MARSHALL & ILSLEY CORP/WI/
Form 10-K
March 09, 2004
Table of Contents

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, 2003

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**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to 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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes x No ¨

The aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 30, 2003 was approximately $6,685,921,000. The number of shares of common stock outstanding as of January 31, 2004 was 222,980,632.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Proxy Statement for the registrant s Annual Meeting of Shareholders to be held on April 27, 2004.

Table of Contents

MARSHALL & ILSLEY CORPORATION

ANNUAL REPORT ON FORM 10-K

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2003

TABLE OF CONTENTS

Table of Contents

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 of 1999. As of December 31, 2003, M&I had consolidated total assets of approximately $34.4 billion and consolidated total deposits of approximately $22.3 billion, making M&I the largest bank holding company headquartered in Wisconsin. The executive offices of M&I are located at 770 North Water Street, Milwaukee, Wisconsin 53202 (telephone number (414) 765-7801).

M&I s principal assets are the stock of its bank and nonbank subsidiaries, which, as of February 1, 2004, included Metavante Corporation (Metavante) (formerly its M&I Data Services Division), 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 metropolitan area, the St. Louis, Missouri metropolitan area, 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 199 banking offices in Wisconsin, 28 offices in Arizona, 11 offices in Minnesota, six 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, 2003 of approximately $30.0 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. Diversified 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.

Table of Contents

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 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 Position and Results of Operations, and in Note 9 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Data Services Metavante Operations

Metavante provides financial technology products, software and services, including data processing, to financial institutions and other companies in the United States. Metavante s clients include large banks, mid-tier and community banks and other financial services providers. Metavante s Financial Services Group provides data processing for deposit and loan account management, general ledger, customer information systems and data warehouse services for financial institutions. It also provides trust and investment account processing and third-party employee benefit plan administration. Its Electronic Funds Group provides debit, stored-value, and credit card processing, card personalization, ATM management, transaction and merchant processing services. The e-Finance Group incorporates electronic bill presentment and payment services, payment and settlement of bill payment transactions, and electronic banking products and technology to consumers and businesses.

Metavante s revenues consist 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, North Carolina, Missouri and Illinois. 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.

Table of Contents

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

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

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 First National Leasing Corp. 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 23 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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:

Code of Business Conduct and Ethics;

Corporate Governance Guidelines;

Charter for the Nominating and Corporate Governance Committee of the Board of Directors, including the Board s categorical standards for determining the independence of directors;

Charter for the Audit Committee of the Board of Directors; and

Charter for the Compensation and Human Resources Committee of the Board of Directors.

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.

Table of Contents

Acquisitions

In November 2003, Metavante acquired the assets of Printing For Systems, Inc., a Connecticut corporation engaged in the business of printing and delivery of identification cards and other documents for the healthcare insurance industry, including non-financial data processing and direct mail services in connection with such services. Metavante believes this acquisition leverages its financial technology servicing expertise into the healthcare insurance industry and demonstrates its commitment to supporting the growth in the market for electronic funds transfer and card solutions.

In May 2003, M&I Trust entered into an agreement to purchase for cash certain segments of the employee benefit plan business of a national banking association located in Missouri. This acquisition enhances M&I Trust s presence in Missouri and complements the acquisition of Mississippi Valley Bancshares, Inc. in October 2002. The acquired segments will be transferred to M&I Trust in accordance with an established conversion schedule that is expected to be completed in the first quarter of 2004.

More information on M&I s acquisitions can be found in Note 4 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):

Years Ended December 31,	Interest on Loans and Leases: Amount	Interest on Loans and Leases: Percent of Total Operating Revenues	Interest on Investment Securities: Amount	Interest on Investment Securities: Percent of Total Operating Revenues	Fees for Data Processing Services: Amount	Fees for Data Processing Services: Percent of Total Operating Revenues	Total Operating Revenues
2003	$ 1,304,060	47.5%	$ 225,602	8.2%	$ 657,827	24.0%	$ 2,745,721
2002	1,297,166	48.9	269,842	10.2	601,500	22.7	2,650,024
2001	1,358,802	50.1	349,421	12.9	559,816	20.7	2,710,357

M&I business segment information is contained in Note 23 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.

Table of Contents

The markets for the financial products and services offered by Metavante are intensely competitive. Metavante competes with a variety of companies in various segments of the financial services industry, and its competitors vary in size and in the scope and breadth of products and services they offer. Certain segments of the financial services industry tend to be highly fragmented with numerous companies competing for market share. 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, 2003, M&I and its subsidiaries employed in the aggregate 12,244 employees. M&I considers employee relations to be excellent. None of the employees of M&I or its subsidiaries are represented by a collective bargaining group.

Supervision and Regulation

As a registered bank holding company, M&I is subject to regulation and examination by the Federal Reserve Board under the BHCA. As of February 1, 2004, 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, 2003 can be found in Note 15 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

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

Table of Contents

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 or will require 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.

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 Position and Results of Operations.

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

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

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

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

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

Table of Contents

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

Investment Securities

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

	2003	2002	2001
U.S. Treasury and government agencies	$ 3,856,069	$ 3,201,394	$ 2,268,681
States and political subdivisions	1,093,033	1,185,804	1,198,685
Other	593,875	733,396	850,980
Total	$ 5,542,977	$ 5,120,594	$ 4,318,346

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, 2003 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	$ 1,026,997	4.43%	$ 2,149,741	4.45%	$ 559,333	4.45%	$ 119,998	4.45%	$ 3,856,069	4.44%
States and political subdivisions	83,800	7.03	264,282	7.31	281,542	7.34	463,409	7.38	1,093,033	7.33
Other	153,541	5.95	177,171	4.67	109,757	6.35	153,406	2.50	593,875	4.75
Total	$ 1,264,338	4.79%	$ 2,591,194	4.76%	$ 950,632	5.53%	$ 736,813	5.89%	$ 5,542,977	5.04%

Types of Loans and Leases

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

	2003	2002	2001	2000	1999
Commercial, financial and agricultural	$ 7,013,073	$ 6,791,404	$ 5,656,384	$ 5,230,795	$ 4,691,996
Industrial development revenue bonds	97,601	80,110	71,892	58,742	62,861
Real estate:					
Construction	1,330,526	1,058,144	730,864	619,281	494,558
Mortgage:					
Residential	7,270,531	6,758,650	5,563,975	5,049,557	4,941,450
Commercial	7,149,149	6,586,332	5,099,093	4,359,812	4,034,771
Total mortgage	14,419,680	13,344,982	10,663,068	9,409,369	8,976,221
Personal	1,747,738	1,852,202	1,210,808	1,174,248	1,299,416
Lease financing	576,322	782,004	962,356	1,094,652	810,009
Total loans and leases	25,184,940	23,908,846	19,295,372	17,587,087	16,335,061
Less:					
Allowance for loan and lease losses	349,561	338,409	268,198	235,115	225,862
Net loans and leases	$ 24,835,379	$ 23,570,437	$ 19,027,174	$ 17,351,972	$ 16,109,199

Table of Contents

Loan and Lease Balances and Maturities

The analysis of selected loan and lease maturities at December 31, 2003 and the rate structure for the categories indicated are ($ in thousands):

	Maturity				Rate Structure of Loans and Leases Due After One Year		
	One Year Or Less	Over One Year Through Five Years	Over Five Years	Total	With Pre-determined Rate	With Floating Rate	Total
Commercial, financial and agricultural	$ 4,284,072	$ 2,492,788	$ 236,213	$ 7,013,073	$ 713,005	$ 2,015,996	$ 2,729,001
Industrial development revenue bonds	3,994	29,044	64,563	97,601	57,150	36,457	93,607
Real estate construction	613,202	717,324		1,330,526	174,092	543,232	717,324
Lease Financing	172,724	367,466	36,132	576,322	403,598		403,598
Total	$ 5,073,992	$ 3,606,622	$ 336,908	$ 9,017,522	$ 1,347,845	$ 2,595,685	$ 3,943,530

Notes:

(1) Scheduled repayments are reported in the maturity category in which the payments are due based on the terms of the loan agreements. Demand loans, loans having no stated schedule of repayments and no stated maturity, and over-drafts are reported as due in one year or less.

(2) 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):

	2003		2002		2001	
	Amount	Rate	Amount	Rate	Amount	Rate
Noninterest bearing demand deposits	$ 4,189,724		$ 3,509,133		$ 2,895,083	

Interest bearing demand deposits	2,111,753	0.90%	1,506,797	1.05%	1,088,186	1.21%
Savings deposits	7,226,830	0.69	6,815,058	1.23	6,419,204	3.21
Time deposits	8,457,571	1.89	6,811,999	2.69	6,788,118	5.12
Total deposits	$ 21,985,878		$ 18,642,987		$ 17,190,591	

The maturity distribution of time deposits issued in amounts of $100,000 and over outstanding at December 31, 2003 ($ in thousands) is:

Three months or less	$ 1,406,412
Over three and through six months	476,122
Over six and through twelve months	726,638
Over twelve months	1,884,010
Total	$ 4,493,182

At December 31, 2003, time deposits issued by foreign offices totaled $1.1 billion. The majority of foreign deposits were in denominations of $100,000 or more.

Table of Contents

Short-Term Borrowings

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

	2003	2002	2001
Amount outstanding at year end	$ 741,646	$ 895,196	$ 1,090,150
Average amount outstanding during the year	2,580,291	2,420,298	2,076,787
Maximum outstanding at any month s end	3,684,044	3,391,162	2,760,183
Weighted average interest rate at year end	0.73%	0.61%	1.20%
Weighted average interest rate during the year	1.11	1.63	3.93

Information relating to the Corporation s Senior Bank Notes Puttable Reset Securities for the last three years is as follows ($ in thousands):

	2003	2002	2001
Amount outstanding at year end	$	$	$ 1,001,961
Average amount outstanding during the year		919,408	1,004,977
Maximum outstanding at any month s end		1,001,890	1,007,552
Coupon rate		6.15%	6.15%
Average interest rate during the year		6.11	6.11

The Senior Bank Notes Puttable Reset Securities were remarketed in December 2002 and at that time became long-term borrowings.

Information relating to the Corporation s short-term borrowings is included in Note 13 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Forward-Looking Statements

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

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 following:

M&I s earnings are significantly affected by general business and economic conditions.

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 and consumer spending, borrowing and saving habits. 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. 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 Metavante s financial institution customers.

Table of Contents

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.

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.

The banking and financial services industry is highly competitive.

M&I operates in a highly competitive environment in the products and services M&I offers and the markets in which M&I operates. 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 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.

M&I is heavily regulated by federal and state agencies.

The holding company, its subsidiary banks and many of its non-bank subsidiaries are heavily regulated at the federal and state levels. This regulation is designed primarily to protect consumers, depositors and the banking system as a whole, not 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.

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, state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. 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.

Consumers may decide not to use banks to complete their financial transactions.

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.

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. 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. 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.

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 key to 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

Table of Contents

these accounting policies and methods in order to ensure that they comply with generally accepted accounting principles and reflect management s judgment as to the most appropriate manner in which to record and report 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 Position and Results of Operations.

M&I has an active acquisition program.

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.

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 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. 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 use substantial cash or liquid assets or to incur debt. In such cases, M&I could become more susceptible to economic downturns and competitive pressures.

M&I is dependent on senior management.

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;
- 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:

Metavante relies on the continued functioning of its data centers and the integrity of the data it processes.

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. 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.

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, 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.

Table of Contents

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.

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 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.

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

Notice Regarding Consent of Arthur Andersen LLP

Arthur Andersen LLP was formerly the independent auditor for M&I. Representatives of Arthur Andersen LLP are not available to consent to the incorporation by reference of their report contained in this Annual Report into M&I s registration statements on Form S-3, Form S-4 and Form S-8, and M&I has dispensed with the requirement to file their consent in reliance upon Rule 437a of the Securities Act of 1933. Because Arthur Andersen LLP has not consented to the incorporation by reference of their report into these registration statements, purchasers of stock under these registration statements will not be able to recover against Arthur Andersen LLP under Section 11 of the Securities Act of 1933 for any untrue statements of a material fact contained in the financial statements audited by Arthur Andersen LLP that are incorporated by reference into these registration statements or any omissions of material fact required to be stated therein.

ITEM 2. PROPERTIES

M&I and M&I Marshall & Ilsley Bank (M&I Bank) occupy offices on all or portions of 15 floors of a 21-story building located at 770 North Water Street, Milwaukee, Wisconsin. M&I Bank owns the building and its adjacent 10-story parking lot and leases the remaining floors to a professional tenant. In addition, various subsidiaries of M&I lease commercial office space in downtown Milwaukee office buildings near the 770 North Water Street facility. M&I Bank also owns or leases various branch offices throughout Wisconsin, 28 offices in the Phoenix and Tucson, Arizona metropolitan areas, ten 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 and a facility in Milwaukee that houses its software development teams. 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 Lawrenceville, New Jersey; Sioux Falls, South Dakota; San Jose, California; Ann Arbor, Michigan; Atlanta, Georgia; and Madison, Wisconsin.

Table of Contents

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, 2004)

Name of Officer	Office
James B. Wigdale Age 67	Chairman of the Board since December 1992, Chief Executive Officer from October 1992 to December 2001, Director since December 1988, Vice Chairman of the Board, December 1988 to December 1992, Marshall & Ilsley Corporation; Chairman of the Board from January 1989 to October 2001, Chief Executive Officer from 1987 to October 2001, Director since 1981, M&I Marshall & Ilsley Bank; Chairman of the Board and President, M&I Ventures L.L.C. and M&I Capital Markets Group L.L.C.; Director, Metavante Corporation, M&I Brokerage Services, Inc., Marshall & Ilsley Trust Company N.A., M&I Investment Management Corp. and M&I Insurance Services, Inc.
Dennis J. Kuester Age 61	Chief Executive Officer since January 2002, President since 1987, Director since February 1994, Marshall & Ilsley Corporation; Chairman of the Board and Chief Executive Officer since October 2001, President from January 1989 to October 2001, Director since January 1989, M&I Marshall & Ilsley Bank; Chairman of the Board, Metavante Corporation; Vice President, M&I Ventures L.L.C. and M&I Capital Markets Group L.L.C.
Thomas M. Bolger Age 53	Executive Vice President since October 2001, Senior Vice President and Chief Credit Officer from 1994 to October 2001, Marshall & Ilsley Corporation; President and Director since October 2001, Executive Vice President from 1997 to October 2001, M&I Marshall & Ilsley Bank; Director and Vice President, M&I Capital Markets Group L.L.C. and M&I Ventures L.L.C.; Senior Vice President of Southwest Bank of St. Louis; Vice President of M&I Bank FSB; Director of M&I Bank of Mayville, M&I Investment Management, Corp., Marshall & Ilsley Trust Company N.A., M&I Support Services Corp., M&I First National Leasing Corp., Metavante Corporation and Diversified Business Credit, Inc.
Ryan R. Deneen Age 39	Senior Vice President, Director of Corporate Tax of Marshall & Ilsley Corporation since December 2003; Partner with KPMG LLP, a public accounting firm, from 1997 to November 2003.
Randall J. Erickson Age 44	Senior Vice President, General Counsel and Secretary of Marshall & Ilsley Corporation since June 2002; Corporate Secretary of M&I Marshall & Ilsley Bank since June 2002; Director of M&I Bank FSB and M&I Community Development Corporation; Director and Vice President of SWB Holdings, Inc.; Director and Secretary of M&I Capital Markets Group L.L.C. and M&I Ventures L.L.C.; Shareholder at Godfrey & Kahn, S.C., a Milwaukee-based law firm, from September 1990 to June 2002.

Table of Contents

Name of Officer	Office
Mark F. Furlong Age 46	Executive Vice President and Chief Financial Officer of Marshall & Ilsley Corporation since 2001; Chief Financial Officer of M&I Marshall & Ilsley Bank since February 2003; Senior Vice President of Southwest Bank of St. Louis; Vice President and Treasurer of M&I Capital Markets Group L.L.C. and M&I Ventures L.L.C.; Director of Marshall & Ilsley Trust Company N.A., M&I Investment Management Corp. and Metavante Corporation; 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 49	Senior Vice President and Chief Credit Officer since October 2001, Marshall & Ilsley Corporation; Senior Vice President and Chief Credit Officer since November 1995, M&I Marshall & Ilsley Bank; Director, M&I First National Leasing Corp., Diversified Business Credit, Inc. and Richter-Schroeder Company, Inc.; Director and Vice President of SWB Holdings, Inc.
Patricia R. Justiliano Age 53	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. and SWB Investment Corporation.
Kenneth C. Krei Age 54	Senior Vice President of Marshall & Ilsley Corporation since July 2003; Director, President and Chief Executive Officer of Marshall & Ilsley Trust Company N.A. since July 2003; Director and Chief Executive Officer of M&I Investment Management Corp. since July 2003; Director of M&I Brokerage Services, Inc. and M&I Insurance Services, 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.
Nancy A. Maas Age 44	Senior Vice President, Director of Corporate Marketing since June 2002, Vice President and Corporate Marketing Officer from 1999 to June 2002, Marshall & Ilsley Corporation; Assistant Vice President from 1998 to 1999, Marshall & Ilsley Trust Company N.A.; Director of Shareholder Marketing from 1997 to 1998, Strong Financial Corporation.
Frank R. Martire Age 56	Senior Vice President of Marshall & Ilsley Corporation since April 2003; Director, President and Chief Executive Officer since March 2003, President, Financial Services Group, from January 2003 to March 2003, Metavante Corporation; Director and President of Metavante International, Inc.; 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.

Table of Contents

Name of Officer	Office
Thomas J. O Neill Age 43	Senior Vice President since April 1997, Marshall & Ilsley Corporation; Executive Vice President since 2000, Senior Vice President since 1997, Vice President since 1991, 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; Director of M&I Bank of Mayville, M&I Brokerage Services, Inc., M&I Investment Management Corp., Marshall & Ilsley Trust Company N.A., M&I Insurance Services, Inc. and M&I Support Services Corp.
Paul J. Renard Age 43	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 51	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 47	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.
Jeffrey V. Williams Age 59	Senior Vice President since December 1997, Marshall & Ilsley Corporation; Senior Vice President since 1994, M&I Marshall & Ilsley Bank; Chairman of the Board since July 2003, President and Chief Executive Officer from January 2003 to July 2003, Executive Vice President and Chief Operating Officer from 1999 to 2003; Marshall & Ilsley Trust Company N.A.; Director and Chief Executive Officer of M&I Insurance Services, Inc. and M&I Brokerage Services Inc.; Vice President of M&I Capital Markets Group L.L.C. and M&I Ventures L.L.C.; Director of M&I Investment Management Corp., M&I Portfolio Services, Inc. and M&I Support Services Corp.
Donald H. Wilson Age 44	Senior Vice President and Treasurer since December 1996, Marshall & Ilsley Corporation; Senior Vice President of M&I Marshall & Ilsley Bank; Director and President of M&I Northwoods III and M&I Dealer Auto Securitization, LLC; Senior Vice President of Southwest Bank of St. Louis; Assistant Secretary of M&I Capital Markets Group L.L.C. and M&I Ventures L.L.C.; Director of M&I Bank FSB, M&I Community Development Corporation, M&I Custody of Nevada, Inc., M&I Marshall & Ilsley Holdings, Inc., M&I Marshall & Ilsley Investment II Corporation, M&I Marshall & Ilsley Investment Corporation, M&I Mortgage Corp., M&I Servicing Corp., M&I Zion Holdings, Inc., M&I Zion Investment Corp., M&I Zion Investment II Corporation and SWB Investment Corporation.

PART II

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

Stock Listing

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

Table of Contents

A discussion of the regulatory restrictions on the payment of dividends can be found under Item 7, Management s Discussion and Analysis of Financial Position and Results of Operations, and in Note 15 in Item 8, Consolidated Financial Statements and Supplementary Data.

Holders of Common Equity

At December 31, 2003 M&I had approximately 19,708 record holders of its common stock.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Earnings

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

	2003	2002	2001	2000	1999
Interest Income:					
Loans and leases	$ 1,304,060	$ 1,297,166	$ 1,358,802	$ 1,391,651	$ 1,156,775
Investment securities					
Taxable	165,075	198,037	270,336	272,536	269,668
Exempt from federal income taxes	57,968	60,637	62,273	65,429	58,820
Trading securities	258	328	884	1,508	1,864
Short-term investments	2,559	11,168	16,812	16,858	9,457
Total interest income	1,529,920	1,567,336	1,709,107	1,747,982	1,496,584
Interest Expense:					
Deposits	228,216	283,385	566,899	772,016	585,864
Short-term borrowings	81,070	150,310	188,587	224,187	142,294
Long-term borrowings	163,348	127,343	110,842	78,773	63,145
Total interest expense	472,634	561,038	866,328	1,074,976	791,303
Net interest income	1,057,286	1,006,298	842,779	673,006	705,281
Provision for loan and lease losses	62,993	74,416	54,115	30,352	25,419
Net interest income after provision for loan and lease losses	994,293	931,882	788,664	642,654	679,862
Other Income:					
Data processing services	657,827	601,500	559,816	546,041	494,816
Trust services	126,759	120,586	120,827	117,680	100,963
Net securities gains (losses)	21,572	(6,271)	(6,759)	(29,985)	7,691
Other	409,643	366,873	327,366	297,858	279,606
Total other income	1,215,801	1,082,688	1,001,250	931,594	883,076
Other Expense:					
Salaries and benefits	797,518	745,518	695,405	628,215	587,711
Other	654,189	550,460	593,464	475,683	447,288
Total other expense	1,451,707	1,295,978	1,288,869	1,103,898	1,034,999
Income before income taxes and cumulative effect of changes in accounting principles	758,387	718,592	501,045	470,350	527,939
Provision for income taxes	214,282	238,265	163,124	152,948	173,428
Income before cumulative effect of changes in accounting principles	544,105	480,327	337,921	317,402	354,511
Cumulative effect of changes in accounting principles, net of income taxes			(436)	(2,279)	

Net Income	$ 544,105	$ 480,327	$ 337,485	$ 315,123	$ 354,511
Net income per common share:**					
Basic:					
Income before cumulative effect of changes in accounting principles	$ 2.41	$ 2.24	$ 1.60	$ 1.51	$ 1.66
Cumulative effect of changes in accounting principles, net of income taxes				(0.01)	
Net income	$ 2.41	$ 2.24	$ 1.60	$ 1.50	$ 1.66
Diluted:					
Income before cumulative effect of changes in accounting principles	$ 2.38	$ 2.16	$ 1.55	$ 1.46	$ 1.57
Cumulative effect of changes in accounting principles, net of income taxes				(0.01)	
Net income	$ 2.38	$ 2.16	$ 1.55	$ 1.45	$ 1.57
Other Significant Data:					
Year-End Common Stock Price**	$ 38.25	$ 27.38	$ 31.64	$ 25.42	$ 31.41
Return on Average Shareholders Equity	16.79%	17.36%	13.89%	14.67%	16.32%
Return on Average Assets	1.64	1.64	1.28	1.26	1.56
Dividend Payout Ratio	29.41	28.94	36.65	35.72	29.94
Average Equity to Average Assets Ratio	9.74	9.47	9.21	8.58	9.57
Ratio of Earnings to Fixed Charges*					
Excluding Interest on Deposits	3.84x	3.38x	2.56x	2.46x	3.38x
Including Interest on Deposits	2.53x	2.23x	1.56x	1.43x	1.65x

* See Exhibit 12 for detailed computation of these ratios.

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

Table of Contents

Consolidated Average Balance Sheets

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

	2003	2002	2001	2000	1999
Assets:					
Cash and due from banks	$ 752,215	$ 708,256	$ 651,367	$ 615,015	$ 638,399
Investment securities:					
Trading securities	23,017	15,247	21,284	30,926	37,276
Short-term investments	264,254	717,129	503,857	265,487	186,106
Other investment securities:					
Taxable	4,038,579	3,325,568	3,926,737	4,063,773	4,208,498
Tax exempt	1,173,466	1,224,737	1,269,175	1,327,159	1,217,847
Total investment securities	5,499,316	5,282,681	5,721,053	5,687,345	5,649,727
Loans and Leases:					
Commercial	6,905,323	6,143,862	5,478,342	4,975,482	4,359,880
Real estate	14,938,082	12,633,208	10,514,536	9,958,164	8,639,360
Personal	1,874,315	1,388,447	1,182,049	1,245,738	1,204,931
Lease financing	674,871	862,927	1,026,215	938,525	705,054
Total loans and leases	24,392,591	21,028,444	18,201,142	17,117,909	14,909,225
Allowance for loan and lease losses	347,838	302,664	253,089	233,466	228,500
Net loans and leases	24,044,753	20,725,780	17,948,053	16,884,443	14,680,725
Premises and equipment, net	440,492	418,042	391,633	376,286	360,624
Accrued interest and other assets	2,531,245	2,067,891	1,658,203	1,478,688	1,371,488
Total Assets	$ 33,268,021	$ 29,202,650	$ 26,370,309	$ 25,041,777	$ 22,700,963
Liabilities and Shareholders Equity:					