borrowers secured by accounts receivable, inventory and other marketable assets. M&I Dealer Finance, Inc. provides retail vehicle lease and installment sale financing. M&I Support Services Corp. provides bank operation support for loan and deposit account processing and maintenance, item processing and other banking services.

M&I s lending activities involve credit risk. Credit risk is controlled through active asset quality management and the use of lending standards and thorough review of potential borrowers. M&I evaluates the credit

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

The M&I bank subsidiaries may use wholesale deposits, which include foreign (Eurodollar) deposits. Wholesale deposits are funds in the form of deposits generated through distribution channels other than M&I s own banking branches. These deposits allow M&I s bank subsidiaries to gather funds across a geographic base and at pricing levels considered attractive, where the underlying depositor may be retail or institutional. Access to wholesale deposits also provides M&I with the flexibility to not pursue single service time deposit relationships in markets that have experienced unprofitable pricing levels.

M&I s securitization activities are generally limited to basic term or revolving securitization facilities associated with indirect automobile loans. A discussion of M&I s securitization activities is contained in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, and in Note 8 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Data Services Metavante Operations

Metavante delivers banking and payment technologies to financial services firms and businesses. Metavante products and services drive account processing for deposit, loan and trust systems, image-based and conventional check processing, electronic funds transfer, consumer health care payments, and electronic presentment and payment. Metavante organizes its business in two groups: Financial Solutions and Payment Solutions.

The Financial Solutions Group includes banking and trust solutions, offering integrated products and services for financial services providers that are centered on customer and account management, specializing in deposit, loan and investment accounts. Two core processing products offer financial institution clients flexibility in choosing either a licensed or an outsourced solution. Metavante delivers a complete, integrated customer relationship management solution that offers analytical and decision support capabilities, channel integration, sales and service automation, and consulting services. Metavante electronic banking solutions provide end-users with consolidated access to their financial relationships through Internet and mobile banking, as well as personal financial management software and telephone banking. Metavante corporate electronic banking solutions provide a comprehensive set of Internet banking, multi-bank services, and collection and disbursement services that address the needs of corporate and middle-market customers. Metavante investment technology services offers a set of Internet-enabled products and services that address asset and liability aggregation, trust and investment account management, and client and regulatory reporting. Through its image solutions division, Metavante provides comprehensive image-based check and document processing and distributed image-capture solutions, including image-based payment processing, a national check image exchange and settlement network, and browser-based document and report management software. Metavante lending solutions provide loan originating, processing and closing software systems for the residential mortgage, consumer and small business lending industries. Metavante also offers risk and compliance software, data, and services that address the regulatory and compliance mandate of financial institutions.

Through its Payment Solutions Group Metavante provides a complete suite of payment solutions including electronic bill presentment and payment; electronic check presentment and exchange; electronic funds transfer; signature and PIN-debit services; debit-, prepaid- and credit-card account processing; flexible-spending account, health-savings account and health-reimbursement arrangement (FSA/HSA/HRA) medical payment cards; card personalization; balance transfer; automated clearing house (ACH); automated teller machine (ATM) driving; merchant and gateway processing; and transportation payment services. Metavante owns and operates the NYCE Network. The NYCE Network provides financial institutions, retailers and independent ATM deployers with shared network services for ATMs, point-of-sale, account-to-account transfers and direct bill payment for millions of consumers across the United States and Canada. Beyond its core service of providing the convenience of personal identification number (PIN) debit account access at ATMs and retailer point-of-sale terminals, NYCE provides ATM driving and fully automated monitoring services, gateway services, on and off-line signature debit card processing, and card authorization solutions. Through its healthcare payments division, Metavante offers a

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consumer-directed health benefits payment platform and a market-leading employee benefits card to electronically access FSAs, HRAs, HSAs, transit/parking accounts and dependent care accounts. Metavante provides medical identification cards, combination eligibility/payment cards, and the ability to access multiple benefits accounts from a single card. Metavante also provides a comprehensive FSA/HSA/HRA platform that provides all the technology a financial institution, health insurance company, third-party administrator, or commercial business needs to offer these accounts. Services include account processing, trustee services, checks and debit cards, online and phone access to account information, investment options, regulatory reporting and related data translation and movement between payers, providers and consumers.

Metavante s revenue consists of fees related to information and transaction processing services, software licensing and maintenance, conversion services and other professional services. Maintenance fees include ongoing client support and product updates. Metavante also receives buyout fees related to client termination prior to the end of the contract term. The buyout fee is contractual and based on the estimated remaining contract value. Buyout fees can vary significantly from quarter to quarter and year to year.

Metavante s expenses consist primarily of salaries and related expenses and processing servicing expenses, such as data processing, telecommunications and equipment expenses. Other operating costs include selling, general and administrative costs, such as advertising and marketing expenses, travel, supplies and postage, and the use of outside firms for legal, accounting or other professional services, and amortization of investments in software, premises and equipment, conversions and acquired intangible assets.

Other Business Operations

M&I s other nonbank subsidiaries operate a variety of bank-related businesses, including those providing trust services, residential mortgage banking, capital markets, brokerage and insurance, commercial leasing, and commercial mortgage banking.

Trust Services. Marshall & Ilsley Trust Company N.A. (M&I Trust) provides trust and employee benefit plan services to customers throughout the United States with offices in Wisconsin, Arizona, Minnesota, Florida, Nevada, Missouri and Indiana. M&I Investment Management Corp. offers a full range of asset management services to M&I Trust, the Marshall Funds and other individual, business and institutional customers.

Residential Mortgage Banking. M&I Mortgage Corp., a subsidiary of M&I Bank FSB, sells and services residential mortgage loans. M&I Mortgage Reinsurance Corporation, a subsidiary of M&I Bank, acts as a reinsurer of private mortgage insurance written in connection with residential mortgage loans originated in the M&I system.

Capital Markets. M&I Capital Markets Group L.L.C., M&I Capital Markets Group II, L.L.C. and M&I Ventures L.L.C. provide venture capital, financial advisory and strategic planning services to customers, including assistance in connection with the private placement of securities, raising funds for expansion, leveraged buy-outs, divestitures, mergers and acquisitions and small business investment company transactions.

Brokerage and Insurance. M&I Brokerage Services, Inc., a broker-dealer registered with the National Association of Securities Dealers, Inc. and the Securities and Exchange Commission, provides brokerage and other investment-related services to a variety of retail and commercial customers. M&I Insurance Services, Inc. provides life, long-term care and disability income insurance products and annuities to retail clients and business owners.

Commercial Leasing. M&I Equipment Finance Company, a subsidiary of M&I Bank, leases a variety of equipment and machinery to large and small businesses.

Commercial Mortgage Banking. The Richter-Schroeder Company, Inc. originates and services long-term commercial real estate loans for institutional investors.

Other. M&I Community Development Corporation makes investments designed primarily to promote the public welfare in markets and communities served by affiliates and subsidiaries of M&I.

More information on M&I s business segments is contained in Note 22 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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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 activities 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 Company s businesses including the Credit Policy Committee, Asset Liability Committee (ALCO) and the Corporate Risk Management Committee. In 2005, M&I established a Risk Management Committee of the Board of Directors for oversight and governance of its risk management function. The Board s Risk Management Committee consists of three non-management directors and has the responsibility of overseeing management s actions with respect to credit, market, liquidity, fiduciary, operational, compliance, legal and reputation risks as well as M&I s overall risk profile. The Chief Risk Officer is responsible for reporting to this committee.

Operational Risk Management

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

M&I seeks to mitigate operational risk through a system of internal controls to manage this risk at appropriate levels. Primary responsibility for managing internal controls lies with the managers of M&I s various business lines. M&I monitors and assesses the overall effectiveness of its system of internal controls on an ongoing basis. The Corporate Risk Management 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 Company, 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 filed as an exhibit to this report and is also available on M&I s web site 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 web site within five business days following the date of the amendment or waiver.

M&I makes available free of charge through its web site its Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and its insiders Section 16 reports and all amendments to these reports as soon as reasonably practicable after these materials are filed with or furnished to the Securities and Exchange Commission. In addition, certain documents relating to corporate governance matters are available on M&I s web site 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 1-800-318-0208. Information contained on any of M&I s web sites is not deemed to be a part of this Annual Report.

Acquisitions

On January 4, 2006, Marshall & Ilsley Trust Company N. A. completed the acquisition of the assets of FirstTrust Indiana (FirstTrust), a division of First Indiana Bank, N.A. The acquired assets included those related to FirstTrust s provision of asset management, trust administration and estate planning services to high-net-worth individuals and institutional customers.

On January 3, 2006, Metavante completed the acquisition of AdminiSource Corp. (AdminiSource), a Carrollton, Texas provider of health care payment distribution services. The acquisition was part of Metavante s continuing expansion of its consumer-directed health care payments business.

On December 21, 2005, M&I announced its plan to acquire Trustcorp Financial, Inc. (Trustcorp), the St. Louis-based parent company of Missouri State Bank & Trust, which provides banking services in Missouri. The transaction, which is subject to approval by the stockholders of Trustcorp and the receipt of requisite regulatory approvals, is expected to close in the second quarter of 2006.

On November 18, 2005, Metavante completed the acquisition of LINK2GOV Corp. (LINK2GOV) of Nashville, Tennessee. LINK2GOV is a provider of comprehensive, customized online phone and point-of-sale payment processing services, including credit and debit solutions, to many federal, state and local governments and financial intermediaries servicing government entities, including the Internal Revenue Service.

On November 10, 2005, M&I announced its plan to acquire Gold Banc Corporation, Inc. (Gold Banc), the Leawood, Kansas-based parent company of Gold Bank, which provides commercial banking services in Florida, Kansas, Missouri and Oklahoma. The transaction was approved by the Gold Banc stockholders on January 25, 2006, and is expected to be completed promptly following the receipt of the requisite regulatory approvals.

On October 6, 2005, Metavante completed the acquisition of Birmingham, Alabama-based Brasfield Corporation (Brasfield). Brasfield provides core banking, processing, customer service, check and document imaging and check exchange services to community banks, and strengthens Metavante s community banking strategy.

On August 11, 2005, Metavante completed the acquisition of GHR Systems, Inc. (GHR) of Wayne, Pennsylvania. GHR provides loan origination technologies for the residential mortgage and consumer finance industries, offers point of sale products for any channel and comprehensive underwriting, processing and closing technologies.

On August 8, 2005, Metavante completed the acquisition of TREEV LLC (TREEV) of Herndon, Virginia. TREEV provides browser-based document imaging, storage and retrieval products and services for the financial-services industry in both lending and deposit environments. TREEV complements Metavante s check-imaging products and services by providing solutions for document storage and retrieval, including electronic report storage.

On July 22, 2005, Metavante completed the acquisition of Med-i-Bank, Inc. (MBI) of Waltham, Massachusetts. MBI provides electronic payment processing services for employee benefit and consumer-directed healthcare accounts, such as flexible spending accounts, health reimbursement arrangements and health savings account systems.

On February 9, 2005, Metavante completed the acquisition of Clark, New Jersey based Prime Associates, Inc., a leading international provider of software, data and services that address the regulatory and compliance mandate of financial institutions such as anti-money laundering regulations. Prime Associates provides regulatory compliance solutions for the Bank Secrecy Act and the USA PATRIOT Act of 2001 and regulations and policy statements promulgated thereunder, including Office of Foreign Asset Control filtering.

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More information on M&I s acquisitions can be found in Note 3 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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

Principal Sources of Revenue

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

	Interest on Loans and Leases		Fees for Data Processing Services		Interest on Investment Securities		
Years Ended December 31,	**Amount**	**Percent of Total Revenues**	**Amount**	**Percent of Total Revenues**	**Amount**	**Percent of Total Revenues**	**Total Revenues**
2005	$ 1,926,377	48.6%	$ 1,141,371	28.8%	$ 287,339	7.3%	$ 3,962,890
2004	1,404,189	45.1	891,005	28.6	261,330	8.4	3,112,285
2003	1,304,060	47.5	657,827	24.0	225,602	8.2	2,745,721

M&I business segment information is contained in Note 22 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Competition

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

The markets for the banking and payment products and services offered by Metavante are intensely competitive. Metavante competes with a variety of companies in various segments of the financial services industry, and its competitors vary in size and in the scope and breadth of products and services they offer. Certain segments of the financial services industry tend to be highly fragmented with numerous companies competing for market share. Other segments of the financial services industry have large well-capitalized competitors who command the majority of market share. Metavante also faces competition from in-house technology departments of existing and potential clients who may develop their own product offerings.

Employees

As of December 31, 2005, M&I and its subsidiaries employed in the aggregate 13,967 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.

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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 1, 2006, M&I owned a total of five bank and trust subsidiaries, including two Wisconsin state banks, a Missouri state bank, a federal savings bank, and a national banking association. M&I s two Wisconsin state bank subsidiaries are subject to regulation and examination by the Wisconsin Department of Financial Institutions, as well as by the Federal Reserve Board. M&I s Missouri state bank subsidiary is subject to regulation and examination by the Missouri Department of Economic Development, Division of Finance, and the Federal Reserve Board. M&I s federal savings bank subsidiary is subject to regulation and examination by the Office of Thrift Supervision. M&I s national bank, through which trust operations are conducted, is subject to regulation and examination by the Office of the Comptroller of the Currency. In addition, all of M&I s 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, fair 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, 2005 can be found in Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

The federal regulatory agencies have broad power to take prompt corrective action if a depository institution fails to maintain certain capital levels. In addition, a bank holding company s controlled insured depository institutions are liable for any loss incurred by the FDIC in connection with the default of, or any FDIC-assisted transaction involving, an affiliated insured bank or savings association. Current federal law provides that adequately capitalized and managed bank holding companies from any state may acquire banks and bank holding companies located in any other state, subject to certain conditions. Banks are permitted to create interstate branching networks in states that have not opted out of interstate branching. M&I Bank currently maintains interstate branches in Arizona and Minnesota and Southwest Bank of St. Louis, M&I s Missouri state bank subsidiary, maintains an interstate branch in Illinois.

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

Under the Act, a bank holding company may become certified as a financial holding company by filing a notice with the Federal Reserve Board, together with a certification that the bank holding company meets certain criteria, including capital, management, and Community Reinvestment Act requirements. M&I elected to become certified as a financial holding company on June 18, 2003.

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 is 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.

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The earnings and business of M&I and its bank subsidiaries also are affected by the general economic and political conditions in the United States and abroad and by the monetary and fiscal policies of various federal agencies. The 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) 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.

(4) 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.

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

(6) 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.

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

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Investment Securities

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

	2005	2004	2003
U.S. Treasury and government agencies	$ 4,456,610	$ 4,147,593	$ 3,856,069
States and political subdivisions	1,307,403	1,203,412	1,093,033
Other	612,621	686,590	593,875
Total	$ 6,376,634	$ 6,037,595	$ 5,542,977

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, 2005 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 and government agencies	$ 1,135,435	4.55%	$ 2,301,947	4.58%	$ 895,948	4.58%	$ 123,280	4.58%	$ 4,456,610	4.57%
States and political subdivisions	96,095	7.54	330,149	7.55	292,774	6.86	588,385	6.51	1,307,403	6.93
Other	72,368	5.74	104,157	5.20	43,677	4.83	392,419	4.42	612,621	4.74
Total	$ 1,303,898	4.84%	$ 2,736,253	4.96%	$ 1,232,399	5.13%	$ 1,104,084	5.55%	$ 6,376,634	5.07%

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):

	2005	2004	2003	2002	2001
Commercial, financial and agricultural	$ 9,491,368	$ 8,396,069	$ 7,013,073	$ 6,791,404	$ 5,656,384
Industrial development revenue bonds	74,107	85,394	97,601	80,110	71,892
Real estate:					
Construction	3,641,942	2,265,227	1,766,697	1,404,414	1,057,691
Mortgage:					
Residential	9,884,283	8,548,029	6,834,360	6,412,380	5,237,148
Commercial	8,825,104	8,164,099	7,149,149	6,586,332	5,099,093
Total mortgage	18,709,387	16,712,128	13,983,509	12,998,712	10,336,241
Personal	1,617,761	1,540,024	1,747,738	1,852,202	1,210,808
Lease financing	632,348	537,930	576,322	782,004	962,356
Total loans and leases	34,166,913	29,536,772	25,184,940	23,908,846	19,295,372
Less:					
Allowance for loan and lease losses	363,769	358,110	349,561	338,409	268,198
Net loans and leases	$ 33,803,144	$ 29,178,662	$ 24,835,379	$ 23,570,437	$ 19,027,174

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Loan and Lease Balances and Maturities

The analysis of selected loan and lease maturities at December 31, 2005 and the rate structure for the categories indicated are ($ in thousands):

	Maturity				Rate Structure of Loans and Leases Due After One Year With		
	One Year Or Less	Over One Year Through Five Years	Over Five Years	Total	With Pre-determined Rate	Floating Rate	Total
Commercial, financial and agricultural	$ 6,243,262	$ 2,881,816	$ 400,176	$ 9,525,254	$ 1,297,173	$ 1,984,819	$ 3,281,992
Industrial development revenue bonds	2,392	25,751	45,964	74,107	38,017	33,698	71,715
Real estate construction	1,430,875	2,197,263	13,804	3,641,942	252,107	1,958,960	2,211,067
Lease Financing	131,644	439,386	61,318	632,348	500,704		500,704
Total	$ 7,808,173	$ 5,544,216	$ 521,262	$ 13,873,651	$ 2,088,001	$ 3,977,477	$ 6,065,478

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.

Deposits

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

	2005 Amount	Rate	2004 Amount	Rate	2003 Amount	Rate
Noninterest bearing demand deposits	$ 4,942,803		$ 4,585,628		$ 4,189,724	
Interest bearing demand deposits	2,030,996	0.89%	2,233,297	0.74%	2,111,753	0.90%
Savings deposits	8,118,331	2.23	7,330,492	0.82	7,226,830	0.69
Time deposits	11,009,343	3.14	9,838,518	2.03	8,457,571	1.89
Total deposits	$ 26,101,473		$ 23,987,935		$ 21,985,878	

The maturity distribution of time deposits issued in amounts of $100,000 and over outstanding at December 31, 2005 ($ in thousands) is:

Three months or less	$ 1,727,521
Over three and through six months	315,181
Over six and through twelve months	1,141,096

Over twelve months	2,468,561
Total	$ 5,652,359

At December 31, 2005, time deposits issued by foreign offices totaled $2.6 billion. The majority of foreign deposits were in denominations of $100,000 or more.

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Short-Term Borrowings

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

	2005	2004	2003
Amount outstanding at year end	$ 2,325,863	$ 1,478,103	$ 741,646
Average amount outstanding during the year	2,043,314	2,035,428	2,580,291
Maximum outstanding at any month s end	2,757,845	3,051,606	3,684,044
Weighted average interest rate at year end	4.04%	2.05%	0.73%
Weighted average interest rate during the year	3.21	1.27	1.11

Information relating to the Corporation s short-term borrowings is included in Note 12 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

ITEM 1A. RISK FACTORS

Forward-Looking Statements

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

All forward-looking statements contained in this report or which may be contained in future statements made for or on behalf of M&I are based upon information available at the time the statement is made and M&I assumes no obligation to update any forward-looking statements. Forward-looking statements are subject to significant risks and uncertainties, and M&I s actual results may differ materially from the results discussed in such forward-looking statements. Factors that might cause actual results to differ from the results discussed in forward-looking statements include, but are not limited, to the risk factors set forth below.

Risk Factors

M&I s earnings are significantly affected by general business and economic conditions, including credit risk and interest rate risk.

M&I 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, Minnesota, Missouri and Florida. These conditions 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, consumer spending, borrowing and saving habits, and fluctuations in the housing market. 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, if it occurs, could have an adverse effect on M&I s financial condition and results of operations. Higher interest rates also could increase M&I s cost to borrow funds and increase the rate M&I pays on deposits. In addition, an overall economic slowdown could negatively impact the purchasing and decision-making activities of the financial institution customers of Metavante.

Terrorism, acts of war or international conflicts could negatively affect M&I s business and financial condition.

Acts or threats of war or terrorism, international conflicts, including ongoing military operations in Iraq and Afghanistan, and the actions taken by the U.S. and other governments in response to such events could negatively impact general business and economic conditions in the U.S. If terrorist activity, acts of war or other international hostilities cause an overall economic decline, the financial condition and operating results of M&I could be

materially adversely affected. The potential for future terrorist attacks, the national and international responses to terrorist attacks or perceived threats to national security and other actual or potential conflicts or acts of war, including conflict in the Middle East, have created many economic and political uncertainties that could seriously harm M&I s business and results of operations in ways that cannot presently be predicted.

M&I 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 M&I.

The policies of the Federal Reserve Board impact M&I 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 M&I holds. Those policies determine to a significant extent M&I s cost of funds for lending and investing. Changes in those policies are beyond M&I s control and are difficult to predict. Federal Reserve Board policies can affect M&I 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 M&I.

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

M&I operates in a highly competitive environment in the products and services M&I offers and the markets in which M&I 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 M&I s competitors may be better able to provide a wider range of products and services over a greater geographic area.

M&I 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 M&I s competitors are subject to fewer regulatory constraints and have lower cost structures. M&I 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.

Federal and state agency regulation could increase M&I s cost structures or have other negative effects on M&I.

The holding company, its subsidiary banks and many of its non-bank subsidiaries, including Metavante, 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 stockholders. 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 interpretation or implementation of statutes, regulations or policies, could affect M&I in substantial and unpredictable ways including limiting the types of financial services and products M&I may offer, increasing the ability of non-banks to offer competing financial services and products and/or increasing M&I s cost structures. Also, M&I s failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies and damage to its reputation.

M&I is subject to examinations and challenges by tax authorities, which, if not resolved in M&I s favor, could adversely affect M&I s financial condition and results of operations.

In the normal course of business, M&I 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 M&I s favor, they could have an adverse effect on M&I s financial condition and results of operations.

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

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 M&I s market share depends on market acceptance and regulatory approval of new products and services and other factors, and M&I s failure to achieve such acceptance and approval could harm its market share.

M&I 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 M&I s net interest margin and revenues from its fee-based products and services. In addition, M&I s success depends in part on its ability to generate significant levels of new business in its existing markets and in identifying and penetrating 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 M&I to make substantial expenditures to modify or adapt its existing products and services or render M&I s existing products obsolete. M&I 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 holding company relies on dividends from its subsidiaries for most of its revenue, and the banking subsidiaries hold a significant portion of their assets indirectly.

The holding company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the holding company s common stock and interest on its debt. The payment of dividends by a subsidiary is subject to federal law restrictions as well as to the laws of the subsidiary s state of incorporation. Also, 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. In addition, the M&I bank and savings association subsidiaries hold a significant portion of their mortgage loan and investment portfolios indirectly through their ownership interests in direct and indirect subsidiaries.

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

In deciding whether to extend credit or enter into other transactions with customers and counterparties, M&I may rely on information provided to it by customers and counterparties, including financial statements and other financial information. M&I 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, M&I may assume that the customer s audited financial statements conform with generally accepted accounting principles and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. M&I may also rely on the audit report covering those financial statements. M&I 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.

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

M&I s accounting policies and methods are fundamental to how M&I records and reports its financial condition and results of operations. M&I s management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure that they comply with generally accepted accounting

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principles and reflect management s judgment as to the most appropriate manner in which to record and report M&I 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 M&I s reporting materially different amounts than would have been reported under a different alternative.

M&I has identified four 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) capitalized software and conversion costs; (3) financial asset sales and securitizations; and (4) income taxes. 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 M&I s reporting materially different amounts.

More information on M&I s critical accounting policies is contained in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations.

M&I has an active acquisition program, which involves risks related to integration of acquired companies or businesses and the potential for the dilution of the value of M&I stock.

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

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

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

M&I is dependent on senior management, and the loss of service of any of M&I s senior executive officers could cause M&I s business to suffer.

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

M&I s stock price can be volatile.

M&I s stock price can fluctuate widely in response to a variety of factors including:

- actual or anticipated variations in M&I s quarterly results;
- new technology or services by M&I s competitors;

unanticipated losses or gains due to unexpected events, including losses or gains on securities held for investment purposes;

significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving M&I or its competitors;

changes in accounting policies or practices;

failure to integrate M&I s acquisitions or realize anticipated benefits from M&I s acquisitions; or

changes in government regulations.

General market fluctuations, industry factors and general economic and political conditions, such as economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, also could cause M&I s stock price to decrease regardless of its operating results.

M&I 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.

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

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

Unauthorized disclosure of sensitive or confidential client or customer information, whether through a breach of M&I s computer systems or otherwise, could severely harm its business.

As part of M&I s financial and data processing products and services, it collects, processes and retains sensitive and confidential client and customer information on behalf of itself and other third parties, such as Metavante s customers. Despite the security measures M&I has in place, its facilities and systems, and those of its third party service providers, may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar events. Any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information, whether by M&I or by its vendors, could severely damage its reputation, expose it to the risks of litigation and liability, disrupt its operations and harm its business.

Damage to the data centers on which Metavante relies could harm Metavante s business.

Metavante s data centers are an integral part of its business. Damage to Metavante s data centers due to acts of terrorism, fire, power loss, telecommunications failure and other disasters could have a material adverse effect on Metavante s business, operating results and financial condition. In addition, because Metavante relies on the integrity of the data it processes, if this data is incorrect or somehow tainted, client relations and confidence in Metavante s services could be impaired, which would harm Metavante s business.

Network operational difficulties or security problems could damage Metavante s reputation and business.

Metavante depends on the reliable operation of network connections from its clients and its clients end users to its systems. Any operational problems or outages in these systems would cause Metavante to be unable to process transactions for its clients and its clients end users, resulting in decreased revenues. In addition, any system delays, failures or loss of data, whatever the cause, could reduce client satisfaction with Metavante s products and services and harm Metavante s financial results.

Metavante also depends on the security of its systems. Metavante s networks may be vulnerable to unauthorized access, computer viruses and other disruptive problems. Metavante transmits confidential financial information in providing its services. In addition, under agreements with certain customers, Metavante will be financially liable if consumer data is compromised while in Metavante s possession, regardless of the safeguards Metavante may have instituted. A material security problem affecting Metavante could damage its reputation, deter financial services providers from purchasing its products, deter their customers from using its products or result in liability to Metavante. Any material security problem affecting Metavante s competitors could affect the marketplace s perception of Internet banking and electronic commerce service in general and have the same effects.

Lack of system integrity or credit quality related to Metavante funds settlement could result in a financial loss.

Metavante settles funds on behalf of financial institutions, other businesses and consumers and receives funds from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions facilitated by Metavante include debit card, credit card and electronic bill payment transactions, supporting consumers, financial institutions and other businesses. These payment activities rely upon the technology infrastructure that facilitates the verification of activity with counterparties and the facilitation of the payment. If the continuity of operations or integrity of processing were compromised this could result in a financial loss to Metavante due to a failure in payment facilitation. In addition, Metavante may issue credit to consumers, financial institutions or other businesses as part of the funds settlement. A default on this credit by a counterparty could result in a financial loss to Metavante.

Metavante may not be able to protect its intellectual property, and Metavante may be subject to infringement claims.

Metavante relies on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect its proprietary technology. Despite Metavante s efforts to protect its intellectual property, third parties may infringe or misappropriate Metavante s intellectual property or may develop software or technology competitive to Metavante s. Metavante s competitors may independently develop similar technology, duplicate its products or services or design around Metavante s intellectual property rights. Metavante may have to litigate to enforce and protect its intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm Metavante s business and ability to compete.

Metavante also may be subject to costly litigation in the event its products or technology infringe upon another party s proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by Metavante s products or technology. Any of these third parties could make a claim of infringement against Metavante with respect to its products or technology. Metavante may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting litigation could subject Metavante to significant liability for damages. An adverse determination in any litigation of this type could require Metavante to design around a third party s patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of the time and attention of Metavante s management and employees. Any claims from third parties may also result in limitations on Metavante s ability to use the intellectual property subject to these claims.

Changes in the network pricing and transaction routing strategies of NYCE, a subsidiary of Metavante, could adversely affect NYCE s revenue and Metavante s results of operations.

The transaction volume and the corresponding revenues of NYCE, a subsidiary of Metavante, are driven in large measure by NYCE s execution of long-term strategies for network pricing (including interchange and network fees) and transaction routing. As the debit and electronic payments marketplace continues to shift and mature, it may be necessary for NYCE to pursue alternate pricing and/or transaction routing strategies. Any significant changes to NYCE s current pricing and/or transaction routing strategies would likely be implemented over a transitional phase. Such changes could result in reductions of participant card base, reductions in merchant acceptance, and the potential for transaction misrouting during the transitional phase, any of which would adversely affect NYCE s revenue and Metavante s results of operations.

Metavante s business could suffer if it fails to attract and retain key technical people.

Metavante s success depends in large part upon Metavante s ability to attract and retain highly skilled technical, management and sales and marketing personnel. Because the development of Metavante s products and

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services requires knowledge of computer hardware, operating system software, system management software and application software, key technical personnel must be proficient in a number of disciplines. Competition for the best people in particular individuals with technology experience is intense. Metavante may not be able to hire key people or pay them enough to keep them.

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, 42 offices in the Phoenix and Tucson, Arizona metropolitan areas, 13 offices in the Minneapolis, Minnesota metropolitan area and one office in Duluth, Minnesota. Southwest Bank of St. Louis owns or leases six offices in the St. Louis, Missouri metropolitan area and one office in Belleville, Illinois. 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 branches in Naples and Bonita Springs, Florida and Milwaukee, Wisconsin, occupy modern facilities which are leased. Metavante owns a data processing facility located in Brown Deer, a suburb of Milwaukee, from which Metavante conducts data processing activities, a facility in Milwaukee that houses its software development teams and a card production facility in Romeoville, Illinois. Properties leased by Metavante also include commercial office space in Brown Deer and Milwaukee, a data processing site in Oak Creek, Wisconsin, and processing centers and sales offices in various cities such as Willowbrook, Illinois; Sioux Falls, South Dakota; San Jose, California; Ann Arbor, Michigan; Atlanta, Georgia; and Madison, Wisconsin. In addition, the companies acquired by Metavante own property in Oklahoma City, Oklahoma and lease properties in Berkeley, California; Englewood and Longmont, Colorado; Madison, Connecticut; Orlando and Tampa, Florida; Waltham, Massachusetts; Northern New Jersey; Wayne, Pennsylvania; Nashville, Tennessee; Addison and Carrollton, Texas; Herndon, Virginia; Toronto, Ontario, Canada; and Prague, Czech Republic.

ITEM 3. LEGAL PROCEEDINGS

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

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

Not applicable.

Executive Officers of the Registrant

(Age as of March 1, 2006)

Name of Officer	**Office**
Dennis J. Kuester Age 63	Chairman of the Board since January 2005, Chief Executive Officer since January 2002, President from 1987 to 2005, Director since February 1994 of Marshall & Ilsley Corporation; Chairman of the Board and Chief Executive Officer since October 2001, President from January 1989 to October 2001 and Director since 1989, M&I Marshall & Ilsley Bank; Chairman of the Board and Director, Metavante Corporation; Director of Marshall & Ilsley Trust Company National Association.
Ryan R. Deneen Age 41	Senior Vice President, Director of Corporate Tax of Marshall & Ilsley Corporation since December 2003; Director of M&I Marshall & Ilsley Holdings II, Inc. and Milease, LLC since 2004; Partner with KPMG LLP, a public accounting firm, from 1997 to November 2003.

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Name of Officer	Office
Thomas R. Ellis Age 48	Senior Vice President of Marshall & Ilsley Corporation since February 2005; Executive Vice President since February 2005, Senior Vice President from 1998 to February 2005 of M&I Marshall & Ilsley Bank; Director of M&I Support Services Corp., Marshall & Ilsley Trust Company National Association, M&I Equipment Finance Company, M&I Business Credit, Inc. and M&I Capital Markets Group II, L.L.C.
Randall J. Erickson Age 46	Senior Vice President, General Counsel and Secretary of Marshall & Ilsley Corporation since June 2002; General Counsel and Corporate Secretary of M&I Marshall & Ilsley Bank; Director of Metavante Corporation, M&I Bank FSB, M&I Community Development Corporation, M&I Investment Partners Management, LLC and Milease, LLC; Director, Vice President and Secretary of M&I Capital Markets Group, L.L.C. and M&I Ventures, L.L.C.; Director and Secretary of M&I Capital Markets Group II, L.L.C.; Director and Vice President of SWB Holdings, Inc.; Shareholder at Godfrey & Kahn, S.C., a Milwaukee-based law firm, from September 1990 to June 2002.
Mark F. Furlong Age 48	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 April 2001 to July 2004 of Marshall & Ilsley Corporation; Director and President of M&I Marshall & Ilsley Bank since July 2004; Director, Vice President and Treasurer of M&I Capital Markets Group, L.L.C. and M&I Ventures L.L.C.; Director of Metavante Corporation, Marshall & Ilsley Trust Company National Association, M&I Bank Mayville, M&I Equipment Finance Company and Milease, LLC; Senior Vice President of Southwest Bank of St. Louis; Executive Vice President and Chief Financial Officer of Old Kent Financial Corporation from 1998 to 2001; First Vice President/Director of Corporate Development/Commercial Banking of H.F. Ahmanson & Co. from 1992 to 1998.
Mark R. Hogan Age 51	Senior Vice President and Chief Credit Officer since October 2001, Marshall & Ilsley Corporation; Executive Vice President since February 2005, Chief Credit Officer since November 1995 and Senior Vice President from 1995 to February 2005, M&I Marshall & Ilsley Bank; Director, M&I Equipment Finance Company, M&I Business Credit, Inc., Richter-Schroeder Company and M&I Capital Markets Group II, L.L.C.; Director and Vice President of SWB Holdings, Inc.
Patricia R. Justiliano Age 55	Senior Vice President since 1994 and Corporate Controller since April 1989, Vice President from 1986 to 1994, Marshall & Ilsley Corporation; Vice President since January 1999, Controller since September 1998, 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 and M&I Zion Holdings, Inc.; Director, Vice President and Treasurer of M&I Insurance Company of Arizona, 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 Mortgage Corp., M&I Servicing Corp., M&I Zion Investment Corp., SWB Investment Corporation and SWB Investment II Corporation.
Beth D. Knickerbocker Age 39	Senior Vice President, Chief Risk Officer of Marshall & Ilsley Corporation since January 2005; Vice President, Senior Compliance Counsel of Marshall & Ilsley Corporation from May 2004 to January 2005; Attorney at Sutherland Asbill & Brennan LLP, a Washington, D.C. law firm, from 2000 to May 2004.

Name of Officer	Office
Kenneth C. Krei Age 56	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; Chairman of the Board of M&I Brokerage Services, Inc. and M&I Insurance Services, Inc.; Director and President of M&I Investment Partners Management, LLC; Director of M&I Support Services, M&I Brokerage Services, Inc. and Marshall Funds; Director and Vice President of M&I Realty Advisors, Inc.; Executive Vice President, Investment Advisors at Fifth Third Bancorp from 2001 to 2003; Executive Vice President, Investment and Insurance Services at Old Kent Financial Corporation from 1998 to 2001.
Frank R. Martire Age 58	Senior Vice President since April 2003, Marshall & Ilsley Corporation; Director, President and Chief Executive Officer since March 2003, President, Financial Services Group, Metavante Corporation from January 2003 to March 2003; Manager of Metavante Acquisition Company, LLC; Director of NYCE Corporation; President and Chief Operating Officer of Call Solutions Inc. from 2001 to 2003; President and Chief Operating Officer, Financial Institution Systems and Services Group, of Fiserv, Inc. from 1991 to 2001.
Thomas J. O Neill Age 45	Senior Vice President since April 1997, Marshall & Ilsley Corporation; Executive Vice President since 2000, Senior Vice President from 1997 to 2000, Vice President from 1991 to 1997, M&I Marshall & Ilsley Bank; Senior Vice President of Southwest Bank of St. Louis; Director and President of M&I Bank FSB, M&I Dealer Finance, Inc., M&I Insurance Company of Arizona, Inc., M&I Mortgage Corp. and 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 Brokerage Services, Inc., Marshall & Ilsley Trust Company National Association, M&I Insurance Services, Inc. and M&I Support Services Corp.; Senior Vice President, Southwest Bank of St. Louis.
John M. Presley Age 45	Senior Vice President and Chief Financial Officer since October 2004, Marshall & Ilsley Corporation; Chief Financial Officer of M&I Marshall & Ilsley Bank since October 2004; Director of Marshall & Ilsley Trust Company National Association, M&I Brokerage Services, Inc., M&I Insurance Services and Metavante Corporation; Chief Financial Officer of National Commerce Financial from 2003 to 2004; President and Chief Executive Officer of First Market Bank from 1996 to 2003; and Chief Financial Officer of National Commerce Bank Services, Inc. from 1990 to 1996.
Paul J. Renard Age 45	Senior Vice President, Director of Human Resources since 2000, Vice President and manager since 1994, Marshall & Ilsley Corporation; Senior Vice President of M&I Marshall & Ilsley Bank.
John L. Roberts Age 53	Senior Vice President of Marshall & Ilsley Corporation since 1994; Senior Vice President since 1994, Vice President and Controller from 1986 to 1995, M&I Marshall & Ilsley Bank; President and Director since 1995, M&I Support Services Corp.; Director, M&I Bank FSB and M&I Mortgage Corp.; President and Director of M&I Bank of Mayville.
Thomas A. Root Age 49	Senior Vice President since 1998, Audit Director since May 1996, Vice President from 1991 to 1998, Marshall & Ilsley Corporation; Vice President since 1993 and Audit Director since 1999, M&I Marshall & Ilsley Bank.
Ronald E. Smith Age 59	Senior Vice President since March 2005, Marshall & Ilsley Corporation; Executive Vice President since March 2005, Senior Vice President from 2001 to March 2005, M&I Marshall & Ilsley Bank; Executive Vice President from 1996 to March 2001 of M&I Bank of Madison; Director, Richter-Schroeder Company, Inc.

Certain Relationships and Related Transactions

A son of Mr. Martire and Ms. Knickerbocker s spouse were employed by M&I or its subsidiaries and received compensation and benefits that exceeded $60,000 in 2005. The compensation and benefits received by each were established by M&I in accordance with its employment and compensation practices applicable to employees holding comparable positions.

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PART II

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

Stock Listing

M&I s common stock is traded under the symbol MI on the New York Stock Exchange. Common dividends declared and the price range for M&I s common stock for each of the last five years can be found in Item 8, Consolidated Financial Statements 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 14 in Item 8, Consolidated Financial Statements and Supplementary Data.

Holders of Common Equity

At December 31, 2005 M&I had approximately 17,463 record holders of its common stock.

Shares Purchased

The following table reflects the purchases of M&I 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, 2005	59,097	$ 42.95		12,000,000
November 1 to November 30, 2005	62,525	$ 43.15		12,000,000
December 1 to December 31, 2005	3,639	$ 43.38		12,000,000

(1) Includes shares purchased by rabbi trusts pursuant to nonqualified deferred compensation plans for the three months ended December 31, 2005.

M&I s Share Repurchase Program was publicly reconfirmed in April 2004 and again in April 2005. The Share Repurchase Program authorizes the purchase of up to 12 million shares annually and renews each year at that level unless changed or terminated by subsequent Board action.

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ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Earnings

Years Ended December 31 ($000 s except share data)

	2005	2004	2003	2002	2001
Interest Income:					
Loans and leases	$ 1,926,377	$ 1,404,189	$ 1,304,060	$ 1,297,166	$ 1,358,802
Investment securities					
Taxable	214,537	200,107	165,075	198,037	270,336
Exempt from federal income taxes	64,127	58,826	57,968	60,637	62,273
Trading securities	229	271	258	328	884
Short-term investments	8,675	2,397	2,559	11,168	16,812
Total interest income	2,213,945	1,665,790	1,529,920	1,567,336	1,709,107
Interest Expense:					
Deposits	544,920	276,102	228,216	283,385	566,899
Short-term borrowings	106,333	61,256	81,070	150,310	188,587
Long-term borrowings	330,144	196,440	163,348	127,343	110,842
Total interest expense	981,397	533,798	472,634	561,038	866,328
Net interest income	1,232,548	1,131,992	1,057,286	1,006,298	842,779
Provision for loan and lease losses	44,795	37,963	62,993	74,416	54,115
Net interest income after provision for loan and lease losses	1,187,753	1,094,029	994,293	931,882	788,664
Other Income:					
Data processing services	1,141,371	891,005	657,827	601,500	559,816
Trust services	165,679	150,917	126,759	120,586	120,827
Net securities gains (losses)	45,414	35,352	21,572	(6,271)	(6,759)
Other	396,481	369,221	409,643	366,873	327,366
Total other income	1,748,945	1,446,495	1,215,801	1,082,688	1,001,250
Other Expense:					
Salaries and benefits	1,042,744	887,279	797,518	745,518	695,405
Other	803,587	708,279	654,189	550,460	593,464
Total other expense	1,846,331	1,595,558	1,451,707	1,295,978	1,288,869
Income before income taxes and cumulative effect of changes in accounting principles	1,090,367	944,966	758,387	718,592	501,045
Provision for income taxes	362,898	317,880	214,282	238,265	163,124
Income before cumulative effect of changes in accounting principles	727,469	627,086	544,105	480,327	337,921
Cumulative effect of changes in accounting principles, net of income taxes					(436)
Net Income	$ 727,469	$ 627,086	$ 544,105	$ 480,327	$ 337,485

Net income per common share:**										
Basic:										
Income before cumulative effect of changes in accounting principles	$	3.15	$	2.81	$	2.41	$	2.24	$	1.60
Cumulative effect of changes in accounting principles, net of income taxes										
Net income	$	3.15	$	2.81	$	2.41	$	2.24	$	1.60
Diluted:										
Income before cumulative effect of changes in accounting principles	$	3.10	$	2.77	$	2.38	$	2.16	$	1.55
Cumulative effect of changes in accounting principles, net of income taxes										
Net income	$	3.10	$	2.77	$	2.38	$	2.16	$	1.55
Other Significant Data:										
Year-End Common Stock Price**	$	43.04	$	44.20	$	38.25	$	27.38	$	31.64
Return on Average Shareholders Equity		16.95%		17.89%		16.79%		17.36%		13.89%
Return on Average Assets		1.68		1.69		1.64		1.64		1.28
Dividend Payout Ratio		30.00		29.24		29.41		28.94		36.65
Average Equity to Average Assets Ratio		9.91		9.43		9.74		9.47		9.21
Ratio of Earnings to Fixed Charges*										
Excluding Interest on Deposits		3.35x		4.36x		3.84x		3.38x		2.56x
Including Interest on Deposits		2.08x		2.70x		2.53x		2.23x		1.56x

* See Exhibit 12 for detailed computation of these ratios.

** Restated for 2-for-1 stock split effective June 17, 2002.

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Consolidated Average Balance Sheets

Years ended December 31 ($000 s except share data)

	2005	2004	2003	2002	2001
Assets:					
Cash and due from banks	$ 966,078	$ 835,391	$ 752,215	$ 708,256	$ 651,367
Investment securities:					
Trading securities	26,922	22,297	23,017	15,247	21,284
Short-term investments	237,178	171,057	264,254	717,129	503,857
Other investment securities:					
Taxable	4,847,722	4,672,741	4,038,579	3,325,568	3,926,737
Tax exempt	1,334,793	1,199,139	1,173,466	1,224,737	1,269,175
Total investment securities	6,446,615	6,065,234	5,499,316	5,282,681	5,721,053
Loans and Leases:					
Commercial	8,954,619	7,621,040	6,905,323	6,143,862	5,478,342
Real estate	20,728,918	17,215,467	14,938,082	12,633,208	10,514,536
Personal	1,525,502	1,632,440	1,874,315	1,388,447	1,182,049
Lease financing	567,344	552,551	674,871	862,927	1,026,215
Total loans and leases	31,776,383	27,021,498	24,392,591	21,028,444	18,201,142
Less: Allowance for loan and lease losses	362,886	360,408	347,838	302,664	253,089
Net loans and leases	31,413,497	26,661,090	24,044,753	20,725,780	17,948,053
Premises and equipment, net	458,179	448,134	440,492	418,042	391,633
Accrued interest and other assets	3,999,172	3,152,745	2,531,245	2,067,891	1,658,203
Total Assets	$ 43,283,541	$ 37,162,594	$ 33,268,021	$ 29,202,650	$ 26,370,309
Liabilities and Shareholders Equity:					
Deposits:					
Noninterest bearing	$ 4,942,803	$ 4,585,628	$ 4,189,724	$ 3,509,133	$ 2,895,083
Interest bearing:					
Bank issued deposits:					
Bank issued interest bearing activity deposits	10,027,250	9,960,645	10,084,996	8,996,778	7,833,126
Bank issued time deposits	4,410,456	3,384,120	3,399,734	3,540,124	3,975,253
Total bank issued deposits	14,437,706	13,344,765	13,484,730	12,536,902	11,808,379
Wholesale deposits	6,720,964	6,057,542	4,311,424	2,596,952	2,487,129
Total interest bearing deposits	21,158,670	19,402,307	17,796,154	15,133,854	14,295,508
Total deposits	26,101,473	23,987,935	21,985,878	18,642,987	17,190,591
Short-term borrowings	2,925,642	2,908,168	3,138,752	4,188,339	3,944,160
Long-term borrowings	8,193,001	5,329,571	3,798,851	2,693,447	1,962,801
Accrued expenses and other liabilities	1,772,023	1,432,134	1,103,886	911,187	843,198
Total liabilities	38,992,139	33,657,808	30,027,367	26,435,960	23,940,750
Shareholders Equity	4,291,402	3,504,786	3,240,654	2,766,690	2,429,559

Total Liabilities and Shareholders Equity	$ 43,283,541	$ 37,162,594	$ 33,268,021	$ 29,202,650	$ 26,370,309
Other Significant Data:					
Book Value Per Share at Year End**	$ 19.98	$ 17.24	$ 15.00	$ 13.51	$ 11.65
Average Common Shares Outstanding**	231,300,867	223,123,866	226,342,764	212,799,996	208,587,816
Employees at Year End	13,967	13,345	12,244	12,625	11,657
Credit Quality Ratios:					
Net Loan and Lease Charge-offs to Average Loans and Leases	0.12%	0.11%	0.21%	0.21%	0.22%
Total Nonperforming Loans and Leases* and OREO to End of Period Loans and Leases and OREO	0.44	0.48	0.74	0.85	0.94
Allowance for Loan and Lease Losses to End of Period Loans and Leases	1.06	1.21	1.39	1.42	1.39
Allowance for Loan and Lease Losses to Total Nonperforming Loans and Leases*	259	271	202	174	154

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

** Restated for 2-for-1 stock split effective June 17, 2002.

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Yield & Cost Analysis

Years ended December 31 (Tax equivalent basis)

	2005	2004	2003	2002	2001
Average Rates Earned:					
Loan and Leases	6.07%	5.21%	5.36%	6.18%	7.48%
Investment Securities Taxable	4.41	4.30	4.13	6.11	7.04
Investment Securities Tax-Exempt	7.26	7.53	7.58	7.49	7.28
Trading Securities	0.89	1.26	1.16	2.21	4.21
Short-term Investments	3.66	1.40	0.97	1.56	3.34
Average Rates Paid:					
Interest Bearing Deposits	2.58%	1.42%	1.28%	1.87%	3.97%
Short-term Borrowings	3.63	2.11	2.58	3.59	4.78
Long-term Borrowings	4.03	3.69	4.30	4.73	5.65
M&I Marshall & Ilsley Bank Average Prime Rate	6.19	4.34	4.12	4.67	6.91

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

Overview

The Corporation s overall strategy is to drive earnings per share growth by: (1) expanding banking operations into faster growing regions beyond Wisconsin; (2) increasing the number of financial institutions to which the Corporation provides correspondent banking services and products; (3) expanding trust services and other wealth management product and service offerings; and (4) growing Metavante s business through organic growth, cross sales of technology products and acquisitions.

The Corporation continues to focus on its key metrics of growing revenues through balance sheet growth, fee-based income growth and strong credit quality. Management believes that the Corporation has demonstrated solid fundamental performance in each of these key areas and as a result, the year ended December 31, 2005 produced strong financial results across all of its segments and reporting units.

Strong sales efforts and an improving economy resulted in solid loan and deposit growth in all of the Corporation s markets. Both noninterest and bank-issued interest bearing deposit growth trends were especially encouraging. These factors resulted in an increase in net interest income in 2005 compared to 2004. The favorable economic conditions in our markets have resulted in net charge-off levels below the Corporation s historical net charge-off levels again in 2005. An active acquisition and cross-sale strategy coupled with successful outsourcing contract renewals enabled Metavante to continue double-digit growth in segment earnings. Continued growth in assets under management and assets under administration resulted in solid growth in fee income for Trust Services. Mortgage loan production was very strong in 2005 compared to 2004. Although an unpredictable source of earnings, the Corporation s Capital Markets Group recognized investment securities gains for the third year in a row. These factors, along with continued expense management, all contributed to the consolidated earnings growth in 2005.

Net income in 2005 amounted to $727.5 million or $3.10 per share on a diluted basis. The return on average assets and return on average equity were 1.68% and 16.95%, respectively. By comparison, 2004 net income was $627.1 million, diluted earnings per share was $2.77, the return on average assets was 1.69% and the return on average equity was 17.89%. For the year ended December 31, 2003, net income was $544.1 million or $2.38 per diluted share and the returns on average assets and average equity were 1.64% and 16.79%, respectively.

With regard to the outlook in 2006 for the Banking Segment, management expects that organic commercial loan growth (as a percentage) will be in the low double digits. Organic personal loan production is expected to increase modestly. However, organic personal loan growth (as a percentage) will depend on the proportion of personal loan production retained versus sold. Management is encouraged by the recent organic growth in bank-issued deposits and will continue to focus on growing this important source of funds in 2006. Net charge-offs in 2006 are expected to range from 15 basis points to 20 basis points of average loans which represents a return to historical levels. Management expects Metavante s revenue in 2006 to be in the range of $1.4 billion to $1.5 billion. Organic revenue growth (as a percentage) and segment income growth are expected to continue to modestly improve.

In November and December of 2005, the Corporation announced the acquisitions of Gold Banc Corporation, Inc. (Gold Banc), the parent company of Gold Bank, and Trustcorp Financial, Inc. (Trustcorp), the parent company of Missouri State Bank & Trust. These transactions are expected to close in the second quarter of 2006. Gold Banc is a financial holding company with consolidated assets of $4.2 billion headquartered in Leawood, Kansas, a part of the Kansas City metropolitan area. Gold Banc provides banking and asset management services in Kansas, Florida, Missouri and Oklahoma through 31 banking locations. Trustcorp, with $746.2 million in assets, has seven bank branches located in the St. Louis, Missouri metropolitan area. Management expects that these transactions in the aggregate will be dilutive to the Corporation s consolidated results of operations in 2006 by approximately $0.05 per diluted share, assuming the transactions are completed in accordance with current expectations.

On January 1, 2006, the Corporation adopted FAS 123(R), the new accounting standard that requires all share-based compensation to be expensed. The amount of the expense is based on the estimated fair value of the award and is recognized over the vesting period. For the Corporation, additional expense will be reported for its

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stock option awards and its employee stock purchase plan. Assuming the same number of awards granted in 2005 and the same fair values, the Corporation estimates that the additional expense for stock options and the employee stock purchase plan will be dilutive to the Corporation s consolidated results of operations in 2006 by approximately $0.10 per diluted share. The Corporation elected the Modified Retrospective Application method to adopt the new accounting standard. Under that method all prior periods will be restated to reflect the effect of expensing stock options and the employee stock purchase plan. Shareholders equity at December 31, 2005 will increase by $67.7 million as a result of the restatement. The Corporation believes the Modified Retrospective Application will provide better comparability and usefulness to users of the Corporation s financial information.

The Corporation s actual results for 2006 could differ materially from those expected by management. See Forward-Looking Statements in Item 1A. of this Form 10-K for a discussion of the various risk factors that could cause actual results to differ materially from expected results.

The results of operations and financial condition for the periods presented include the effects of the acquisitions by Metavante as well as the banking-related acquisition from the dates of consummation of the acquisitions. All transactions were accounted for using the purchase method of accounting. See Note 3 in Notes to Consolidated Financial Statements for a discussion of the Corporation s acquisition activities in 2005, 2004 and 2003.

Significant Transactions

Some of the more significant transactions in 2005, 2004 and 2003 consisted of the following:

During the second and third quarters of 2005, the Corporation realized a gain primarily due to the sale of an entity associated with its investment in an independent private equity and venture capital partnership. The gross pre-tax gain amounted to $29.4 million and is reported in Net Investment Securities Gains in the Consolidated Statements of Income. On an after-tax basis, and net of related compensation expense, the gain amounted to $16.5 million or $0.07 per diluted share for the twelve months ended December 31, 2005.

During the third quarter of 2005, the Corporation realized a gain due to an equity investment that the Corporation liquidated in a cash tender offer. The gross pre-tax gain amounted to $6.6 million and is reported in Net Investment Securities Gains in the Consolidated Statements of Income. On an after-tax basis, the gain amounted to $3.9 million or $0.02 per diluted share for the twelve months ended December 31, 2005.

During the first quarter of 2005, the Corporation s banking segment s investment in certain membership interests of PULSE EFT Associates (PULSE) was liquidated by PULSE due to a change in control. The cash received resulted in a pre-tax gain of $5.6 million and is reported in Net Investment Securities Gains in the Consolidated Statements of Income.

During 2004, net gains associated with the Corporation s Capital Markets Group investments amounted to $34.6 million. Approximately $34.1 million of the net gain in 2004 was from a net unrealized gain recognized in the fourth quarter of 2004 due to the net increase in market value of an investment in an independent private equity and venture capital partnership.

The net unrealized gain recognized in the fourth quarter of 2004 was offset by charitable foundation expense which was higher than historical levels and other accrual adjustments that amounted to approximately $6.8 million.

During 2004, Metavante sold its small business 401k Retirement Plan Services operations. In conjunction with an expanded processing relationship, Metavante also sold the direct customer base of Paytrust.com in 2004. These transactions resulted in an aggregate loss of approximately $7.1 million.

During 2004, the Corporation issued 3.6 million shares of its common stock in a public offering that resulted in net proceeds to the Corporation of approximately $149.9 million. Also during 2004, the Corporation issued $400 million of equity units (referred to as Common SPACES^{SM}) that resulted in net proceeds to the Corporation of approximately $389.2 million. Each Common SPACES consists of (i) a stock purchase contract under which the investor agrees to purchase for $25.00, a fraction of a share of the Corporation s common stock on the stock purchase date and (ii) a 1/40, or 2.5%, undivided beneficial interest in a preferred security of M&I Capital Trust B (also referred to as the STACKS^{SM}) with each share having an initial liquidation value of $1,000. The stock purchase date is expected to be August 15, 2007 but could be deferred for quarterly periods until August 15, 2008. On the stock purchase date, the number of shares of common stock the Corporation will issue upon settlement of the stock purchase contracts depends on the applicable market value per share of the Corporation s common stock, which will be determined just prior to the stock purchase date, and other factors. The Corporation currently estimates that it will issue approximately 8.7 million to 10.9 million common shares to settle shares issuable pursuant to the stock purchase contracts. The proceeds from these issuances together with proceeds from the issuance of $600.0 million of senior notes were used for general corporate purposes, including maintaining capital at desired levels and providing long-term financing for the acquisitions completed by Metavante in 2004.

During 2004, the Corporation s banking segment prepaid and retired certain higher cost long-term debt and terminated some related receive floating / pay fixed interest rate swaps designated as cash flow hedges. The total debt retired amounted to $355.0 million and the charge to earnings amounted to a loss of $6.9 million.

During 2003, gains recognized by the Corporation s Capital Markets Group amounted to $20.0 million. Approximately $16.2 million of the gain was from the sale of an investment in the third quarter of 2003.

Also during 2003, several income tax audits covering multiple tax jurisdictions were resolved which positively affected the banking segment by approximately $28.6 million and Metavante by $10.7 million and resulted in a lower provision for income taxes in the Consolidated Statements of Income for the year ended December 31, 2003.

The Corporation used the unanticipated Capital Markets Group gains and the benefits from resolving income tax audits to take advantage of the low interest rate environment in 2003. The Corporation prepaid and retired certain higher cost long-term debt and terminated some related receive floating / pay fixed interest rate swaps designated as cash flow hedges. The total debt retired amounted to $744.6 million and the charge to earnings amounted to $56.7 million.

As a result of a shift in product strategy, Metavante wrote-off certain purchased and internally developed software in 2003 that will no longer be used, resulting in losses of $22.8 million in 2003.

Net Interest Income

Net interest income, which is the difference between interest earned on earning assets and interest owed on interest bearing liabilities, represented approximately 41.3% of the Corporation s source of revenues in 2005.

Net interest income in 2005 amounted to $1,232.5 million compared with net interest income of $1,132.0 million in 2004, an increase of $100.5 million or 8.9%. Loan growth and the growth in noninterest bearing and other bank-issued deposits were the primary contributors to the increase in net interest income. Net interest income in 2005 was negatively affected by lower loan spreads and the interest expense associated with debt issued in the third quarter of 2004 to fund Metavante s acquisitions.

Average earning assets in 2005 amounted to $38.2 billion compared to $33.1 billion in 2004, an increase of $5.1 billion or 15.5%. Increases in average loans and leases accounted for 92.6% of the growth in average earning assets.

Average interest bearing liabilities increased $4.6 billion or 16.8% in 2005 compared to 2004. Approximately $1.8 billion or 37.9% of the growth in average interest bearing liabilities was attributable to interest bearing deposits and the remainder of the growth in average interest bearing liabilities was attributable to long term borrowings.

Average noninterest bearing deposits increased $0.4 billion or 7.8% in 2005 compared to the prior year.

Net interest income in 2004 amounted to $1,132.0 million compared with net interest income of $1,057.3 million in 2003, an increase of $74.7 million or 7.1%. Loan growth and growth in lower cost deposits, increased spreads on certain loan products and the impact of the early retirement of some higher cost long-term borrowings in 2003 and 2004 were positive contributors to the increase in net interest income in 2004. Net interest income in 2004 was negatively affected by the lengthening of liabilities in order to reduce future volatility in net interest income as a result of interest rate movements and cash expenditures for common share buybacks and acquisitions.

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Average earning assets in 2004 amounted to $33.1 billion compared to $29.9 billion in 2003, an increase of $3.2 billion or 10.7%. Increases in average loans and leases accounted for the majority of the growth in average earning assets.

Average interest bearing liabilities increased $2.9 billion or 11.8% in 2004 compared to 2003. Approximately $1.6 billion or 55.3% of the growth in average interest bearing liabilities was attributable to interest bearing deposits and the remainder of the growth in average interest bearing liabilities was attributable to long-term borrowings.

Average noninterest bearing deposits increased $0.4 billion or 9.4% in 2004 compared to the prior year.

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	
	2005	2004	2003	2005 vs 2004	2004 vs 2003
Commercial:					
Commercial	$ 8,954.6	$ 7,621.0	$ 6,905.3	17.5%	10.4%
Commercial real estate:					
Commercial mortgages	8,575.8	7,658.2	6,901.0	12.0	11.0
Construction	1,412.8	1,097.4	999.5	28.7	9.8
Total commercial real estate	9,988.6	8,755.6	7,900.5	14.1	10.8
Commercial lease financing	439.4	397.0	390.0	10.7	1.8
Total commercial	19,382.6	16,773.6	15,195.8	15.6	10.4
Personal:					
Residential real estate:					
Residential mortgages	4,239.5	2,855.3	2,335.2	48.5	22.3
Construction	1,513.0	839.8	593.0	80.2	41.6
Total residential real estate	5,752.5	3,695.1	2,928.2	55.7	26.2
Consumer loans:					
Student	79.4	87.2	95.8	(8.9)	(9.0)
Credit card	223.6	224.0	198.0	(0.2)	13.1
Home equity loans and lines	4,987.9	4,764.8	4,109.4	4.7	15.9
Other	1,222.5	1,321.3	1,580.5	(7.5)	(16.4)
Total consumer loans	6,513.4	6,397.3	5,983.7	1.8	6.9
Personal lease financing	127.9	155.5	284.9	(17.7)	(45.4)
Total personal	12,393.8	10,247.9	9,196.8	20.9	11.4
Total consolidated average loans and leases	$ 31,776.4	$ 27,021.5	$ 24,392.6	17.6%	10.8%

Average loans and leases increased $4.8 billion or 17.6% in 2005 compared to 2004. Total average commercial loan growth amounted to $2.6 billion. Total average commercial loan growth in 2005 compared to 2004 consisted of average commercial real estate and commercial real estate construction loan growth which contributed $1.2 billion and average commercial loan growth which contributed $1.4 billion. Total average personal loan growth amounted to $2.2 billion in 2005 compared to 2004. This growth was driven primarily by growth in residential real estate loans that consist primarily of traditional three and five year ARMs (adjustable rate mortgages), balloon mortgage loans and construction loans. Total average residential real estate loans grew by $2.1 billion in 2005 compared to 2004. From a production standpoint, residential mortgage loan closings in 2005 were $1.5 billion or 35.8% higher than residential real estate loan closings in 2004. Average home equity loans and lines increased $0.2 billion in 2005 compared to 2004. Average indirect auto loans and leases declined approximately $0.3 billion in 2005 compared to 2004 which reflects, in part, the effect of the sale and securitization of indirect auto loans in 2005 and 2004.

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Management attributes the strong growth in commercial loans in 2005 compared to 2004 to the strength of the local economies in the markets the Corporation serves, sales success and continued customer satisfaction. Management expects that organic commercial loan growth (as a percentage) will reach the low double digits in 2006. The basis for this expectation includes continued success in attracting new customers in all of the Corporation s markets and continued modest economic growth in the primary markets that the Corporation serves.

Home equity loans and lines, which include M&I s wholesale activity, continue to be the primary consumer loan products. Home equity loan and line production in 2005 continued to be strong. The rate of growth in home equity loans and lines in 2005 compared to 2004 was affected by the amount of loans sold at origination and increased prepayment activity on the Corporation s wholesale home equity products. The proportion of loans sold at origination significantly increased in 2005 compared to 2004 in response to the increased demand for home equity products with higher loan-to-value characteristics. Organic personal loan production is expected to increase modestly. However, organic personal loan growth (as a percentage) in 2006 will depend on the proportion of personal loan production retained versus sold.

The Corporation sells some of its residential real estate loan production (residential real estate and home equity loans) in the secondary market. Selected residential real estate loans with rate and term characteristics that are considered desirable are periodically retained in the portfolio. Residential real estate loans originated and sold to the secondary market amounted to $2.4 billion in 2005 compared to $1.6 billion in 2004. At December 31, 2005, mortgage loans held for sale amounted to $198.7 million. Gains from the sale of mortgage loans amounted to $42.4 million in 2005 compared to $27.2 million in 2004.

Auto loans securitized and sold amounted to $0.5 billion in each of 2005 and 2004. Net losses from the sale and securitization of auto loans, including write-downs of auto loans held for sale, amounted to $2.0 million in 2005 compared to $3.4 million in 2004. The losses incurred were primarily due to lower loan interest rate spreads associated with new auto loan production in a rising interest rate environment. See Note 8 in Notes to Consolidated Financial Statements for further discussion of the Corporation s securitization activities. At December 31, 2005, auto loans held for sale amounted to $79.1 million.

The Corporation anticipates that it will continue to divest of selected assets through sale or securitization in future periods.

Average loans and leases increased $2.6 billion or 10.8% in 2004 compared to 2003. Total average commercial loan growth amounted to $1.6 billion. Total average commercial loan growth in 2004 compared to 2003 consisted of average commercial real estate and commercial real estate construction loan growth which contributed $0.9 billion and average commercial loan growth which contributed $0.7 billion. Total average personal loan growth amounted to $1.1 billion in 2004 compared to 2003. Total average personal loan growth in 2004 compared to 2003 was driven by growth in average home equity loans and lines which increased $0.7 billion and growth in average residential real estate and residential real estate construction loan growth which increased $0.8 billion. From a production standpoint, residential real estate loan closings in 2004 were $1.3 billion or 23.6% lower than residential real estate loan closings in 2003. Average indirect auto loans and leases declined approximately $0.4 billion in 2004 compared to 2003 which reflects, in part, the effect of the sale and securitization of indirect auto loans in 2004 and 2003.

The strong growth in commercial loans in 2004 generally occurred somewhat evenly throughout the year, was experienced in all of the Corporation s markets, and came from both new customers and existing customers across a variety of industries.

Residential real estate loans originated and sold to the secondary market amounted to $1.6 billion in 2004 compared to $3.5 billion in 2003. Approximately $0.3 billion of loans sold in 2004 were attributable to the AmerUs Home Lending, Inc. (AmerUs) acquisition. Gains from the sale of mortgage loans amounted to $27.2 million in 2004 compared to $54.1 million in 2003. Approximately $6.2 million of the gain in 2004 was attributable to the AmerUs acquisition.

Auto loans securitized and sold amounted to $0.5 billion in 2004 compared to $0.8 billion in 2003. Net losses from the sale and securitization of auto loans, including write-downs of auto loans held for sale, amounted to $3.4 million in 2004 compared to gains from the sale and securitization of auto loans of $2.7 million in 2003.

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

				Percent Growth	
	2005	2004	2003	2005 vs 2004	2004 vs 2003
Bank issued deposits:					
Noninterest bearing:					
Commercial	$ 3,480.6	$ 3,210.5	$ 2,903.3	8.4%	10.6%
Personal	940.8	897.1	815.9	4.9	10.0
Other	521.4	478.0	470.5	9.1	1.6
Total noninterest bearing	4,942.8	4,585.6	4,189.7	7.8	9.4
Interest bearing:					
Activity accounts:					
Savings and NOW	3,096.2	3,388.4	3,148.7	(8.6)	7.6
Money market	5,980.1	5,675.6	6,115.3	5.4	(7.2)
Foreign activity	951.0	896.7	821.0	6.1	9.2
Total activity accounts	10,027.3	9,960.7	10,085.0	0.7	(1.2)
Time deposits:					
Other CDs and time					