FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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MARSHALL & ILSLEY CORP/WI/

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Business Address
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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1994

OR

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

For the transition period from ___________ to _____________

Commission file number 0 - 1220

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)

(414) 765 - 7801

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1994
Common Stock, $1.00 Par Value	59,830,085

PART 1 - FINANCIAL INFORMATION

MARSHALL & ILSLEY CORPORATION
CONSOLIDATED BALANCE SHEETS (Unaudited)
($000's except share data)

Assets	March 31 1994	December 31 1993	March 31 1993
Cash and cash equivalents:			
Cash and due from banks	$445,106	$479,473	$394,465
Federal funds sold and security resale agreements	228,814	59,696	98,958
Money market funds	40,612	35,866	25,780
Total cash and cash equivalents	714,532	575,035	519,203
Trading securities	6,440	2,305	6,613
Other short-term investments	44,661	49,365	67,841
Investment securities held to maturity, market value $158,387 ($173,262 December 31, and $282,368 March 31, 1993)	157,076	169,484	276,172
Investment securities available for sale at market value March 31, 1994 (amortized cost December 31 and March 31, 1993). Market value $1,521,401 and $1,599,274 at December 31 and March 31, 1993, respectively.	1,452,898	1,504,197	1,566,298
Total investment securities	1,609,974	1,673,681	1,842,470
Loans	5,426,960	5,371,085	4,922,366
Less: Allowance for loan losses	94,871	93,189	88,430

Net loans	5,332,089	5,277,896	4,833,936
Premises and equipment, net	197,512	196,530	171,066
Accrued interest and other assets	200,778	195,402	187,891
Total Assets	$8,105,986	$7,970,214	$7,629,020
Liabilities and Shareholders' Equity			
Deposits:			
Noninterest bearing	$1,558,428	$1,724,256	$1,373,558
Interest bearing	4,420,907	4,471,618	4,443,813
Total deposits	5,979,335	6,195,874	5,817,371
Funds purchased and security repurchase agreements	861,616	454,980	638,375
Other short-term borrowings	152,303	178,688	99,479
Long-term borrowings	197,534	202,817	125,091
Accrued expenses and other liabilities	163,801	187,503	162,671
Total liabilities	7,354,589	7,219,862	6,842,987
Shareholders' equity:			
Series A convertible preferred stock, $1.00 par value; 185,314 shares issued	185	185	185
Common stock, $1.00 par value; 66,424,646 shares issued (66,424,646 December 31, and 22,109,445 March 31, 1993)	66,425	66,425	22,109
Additional paid-in capital	49,190	50,184	93,767
Retained earnings	775,997	756,556	689,326
Less: Treasury common stock, at cost; 6,550,461 shares (5,821,786 December 31, and 564,447 March 31, 1993)	136,379	121,106	16,479
Deferred compensation	1,690	1,892	2,875
Net unrealized losses on securities available for sale, net of related taxes	2,331	-	-
Total shareholders' equity	751,397	750,352	786,033
Total Liabilities and Shareholders' Equity	$8,105,986	$7,970,214	$7,629,020

See notes to financial statements.

MARSHALL & ILSLEY CORPORATION
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
($000's except per share data)

	Three Months Ended March 31,	
	1994	1993
Interest income:		

Loans	$96,746	$93,979
Investment securities:		
Taxable	17,152	23,135
Exempt from Federal income taxes	2,214	3,864
Trading securities	39	39
Short-term investments	1,599	1,823
Total interest income	117,750	122,840
Interest expense:		
Deposits	32,607	38,313
Short-term borrowings	6,464	4,489
Long-term borrowings	4,383	3,464
Total interest expense	43,454	46,266
Net interest income	74,296	76,574
Provision for loan losses	1,771	2,146
Net interest income after provision for loan losses	72,525	74,428
Other income:		
Data processing services	38,308	30,971
Trust services	12,477	12,137
Other customer services	19,962	19,579
Net securities gains	839	1,861
Other	4,981	5,972
Total other income	76,567	70,520
Other expense:		
Salaries and employee benefits	61,076	56,107
Net occupancy	6,488	6,168
Equipment	11,915	10,199
Payments to regulatory agencies	3,552	3,637
Processing charges	3,679	3,094
Supplies and printing	2,673	2,427
Professional services	1,597	1,724
Other	13,366	14,023
Total other expense	104,346	97,379
Income before income taxes	44,746	47,569
Provision for income taxes	16,572	16,534
Net income	$28,174	$31,035
Net income per common share:		
Primary	$0.44	$0.46
Fully Diluted	$0.42	$0.43
Dividends paid per common share	$0.14	$0.12
Weighted average common shares outstanding:		
Primary	63,514	68,128
Fully diluted	69,228	74,101

See notes to financial statements

MARSHALL & ILSLEY CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
($000's)

	Three Months Ended March 31, 1994	1993
Net Cash Provided by Operating Activities	$42,609	$53,427
Cash Flows From Investing Activities:		
Net decrease in securities with maturities of three months or less	4,750	31,550
Proceeds from sales of securities available for sale	1,861	10,315
Proceeds from maturities of longer term securities	261,316	337,738
Purchases of longer term securities	(206,314)	(164,149)
Net increase in loans	(98,062)	(73,032)
Purchases of assets to be leased	(15,747)	(20,419)
Principal payments on lease receivables	28,270	25,752
Fixed asset purchases, net	(8,979)	(8,442)
Other	(617)	1,270
Net cash provided by (used in) investing activities	(33,522)	140,583
Cash Flows From Financing Activities:		
Net decrease in deposits	(216,539)	(394,757)
Proceeds from issuance of commercial paper	267,746	171,420
Payments for maturity of commercial paper	(291,548)	(213,733)
Net increase in other short-term borrowings	398,433	226,041
Proceeds from issuance of long-term debt	7,774	4,821
Payments of long-term debt	(7,628)	(6,648)
Dividends paid	(8,722)	(8,200)
Purchases of treasury stock	(19,886)	-
Other	780	2,220
Net cash provided by (used in) financing activities	130,410	(218,836)
Net increase (decrease) in cash and cash equivalents	139,497	(24,826)
Cash and cash equivalents, beginning of year	575,035	544,029
Cash and cash equivalents, end of period	$714,532	$519,203

Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$44,008	$43,951
Income taxes	8,221	7,235

See notes to financial statements

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements

March 31, 1994 & 1993 (Unaudited)

1. The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's ("Corporation") 1993 Annual Report on Form 10-K. The unaudited financial information included in this report reflects all adjustments (consisting only of normal recurring accruals) which are necessary for a fair statement of the financial position and results of operations as of and for the three months ended March 31, 1994 and 1993. The results of operations for the three months ended March 31, 1994 and 1993 are not necessarily indicative of results to be expected for the entire year.

2. The Corporation declared a three for one stock split effected in the form of a 200% stock dividend which was distributed to shareholders on May 28, 1993. All per share data for 1993 has been retroactively restated for the stock split.

3. The Corporation has 5,000,000 shares of preferred stock authorized, of which, the Board of Directors has designated 500,000 shares as Series A convertible, with a $100 value per share for conversion and liquidation purposes.

   The Corporation has 160,000,000 (80,000,000 in 1993) shares of its $1.00 par value common stock authorized.

4. The Corporation's loan portfolio consists of the following ($000's):

	March 31 1994	December 31 1993	March 31 1993
Commercial financial & agricultural	$1,959,006	$1,889,578	$1,829,539
Real estate:			
Construction	202,884	214,369	$153,503
Residential Mortgage	1,207,554	1,254,748	1,164,851
Commercial Mortgage	1,107,088	1,061,635	937,247
Total real estate	2,517,526	2,530,752	2,255,601
Personal	717,754	711,194	607,769
Lease financing	232,674	239,561	229,457

	$5,426,960	$5,371,085	$4,922,366

5. Effective January 1, 1994, the Corporation adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (FAS 115). Accordingly, investment securites classified as available for sale are carried at fair value with fair value adjustments, net of their related income tax effects, reported as a component of shareholders' equity. The effect of adopting FAS 115 resulted in an increase to shareholders' equity of $9,467 at January 1, 1994. The net unrealized loss (net of unrealized gains but before income tax effects) for investment securities classified as available for sale at March 31, 1994 amounted to $3,698 which resulted in a decrease to shareholders' equity of $2,331. Investment securities classifed as available for sale at December 31 and March 31, 1993, are carried at amortized cost in the accompanying consolidated balance sheets.
   Investment securities, by type, held by the Corporation are as follows ($000's):

	March 31 1994	December 31 1993	March 31 1993
Investment securities held to maturity:			
State and political subdivisions	$152,704	$160,238	$259,719
Other	4,372	9,246	16,453
Investment securities held to maturity	157,076	169,484	276,172
Investment securities available for sale:			
U.S. treasury and government agencies	1,394,169	1,460,009	1,529,646
Other	58,729	44,188	36,652
Investment securities available for sale	1,452,898	1,504,197	1,566,298
Total Investment Securities	$1,609,974	$1,673,681	$1,842,470

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Concluded

March 31, 1994 & 1993 (Unaudited)

6. In September 1993, the Corporation ("M&I") entered into an Agreement and Plan of Merger ("Merger Agreement") whereby Valley Bancorporation ("Valley"), a Wisconsin bank holding company located in Appleton, Wisconsin, with consolidated assets of approximately $4.4 billion, will merge with and into the Corporation ("the Merger"). Under the terms of the Merger Agreement, each share of Valley common stock will be converted into the right to receive 1.72 shares of the Corporation's common stock in a tax-free reorganization which is to be accounted for as a pooling of interests.

   The following information summarizes certain financial data of M&I and

Valley for the three month period ended March 31, 1994, along with pro forma information which would result from the combination ($ in thousands, except per share data):

	M&I	Valley	Pro Forma
Net Interest Income	$74,296	$44,112	$117,612
Provision for Loan Losses	1,771	2,181	3,952
Net Income	28,174	10,339	38,513
Fully Diluted Net Income Per Share	$0.42	$0.50	$0.37

The pro forma financial information does not include the effect of the one time merger related and restructuring charges associated with the combination which is estimated to be approximately $48 million (after tax) nor does it include the effects of the proposed divestitures or any potential cost savings which are anticipated after the merger is completed. See Management's Discussion and Analysis of Financial Position and Results of Operations for a further discussion of the status of the pending Merger.

Potential loan loss provisions may be recorded at or near the consummation of the Merger. While the amounts have not been quantified, an additional provision may be necessary to conform Valley's loan valuation policies with those of M&I. M&I does not anticipate that the amount of such provision will be material to the combined entity.

MARSHALL & ILSLEY CORPORATION
CONSOLIDATED AVERAGE BALANCE SHEETS (Unaudited)
($000's)

	Three Months Ended March 31,	
	1994	1993
Assets		
Cash and due from banks	$474,317	$426,651
Short-term investments	194,598	223,936
Trading securities	3,341	3,826
Investment securities:		
U.S. Treasury and government agencies	1,428,366	1,522,744
States and political subdivisions	155,681	269,292
Other	64,603	54,934
Total investment securities	1,648,650	1,846,970
Loans:		
Commercial	1,903,159	1,769,757
Real estate	2,513,105	2,224,152
Personal	707,869	604,215
Lease financing	234,639	229,666

	5,358,772	4,827,790
Less: Allowance for loan losses	94,339	87,282
Total loans	5,264,433	4,740,508
Premises and equipment, net	196,831	170,025
Accrued interest and other assets	185,817	180,599
Total Assets	$7,967,987	$7,592,515
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest bearing	$1,544,237	$1,395,223
Interest bearing	4,433,860	4,479,034
Total deposits	5,978,097	5,874,257
Funds purchased and security repurchase agreements	713,583	545,154
Other short-term borrowings	109,959	67,170
Long-term borrowings	240,868	171,038
Accrued expenses and other liabilities	159,811	160,154
Total liabilities	7,202,318	6,817,773
Shareholders' equity	765,669	774,742
Total Liabilities and Shareholders' Equity	$7,967,987	$7,592,515

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 1994 AND 1993

Net income for the first quarter of 1994 was $28.2 million compared to $31.0 million for the same period one year ago. Fully diluted earnings per share amounted to $.42 this quarter and $.43 for the same quarter last year. The Corporation's return on average assets and return on average shareholders' equity were 1.43% and 14.92% for the three months ended March 31, 1994 and 1.66% and 16.25% for the three months ended March 31, 1993, respectively.

The decrease in net income of $2.8 million or 9.2% is attributable to a decline in net interest income, lower security gains and slower fee revenue growth from the Corporation's banking and trust services affiliates.

PROVISION FOR LOAN LOSSES AND CREDIT QUALITY

The provision for loan losses amounted to $1.8 million in the first quarter of 1994 compared to $2.4 million and $2.1 million in the fourth and first quarters of 1993, respectively. The 1994 provision level reflects the continued current favorable trends in nonperforming assets and net charge-offs in relation to the allowance for loan losses.

At March 31, 1994, nonperforming assets were $44.1 million, the lowest level reported over the past five quarters. Nonaccrual loans, the largest component of nonperforming assets, declined $2.4 million or 8.8% since December 31, 1993. Each major loan type exhibited a decline in nonaccrual loans at March 31, 1994 compared to year-end 1993.

Net charge-offs in the first quarter of 1994 amounted to $.09 million or .01% of average loans annualized. During the first quarter of 1993, the Corporation's lead bank, M&I Marshall & Ilsley Bank, and its Arizona affiliate, M&I Thunderbird Bank, had net recoveries which contributed to consolidated net recoveries of $0.4 million.

The allowance for loan losses was $94.9 million or 1.75% of total loans at March 31, 1994 compared to $93.2 million or 1.74% of total loans at December 31, 1993 and $88.4 million or 1.80% of total loans at March 31, 1993. The coverage of the allowance for loan losses to nonperforming loans increased from 261% at year-end 1993 to 284% at the end of the current quarter primarily due to the decrease in nonperforming loans of $2.4 million or 6.6%. At March 31, 1993, such coverage was 188%.

The following tables present certain credit quality information and statistics for the Corporation and its major affiliate groups at March 31, 1994 as well as the previous four quarters.

CONSOLIDATED CREDIT QUALITY INFORMATION
($000's)

	1994	1993			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
NONPERFORMING ASSETS					
Nonaccrual	$25,432	$27,880	$31,762	$36,165	$37,494
Renegotiated	1,965	2,195	2,241	2,267	3,012
Past Due 90 Days or More	6,021	5,694	5,008	5,406	6,411
Total Nonperforming Loans	33,418	35,769	39,011	43,838	46,917

Other Real Estate Owned	10,676	10,634	12,184	13,195	14,184
Total Nonperforming Assets	$44,094	$46,403	$51,195	$57,033	$61,101
ALLOWANCE FOR LOAN LOSSES	$94,871	$93,189	$92,005	$89,989	$88,430
NONACCRUAL LOANS BY TYPE					
Commercial					
Commercial, Financial & Agricultural	$ 5,284	$ 5,663	$ 7,160	$12,601	$13,088
Lease Financing Receivables	2,756	2,819	3,524	2,807	1,965
Total Commercial	8,040	8,482	10,684	15,408	15,053
Real Estate					
Construction and Land Development	63	388	45	--	1,123
Commercial Mortgage	11,338	12,578	13,146	11,766	12,611
Residential Mortgage	4,788	5,014	6,276	7,017	6,625
Total Real Estate	16,189	17,980	19,467	18,783	20,359
Personal	1,203	1,418	1,611	1,974	2,082
Total Nonaccrual Loans	$25,432	$27,880	$31,762	$36,165	$37,494

	1994	1993			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
NET LOAN AND LEASE CHARGE-OFFS (RECOVERIES)					
Loan and Lease Charge-offs	$ 1,424	$ 2,381	$ 1,222	$ 1,987	$ 1,196
Loan and Lease Recoveries	1,335	1,174	992	1,264	1,596
Net Loan and Lease Charge-offs (Recoveries)	$ 89	$ 1,207	$ 230	$ 723	$ (400)

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CONSOLIDATED STATISTICS

Net Charge-offs (Recoveries) to Average Loans Annualized	0.01%	0.09%	0.02%	0.06%	(0.03%)
Total Nonperforming Loans to Total Loans	0.62	0.67	0.75	0.87	0.95
Total Nonperforming Assets to Total Loans and Other Real Estate Owned	0.81	0.86	0.98	1.12	1.24
Allowance for Loan Losses to Total Loans	1.75	1.74	1.76	1.78	1.80
Allowance for Loan Losses to Nonperforming Loans	284	261	236	205	188

MAJOR AFFILIATE GROUP CREDIT QUALITY INFORMATION
($000's)

	1994	1993			
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
TOTAL NONPERFORMING ASSETS					
M&I Marshall & Ilsley Bank	$11,968	$13,656	$13,917	$19,095	$20,045
Other Wisconsin Affiliates	27,835	28,733	31,162	31,517	34,068
M&I Thunderbird Bank	4,291	4,014	6,116	6,421	6,988
Total Nonperforming Assets	$44,094	$46,403	$51,195	$57,033	$61,101
	=======	=======	=======	=======	=======
PROVISIONS FOR LOAN LOSSES					
M&I Marshall & Ilsley Bank	$ 300	$ 300	$ 300	$ 300	$ 300
Other Wisconsin Affiliates	1,246	1,866	1,721	1,757	1,846
M&I Thunderbird Bank	225	225	225	225	--

Total Provisions for Loan Losses	$ 1,771	$ 2,391	$ 2,246	$ 2,282	$ 2,146

	1994	1993			
RATIO OF ALLOWANCE FOR LOAN LOSSES TO NONPERFORMING LOANS	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
M&I Marshall & Ilsley Bank	590%	455%	469%	269%	243%
Other Wisconsin Affiliates	206	193	174	171	160
M&I Thunderbird Bank	405	434	291	265	226
Consolidated	284%	261%	236%	205%	188%

INCOME STATEMENT COMPONENTS AS A PERCENT OF AVERAGE TOTAL ASSETS

The following table presents a summarized view of each of the major elements of the consolidated income statement for the comparative quarters. Each of the elements is stated as a percent of the average total assets for the respective quarter and, where appropriate, is converted to a fully taxable basis.

	1994	1993	ROA IMPACT
Interest Income	6.06%	6.67%	(0.61)%
Interest Expense	(2.21)	(2.47)	0.26
Net Interest Income	3.85	4.20	(0.35)
Provision for Loan Losses	(0.09)	(0.11)	0.02
Net Securities Gains	0.04	0.10	(0.06)
Other Income	3.85	3.67	0.18

Other Expense	(5.31)	(5.20)	(0.11)
Income Before Income Taxes	2.34	2.66	(0.32)
Income Taxes	(0.91)	(1.00)	0.09
Return on Assets (ROA)	1.43%	1.66%	(0.23)%

NET INTEREST INCOME

Net interest income in the first quarter of 1994 was $74.3 million compared to $76.6 million for the same period one year ago, a decrease of $2.3 million or 3%. The benefit of the increase in the average volume of earning assets, primarily loans, together with the benefit of the decline in cost of interest bearing deposits was not sufficient to offset the decrease in yields on earning assets.

Average earning assets increased $302.8 million or 4.4% in the first quarter of 1994 compared to the same period one year ago. Average loan growth of $531.0 million or 11% was offset, in part, by a decline in average securities of $198.3 million and a decrease in average other earning assets.

The growth and composition of the Corporation's quarterly average loan portfolio for the current quarter and previous four quarters are reflected below (amounts in millions):

	1994	1993				
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Annual Growth PCT
Commercial Loans	$1,903	$1,849	$1,815	$1,851	$1,770	7.5%
Real Estate Loans						
Construction	214	205	174	155	146	46.2
Commercial Mortgages	1,086	1,030	990	941	909	19.5
Residential Mortgages	1,213	1,235	1,209	1,196	1,169	3.8
Total Real Estate Loans	2,513	2,470	2,373	2,292	2,224	13.0
Personal Loans						
Personal Loans	519	521	503	478	465	11.4
Student Loans	189	166	149	143	139	36.4

Total Personal Loans	708	687	652	621	604	17.2
Lease Financing Receivables	235	236	232	230	230	2.2
Total Consolidated Average Loans	$5,359	$5,242	$5,072	$4,994	$4,828	11.0%

Each major category of loans increased since the first quarter of 1993. The Corporation's average commercial portfolio grew 11.8% while the portfolio of average loans to individuals increased 9.7% reflecting increased confidence by both the business and consumer sectors since last year.

Average interest bearing liabilities grew $235.9 million or 4.5% for the three months ended March 31, 1994, compared to the same period in 1993. The decline in average interest bearing deposits of $45.2 million or 1.0% was offset by a $149.0 million or 10.7% increase in noninterest bearing deposits. Average short-term borrowings increased $211.2 million or 34.5% in response to the slow growth in total average deposits in order to fund the increase in average loans. The increase in average long-term borrowings of $69.8 million or 40.8% is primarily due to the $100 million ten year 6.375% subordinated notes which were issued in July 1993 for general corporate purposes including financing the common share repurchase program announced in April 1993. Since the announcement, the Corporation has cumulatively repurchased 5.8 million common shares at an aggregate cost of approximately $134.4 million through March 31, 1994. The estimated impact of the program in the first quarter of 1994 was to increase interest expense by approximately $1.8 million, however, average common shares outstanding decreased by 5.3 million shares which had a positive impact on primary and fully diluted earnings per share.

The composition of the Corporation's quarterly average deposits for the current quarter and prior year's quarters are as follows (amounts in millions):

	1994	1993				
	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	First Quarter	Annual Growth PCT
Noninterest Bearing						
Commercial	$ 979	$1,027	$ 973	$ 942	$ 887	10.4%
Personal	262	260	249	249	241	8.5
Other	303	353	313	277	267	13.5
Total Noninterest Bearing	1,544	1,640	1,535	1,468	1,395	10.7

Interest Bearing						
Savings & NOW	1,626	1,626	1,585	1,534	1,507	7.9
Money Market	1,108	1,161	1,131	1,125	1,136	(2.5)
Other CDs & Time Deposits	1,499	1,523	1,566	1,605	1,632	(8.2)
CDs Greater than $100	201	203	209	202	204	(1.4)
Total Interest Bearing	4,434	4,513	4,491	4,466	4,479	(1.0)
Total Consolidated Average Deposits	$5,978	$6,153	$6,026	$5,934	$5,874	1.8%

The overall interest margin was negatively impacted by the current interest rate environment. The decline in yields on average interest earning assets of 64 basis points offset, in part, by the decrease in cost of average interest bearing liabilities of 36 basis points, reduced the interest margin by $6.5 million this quarter compared to the same period last year. This decrease was mitigated by the increase in the average volume of earning assets which provided a positive impact on the net margin of $4.2 million.

At the present time, the Corporation is not involved in any derivative product arrangements to hedge against interest rate risk.

<TABLE>
<CAPTION>

Yield & Cost Analysis ($000's)	1994			1993		
	Average Balance	Interest	Average Yield or Cost	Average Balance	Interest	Average Yield or Cost
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans	$5,358,772	$ 97,091	7.35%	$4,827,790	$ 94,396	7.93%
Investment Securities:						
Taxable	1,455,810	17,152	4.78	1,551,466	23,135	6.05
Tax Exempt	192,840	3,233	6.80	295,504	5,543	7.61
Funds Sold and Security Resale Agreements	107,625	933	3.52	52,473	412	3.18
Other Short-term Investments	90,314	709	3.18	175,289	1,453	3.36
Total Interest						

Earning Assets	$7,205,361	$119,118	6.70%	$6,902,522	$124,939	7.34%
Savings & NOW	$1,625,834	$ 8,074	2.01%	$1,507,145	$ 9,449	2.54%
Money Market	1,108,196	6,538	2.39	1,136,118	7,668	2.74
Other CDs & Time Deposits	1,499,070	16,102	4.36	1,632,164	19,184	4.77
CD's Greater than $100	200,760	1,893	3.82	203,607	2,012	4.01
Total Interest Bearing Deposits	4,433,860	32,607	2.98	4,479,034	38,313	3.47
Short-term Borrowings	823,542	6,464	3.18	612,324	4,489	2.97
Long-term Borrowings	240,868	4,383	7.38	171,038	3,464	8.21
Total Interest Bearing Liabilities	$5,498,270	$ 43,454	3.21%	$5,262,396	$ 46,266	3.57%
Net Interest Margin (FTE) as a Percent of Average Earning Assets		$ 75,664	4.26%		$ 78,673	4.62%

</TABLE>

OTHER INCOME
____

Total other income was $76.6 million for the first quarter of 1994, an increase of $6.0 million or 8.6% over the $70.5 million earned in the first quarter of 1993. Fees from data processing services grew $7.3 million or 23.7% to $38.3 million this quarter compared to $31.0 million for the same period last year. The increase was primarily attributable to processing revenue. Trust fees

increased 2.8% while fees from other customer services grew a modest $0.4 million or 2.0%. Other income decreased $1.0 million or 16.6% this quarter compared to the same quarter last year. The decline in revenue from the origination and sale of mortgage loans to the secondary market accounted for the majority of the decrease. Net realized gains from the sale of non-affiliate corporate equity securities classified as available for sale decreased $1.0 million.

OTHER EXPENSE
____

Total noninterest expense for the three months ended March 31, 1994 amounted to $104.3 million compared to $97.4 million reported last year, an increase of $7.0 million or 7.2%. Salaries and employee benefits, the largest component of noninterest expense, increased $5.0 million or 8.9%. M&I Data Services, Inc. (DSI), the Corporation's data processing subsidiary, contributed 82% of the increase through additional overtime and a 17.1% increase in average FTE employees (+276) which includes, in part, the effect of the acquisition of a data processing center which was completed during the third quarter of 1993. Also contributing to the increase in salaries and benefits was a $0.6 million or 69% increase in postretirement health benefit expense which is primarily due to the lowering of the discount rate used in determining the benefit liability at the end of 1993.

DSI also contributed approximately 94% of the aggregate $2.6 million increase in first quarter 1994 versus first quarter 1993 expense increases in the items of net occupancy, equipment and processing charges.

Other noninterest expense decreased from $14.0 million in the first quarter of 1993 to $13.4 million in the current quarter. This line item is affected by the capitalization of costs, net of amortization, associated with software development and data processing conversions. During the first quarter of 1994, the amount of cost capitalized, net of amortization, exceeded the amount recorded in the first quarter of 1993 by approximately $1.4 million and was primarily associated with conversion activity.

CAPITAL RESOURCES

At March 31, 1994, total shareholders' equity was $751.4 million compared to $750.4 and $786.0 million at December 31 and March 31, 1993, respectively.

During the first quarter of 1994, the Corporation purchased 0.8 million shares of its common stock at an aggregate cost of $17.0 million as part of the repurchase program, announced in April 1993, to acquire shares in anticipation of the conversion of its $50 million 8.5% convertible notes and continue its ongoing program to fund obligations of the Corporation's stock option and other benefit plans. It is anticipated that a portion of the convertible notes will be converted sometime in the second quarter of 1994. Accordingly, approximately $13.0 million of such convertible debt was classified as short-term at March 31, 1994.

In February 1994, the Shareholders approved a proposal to amend the Corporation's Restated Articles of Incorporation to increase the authorized common stock of the Corporation from 80 million shares to 160 million shares.

The impact of the adoption of FAS 115 and change in the interest rate environment resulted in a decrease in shareholders' equity of $2.3 million at March 31, 1994.

Shareholders' equity to total assets was 9.27% at March 31, 1994. The Corporation continues to have a strong capital base and its regulatory capital ratios remain significantly above the defined minimum regulatory ratios as shown in the following tables as of March 31, 1994.

RISK-BASED CAPITAL RATIOS

($ in millions)

	Amount	Ratio
Tier 1 capital	$ 735	12.17%
Tier 1 capital minimum requirement	242	4.00
Excess	$ 493	8.17%
Total capital	$ 933	15.45%
Total capital minimum requirement	483	8.00
Excess	$ 450	7.45%
Risk-adjusted assets	$6,039	

LEVERAGE RATIO
($ in millions)

	Amount	Ratio
Tier 1 capital to adjusted total assets	$ 735	9.25%
Minimum leverage requirement (1)	238 - 397	3.00 - 5.00
Excess	$497 - 338	6.25 - 4.25%
Adjusted average total assets	$ 7,943	

(1) The 3% Ratio Shown is effective for banking organizations which have received the top bank rating from their principal federal banking regulator. Organizations receiving lower ratings are required to meet a higher minimum Leverage Ratio of between 4% and 5%.

RECENT DEVELOPMENTS

Merger with Valley Bancorporation

The merger of Valley with and into M&I, announced in September 1993, is proceeding as planned. In February 1994, the shareholders of M&I and Valley approved the Merger Agreement. In April 1994, the Board of Governors of the Federal Reserve in Washington, D.C. approved the application for the merger. Consummation of the merger is anticipated to occur May 31, 1994.

Bank Note Program

Beginning in the second quarter of 1994, the Corporation's banking subsidiaries "Issuing Banks" may offer from time to time Bank Notes up to a maximum of $1.0 billion aggregate principal amount outstanding at any time, subject to such additional limits as each Issuing Bank may establish.

The Bank Notes provide an additional funding source along with those currently available to financial institutions. Each of the Corporation's banking subsidiaries is a potential Issuing Bank which may issue Bank Notes with maturities ranging from 30 days to 15 years at a fixed or floating rate. The Bank Notes will be offered through certain designated Agents and will be offered and sold only to institutional investors. The Bank Notes will be sole obligations of the respective Issuing Banks and will not be obligations of or guaranteed by the Corporation.

Increase in Dividend

In April 1994, the Corporation announced that its Board of Directors approved an increase in the quarterly cash dividend on common stock to $.15 per share from $.14 per share.

PART II - OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Security Holders

A. The Corporation held a Special Meeting of Shareholders on February 15, 1994.

B. Votes cast for items presented for consideration and approval are as follows:

1. Approval of Agreement and Plan of Merger dated September 19, 1993 between the Corporation and Valley Bancorporation.

For	50,189,322
Against	676,094
Withheld	2,265,834
Abstain	246,391

Broker Non-Vote	0

2. Approval to amend the Corporation's Restated Articles of Incorporation, as amended to:

   a. Increase authorized Common Stock to 160 million shares
   b. Remove limitation on number of Directors and replace it with a provision establishing a minimum number of Directors.
   c. Remove limitation concerning newly created directorships that may be filled by the Directors between annual meetings of shareholders.

For	49,095,706
Against	1,629,048
Withheld	2,265,834
Abstain	387,053
Broker Non-Vote	0

3. Approval of 1993 Executive Stock Option Plan

For	47,293,188
Against	4,736,266
Withheld	0
Abstain	1,348,187
Broker Non-Vote	0

Item 6 - Exhibits and Reports on Form 8-K

A. Exhibits

Exhibit 11	-	Statement re computation of earnings per share.
Exhibit 12	-	Marshall & Ilsley Corporation Computation of Ratio of Earnings to Fixed Changes.
Exhibit 12.1	-	Valley Bancorporation Computation of Ratio of Earnings to Fixed Changes
Exhibit 12.2	-	Marshall & Ilsley Corporation/Valley Bancorporation Pro Forma Combined Computation of Ratio of Earnings to Fixed Changes.
Exhibit 23	-	Consent of Independent Public Accountants
Exhibit 99	-	Valley Bancorporation - Annual Report on Form 10-K year ended December 31, 1993.
Exhibit 99.1	-	Pro Forma Combined Condensed Balance Sheets, March 31, 1994.
Exhibit 99.2	-	Pro Forma Combined Condensed Income Statements, three months ended March 31, 1994 and 1993 and year ended December 31, 1993.

B. Reports on Form 8-K

In February 1994, the Corporation filed a Report on Form 8-K including certain exhibits to:

1. Provide an update on the pending merger between the Corporation and Valley Bancorporation.
2. Announce the results of the Special Meeting of Shareholders held February 15, 1994.
3. Update the description of the Corporation's common stock contained in the Corporation's Registration Statement on Form 8-A under Section 12(g) of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARSHALL & ILSLEY CORPORATION
(Registrant)

/s/ P. R. Justiliano
____

P. R. Justiliano
Senior Vice President and
Corporate Controller
(Chief Accounting Officer)

/s/ J. E. Sandy
____

J. E. Sandy
Vice President

May 13, 1994

MARSHALL & ILSLEY CORPORATION EXHIBIT 11

CALCULATION OF EARNINGS PER SHARE

($000's except per share data)

	Three Months Ended March 31,	
PRIMARY	1994	1993
Earnings:		
Net income	$28,174	$31,035
Shares:		
Weighted average number of common shares outstanding	60,391	64,469
Additional shares relating to:		
Convertible preferred stock	1,963	1,963
Stock options outstanding (a)	1,129	1,582
Stock options exercised (c)	31	114
Total average primary shares outstanding	63,514	68,128
PRIMARY EARNINGS PER SHARE	$0.44	$0.46
FULLY DILUTED		
Earnings:		
Net income	$28,174	$31,035
Add: Interest on convertible notes, net of income tax effect	691	713
Total earnings as adjusted	$28,865	$31,748
Shares:		
Weighted average number of common shares outstanding	60,391	64,469
Additional shares relating to:		
Convertible preferred stock	1,963	1,963
Stock options outstanding (b)	1,129	1,685
Stock options exercised (c)	31	114
Assumed conversion of convertible notes	5,714	5,870
Total average fully diluted shares outstanding	69,228	74,101
FULLY DILUTED EARNINGS PER SHARE	$0.42	$0.43

Notes:

(a) Based on the treasury stock method using average market price.

(b) Based on the treasury stock method using period-end market price or

average market price, whichever is higher.
(c) Based on the treasury stock method using market price at date of exercise.

EXHIBIT 12

MARSHALL & ILSLEY CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
($000's)

EARNINGS	3 Months March 31 1994	1993	1992	1991	1990	1989
Earnings before income taxes and cumulative effect of changes in accounting principles	$44,746	$196,563	$174,457	$146,482	$104,255	$123,184
Fixed charges, excluding interest on deposits	12,141	37,710	38,709	52,515	73,497	88,759
Earnings including fixed charges but excluding interest on deposits	56,887	234,273	213,166	198,997	177,752	211,943
Interest on deposits	32,607	145,717	190,582	271,454	297,063	273,546
Earnings including fixed charges and interest on deposits	$89,494	$379,990	$403,748	$470,451	$474,815	$485,489
FIXED CHARGES:						
Interest Expense:						
Borrowings:						
Short-term	$6,464	$16,714	$14,600	$27,288	$50,763	$66,866
Long-term	4,383	15,927	19,085	20,146	18,540	18,004
One-third of rental expense for all operating leases (the amount deemed representative of the interest factor)	1,294	5,069	5,024	5,081	4,194	3,889

Fixed charges excluding interest on deposits	12,141	37,710	38,709	52,515	73,497	88,759
Interest on Deposits	32,607	145,717	190,582	271,454	297,063	273,546
Fixed charges including interest on deposits	$44,748	$183,427	$229,291	$323,969	$370,560	$362,305

RATIO OF EARNINGS TO FIXED CHARGES

Excluding interest on deposits	4.69 x	6.21 x	5.51 x	3.79 x	2.42 x	2.39 x
Including interest on deposits	2.00 x	2.07 x	1.76 x	1.45 x	1.28 x	1.34 x

EXHIBIT 12.1

VALLEY BANCORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
($000's)

EARNINGS	3 Months March 31 1994	1993	1992	1991	1990	1989
Earnings before income taxes and cumulative effect of changes in accounting principles	$15,265	$68,021	$57,335	$40,256	$38,937	$37,956
Fixed charges, excluding interest on deposits	3,255	11,558	13,218	14,921	11,737	13,639
Earnings including fixed charges but excluding interest on deposits	18,520	79,579	70,553	55,177	50,674	51,595
Interest on deposits	28,915	126,027	143,488	176,957	169,474	152,462
Earnings including fixed charges and interest on deposits	$47,435	$205,606	$214,041	$232,134	$220,148	$204,057
FIXED CHARGES:						
Interest Expense:						
Borrowings:						
Short-term	$1,460	$3,097	$4,099	$5,434	$6,086	$7,965
Long-term	1,354	6,723	7,501	7,762	3,984	4,053
One-third of rental expense for all operating leases (the amount deemed representative of the interest factor)	441	1,738	1,618	1,725	1,667	1,621

Fixed charges excluding interest on deposits	3,255	11,558	13,218	14,921	11,737	13,639
Interest on Deposits	28,915	126,027	143,488	176,957	169,474	152,462
Fixed charges including interest on deposits	$32,170	$137,585	$156,706	$191,878	$181,211	$166,101

RATIO OF EARNINGS TO FIXED CHARGES

Excluding interest on deposits	5.69 x	6.89 x	5.34 x	3.70 x	4.32 x	3.78 x
Including interest on deposits	1.47 x	1.49 x	1.37 x	1.21 x	1.21 x	1.23 x

EXHIBIT 12.2

MARSHALL & ILSLEY CORPORATION / VALLEY BANCORPORATION
PRO FORMA COMBINED COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES
($000's)

EARNINGS	3 Months March 31 1994	1993	1992	1991	1990	1989
Earnings before income taxes and cumulative effect of changes in accounting principles	$60,011	$264,584	$231,792	$186,738	$143,192	$161,140
Fixed charges, excluding interest on deposits	14,618	48,036	51,927	67,436	85,234	102,398
Earnings including fixed charges but excluding interest on deposits	74,629	312,620	283,719	254,174	228,426	263,538
Interest on deposits	61,522	271,744	334,070	448,411	466,537	426,008
Earnings including fixed charges and interest on deposits	$136,151	$584,364	$617,789	$702,585	$694,963	$689,546
FIXED CHARGES:						
Interest Expense:						
Borrowings:						
Short-term	$7,146	$18,579	$18,699	$32,722	$56,849	$74,831
Long-term	5,737	22,650	26,586	27,908	22,524	22,057
One-third of rental expense for all operating leases (the amount deemed representative of the interest factor)	1,735	6,807	6,642	6,806	5,861	5,510

Fixed charges excluding interest on deposits	14,618	48,036	51,927	67,436	85,234	102,398
Interest on Deposits	61,522	271,744	334,070	448,411	466,537	426,008
Fixed charges including interest on deposits	$76,140	$319,780	$385,997	$515,847	$551,771	$528,406

RATIO OF EARNINGS TO FIXED CHARGES

Excluding interest on deposits	5.11 x	6.51 x	5.46 x	3.77 x	2.68 x	2.57 x
Including interest on deposits	1.79 x	1.83 x	1.60 x	1.36 x	1.26 x	1.30 x

EXHIBIT 12.2

MARSHALL & ILSLEY CORPORATION / VALLEY BANCORPORATION
PRO FORMA COMBINED COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

The ratio of earnings to fixed charges has been computed by dividing earnings before income taxes and fixed charges by fixed charges. Fixed charges, excluding interest on deposits, consists of interest on indebtedness and one-third of rental expense (which is deemed representative of the interest factor). Fixed charges, including interest on deposits, consists of both the foregoing item plus interest on deposits.

The following table sets forth the pro forma combined ratios of earnings to fixed charges for the periods indicated, giving effect to the proposed Merger of Valley with and into M&I as if it had been consummated on January 1, 1989. Pro forma adjustments made to arrive at the pro forma combined amounts are based on the pooling-of-interests method of accounting. No adjustment for the divestitures which are required in connection with the merger have been included in the pro forma combined ratio of earnings to fixed charges.

The pro forma combined ratios of earnings to fixed charges are intended for informational purposes and are not necessarily indicative of the future ratios of earnings to fixed charges of the combined company or the ratios of earnings to fixed charges of the combined company that would have actually occurred had the Merger been consummated on January 1, 1989. The pro forma combined ratios of earnings to fixed charges should be read in conjunction with and are qualified in their entirety by the consolidated financial statements, including the accompanying notes, of M&I and Valley in their respective Annual Reports on Form 10-K and the pro forma combined condensed financial statements and accompanying discussion and notes included as Exhibit 99.1 and

Exhibit 99.2.

EXHIBIT 23

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated January 18, 1994 included in Valley Bancorporation's Form 10-K for the year ended December 31, 1993 included in this Form 10-Q for the quarter ended March 31, 1994 of Marshall & Ilsley Corporation, and to all references to our firm.

We also consent to the incorporation by reference of such report in the following Registration Statements of Marshall & Ilsley Corporation: Registration Statement No. 33-3415 (Form S-8) pertaining to the Marshall & Ilsley Corporation Retirement Growth Plan; Registration Statement No. 33-33153 (Form S-8) pertaining to the Marshall & Ilsley Corporation 1989 Executive Stock Option and Restricted Stock Plan; Registration Statement No. 33-33090 (Form S-8) pertaining to the Marshall & Ilsley Corporation 1988 Restricted Stock Plan; Registration Statement No. 33-2642 (Form S-8) pertaining to the Marshall & Ilsley Corporation 1985 Executive Stock Option and Restricted Stock Plan; Registration Statement No. 2-89605 (Form S-8) pertaining to the Marshall & Ilsley Corporation 1983 Executive Stock Option and Restricted Stock Plan; Registration Statement No. 2-80293 (Form S-3) pertaining to shares of Marshall & Ilsley Corporation held by those persons named in such Registration Statement; Registration Statement No. 33-21377 (Form S-3) pertaining to the issuance by Marshall & Ilsley Corporation of Debt Securities; and Registration Statement No. 33-64054 (Form S-3) pertaining to the issuance by Marshall & Ilsley Corporation of Debt Securities; and Registration Statement No. 33-53155 (Form S-8) pertaining to the Marshall & Ilsley Corporation 1993 Executive Stock Option Plan.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin,
May 12, 1994.

RJE-Consent of Independent Public(3)
(con-ipa3.rje)

EXHIBIT 99

CONFORMED COPY
WITH EXHIBITS

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, 1993

OR

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

For the transition period from ______________ to ______________

Commission file number 0-2453

VALLEY BANCORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	39-6047319
(State of Incorporation)	(IRS Employer Identification No.)

100 W. Lawrence Street, P.O. Box 1061, Appleton, Wisconsin	54912-1061
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (414) 738-3830

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.50 par value
Series A Preferred Share Purchase Rights

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. [ ]

As of February 25, 1994, 20,741,690 shares of Common Stock were outstanding, and the aggregate market value of the Common Stock (based upon the $35.00 last sale price on that date on the NASDAQ National Market System) held by non-affiliates (excludes a total of 3,745,912 shares reported as beneficially owned by directors and executive officers or held in the registrant's employee benefit plans-does not constitute an admission as to affiliate status) was approximately $594,852,000.

DOCUMENTS INCORPORATED BY REFERENCE

None

VALLEY BANCORPORATION

* * * * *

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FOR FISCAL YEAR ENDED DECEMBER 31, 1993

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Computation of Net Income Per Common Share.................... Exhibit 11.1

PART I

ITEM 1. BUSINESS

General

Valley Bancorporation ("Valley"), is a diversified financial services company headquartered in Appleton, Wisconsin that was incorporated in Wisconsin in 1962. In the following year it acquired control of three Appleton area banks and began operations as a bank holding company registered under the Bank Holding Company Act of 1956, as amended (the "BHCA"). In the ensuing years Valley acquired many additional banks and banking organizations, organized additional banks, opened new banking offices and began offering to its customers the additional financial services described below under "Financial Service Subsidiaries". In 1991, Valley also became a registered savings and loan holding company under the Home Owners' Loan Act of 1933, as amended (the "HOLA"), and acquired its first two savings associations.

Valley's principal assets are the stock of its subsidiaries. Valley presently owns substantially all of the capital stock of 15 banks and 2 savings associations with a total of 160 offices in Wisconsin. Valley also owns several companies engaged in businesses which are closely related to banking, including the businesses of trust and fiduciary services, credit card products and processing, brokerage services and insurance agency services. Valley provides financial and managerial assistance and services to its subsidiaries. At December 31, 1993, Valley had consolidated total assets of approximately $4.6 billion, consolidated total deposits of approximately $4.0 billion, and consolidated shareholders' equity of approximately $366 million.

Pending Merger With Marshall & Ilsley Corporation

On September 20, 1993, Valley and Marshall & Ilsley Corporation ("M&I") jointly announced the execution of an Agreement and Plan of Merger between Valley and M&I dated as of September 19, 1993 (the "Merger Agreement"), which provides for the combination of the two companies through a merger of Valley into M&I (the "Merger"). Under the Merger Agreement, which has been approved by the shareholders of both companies, each share of Valley common stock, par value $.50 per share ("Valley Common Stock"), outstanding at the time the Merger is consummated (other than any shares owned by M&I for its own account) will be converted into the right to receive 1.72 (the "Exchange Rate") shares of M&I common stock, par value $1.00 per share ("M&I Common Stock"), in a tax-free reorganization to be accounted for as a pooling of interests. Resulting fractional share interests will be paid in cash in lieu of issuing fractional shares. Then outstanding Valley employee and director stock options will be converted at the Exchange Rate into options to acquire M&I Common Stock.

M&I is a Wisconsin corporation incorporated in 1959 and a registered bank holding company under the BHCA. M&I will also become a registered savings and loan holding company under HOLA in connection with the Merger. M&I's principal assets are the stock of its subsidiaries. M&I presently owns substantially all of the capital stock of 38 banks with a total of 131 offices in Wisconsin and 12 offices in Arizona. M&I also owns a number of companies engaged in businesses which are closely related to banking, including the businesses of data processing, investment management, trust services, mortgage banking, equipment leasing, venture capital and financial advisory services, brokerage services, and insurance agency services. As a bank holding company, M&I provides financial and managerial assistance and services to its subsidiaries. At December 31, 1993, M&I had consolidated total assets of approximately $8.0 billion, consolidated total deposits of approximately $6.2 billion and consolidated shareholders' equity of approximately $750 million. M&I's headquarters are located in Milwaukee, Wisconsin.

The consummation of the Merger, which is currently expected to occur in the second quarter of 1994, is subject to various conditions set forth in the Merger Agreement, including all requisite regulatory approvals.

In connection with the Merger Agreement, the parties entered into a Stock Option Agreement, dated as of September 19, 1993 (the "Stock Option Agreement"), by which Valley granted M&I an option (the "Option") to purchase up to 4,045,795 newly issued shares of Valley Common Stock (19.9% of the number of shares then outstanding, and subject to adjustment to maintain that percentage) at an exercise price of $35.75 per share, exercisable upon the occurrence of certain events and subject to certain conditions set forth in the Stock Option Agreement. The Stock Option Agreement also provides M&I the right to receive a termination fee to the extent that the Option has not been exercised after the occurrence of an event which makes the Option exercisable.

As required by the Merger Agreement, the Rights Agreement, dated as of October 21, 1988 (the "Rights Agreement") between Valley and The First National Bank of Boston (the "Rights Agent") has been amended by Amendment No. 1 thereto, dated as of September 19, 1993, between Valley and the Rights Agent. The Amendment provides that neither M&I nor any affiliate of M&I controlled by M&I shall become an "Acquiring Person" and that no "Shares Acquisition Date" or "Distribution Date" (as such terms are defined in the Rights Agreement) will occur as a result of the execution, delivery or performance of the Merger Agreement or the Stock Option Agreement.

In accordance with the provisions of the Rights Agreement, the number of Series A Preferred Share Purchase Rights ("Rights") appertaining to each outstanding share of Valley Common Stock has been adjusted from one (1) to two-thirds (2/3), to reflect the 3-for-2 stock split effected in the form of a 50% stock dividend distributed on August 27, 1993. Valley share and per share data appearing in this report have been adjusted to reflect the stock split.

Under the Merger Agreement, the shares of M&I Common Stock into which the outstanding shares of Valley Common Stock will be converted in the Merger will be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Valley Common Stock, including the Rights appertaining thereto. The Rights will cease to exist and will not attach to the shares of M&I Common Stock issued in connection with the Merger.

The foregoing descriptions regarding the Merger Agreement and the Rights Agreement are qualified by reference to the provisions of the Merger Agreement, the Stock Option Agreement, the Rights Agreement and Amendment No. 1 to the Rights Agreement, copies of which are incorporated by reference as exhibits to this report.

Further information concerning the Merger and related matters is set forth in M&I and Valley's Joint Proxy Statement dated December 30, 1993 for their respective special meetings of shareholders on February 15, 1994, at which the Merger Agreement was approved by the shareholders of M&I and Valley, respectively. The Joint Proxy Statement is also the Prospectus of M&I contained in its registration statement filed under the Securities Act of 1933 to register the shares of M&I Common Stock to be issued in the Merger.

Following the Merger, the operations of Valley will be consolidated with the operations of M&I to enhance the efficiencies and achieve the benefits contemplated by the strategic combination of the two companies in the Merger.

Growth and Expansion

Since 1982, Valley's assets grew rapidly through its acquisitions of individual banks and banking organizations. The more significant steps included entry into the Green Bay market in 1982 by acquiring United Bankshares, Inc. ($204 million); its entries into the Janesville and Madison markets in 1985 by combining with BANCWIS Corporation ($170 million) and United Banks of Wisconsin, Inc. ($360 million); its expansion in the Madison area market through its 1987 acquisition of Community Banks, Inc. ($350 million); and its 1988 acquisition of Colonial Bancorporation, Inc. ($148 million), which primarily served the northern fringe of the Milwaukee metropolitan area.

During 1990, Valley acquired three banks, First National Bank, Chippewa Falls ($118 million), Peoples State Bank, Three Lakes ($21 million), and Citizens State Bank, Kiel ($44 million) and organized a state commercial bank in Milwaukee County. In 1991, Valley acquired Western Federal Savings and Loan Association, Sparta ($90 million) (Western), which expanded Valley's

presence in western Wisconsin, and Great American Savings Bank, FSB ($180 million) (Great American), serving metropolitan Milwaukee. Prior to their acquisition, Western had been a federal mutual savings and loan association and Great American had been a federal mutual savings bank. Valley continues to operate Western as a federal stock savings bank. Promptly following its acquisition, Great American was merged into Valley Bank, Milwaukee. During 1991, Valley also acquired Exchange State Bank, La Crosse ($55 million).

In 1992, Valley acquired United Savings and Loan Association ($320 million) (United), Sheboygan, Wisconsin, which converted from a stated chartered mutual savings and loan association to a state stock savings association and now operates as a separate subsidiary of Valley.

Valley consummated the acquisition of 98% of the outstanding stock of Pierce County Bank and Trust Company ($112 million) (Pierce County) as of November 6, 1993.

Valley's asset size is the third largest among banking organizations headquartered in Wisconsin, and its Madison bank has the greatest consolidated total assets among commercial banks in the state's second largest banking market.

Information on Valley's growth and certain other information as to its business during the years 1988 through 1993 is shown on a consolidated basis in the tables under "Selected Financial Data" in Item 6 of this report. See Note 2 of Notes to Consolidated Financial Statements in Item 8 hereof for further information regarding the acquisitions consummated during the last three fiscal years and the pending Merger with M&I.

Banking Services

Each Valley Bank (which term includes savings associations) provides complete retail banking services, including money market type accounts, and full service banking for commercial, industrial and agricultural customers.

In order to broaden its services to customers, improve management controls and achieve operating efficiencies, Valley began a program in 1987 of consolidating its banking units into a relatively few larger banks. At 1993 year end, Valley had 17 banking subsidiaries serving customers from a total of 160 locations in Wisconsin. The four largest Valley Banks, in Madison ($876 million), Appleton ($623 million), Green Bay ($511 million) and Milwaukee ($452 million), represented more than half of Valley's total assets.

Valley has undertaken several major initiatives intended to enhance its operating efficiencies and reduce bank operating costs, including the centralization of its administrative operations, the installation of a company-wide data processing and information network known as VISION, and the concurrent conversion of Valley Banks' data processing operations to the VISION system. Valley completed the centralization of its administrative operations during the third quarter of 1991. The operational efficiencies associated with this consolidation have had a positive impact on net earnings thereafter.

Corporate Organization

The Valley Banks are organized into Northern and Southern Divisions, each of which is divided into two banking regions, and the Lakeshore Region which was added in conjunction with the acquisition of United. Corporate officers have designated responsibilities for the Valley Banks within each division and region, and for related financial services. They also provide an additional resource to Valley's individual units by consulting with and providing advice to officers of the individual banking and financial service subsidiaries, and monitoring their performance.

Through its corporate staff and certain personnel of its financial service subsidiaries, Valley provides a broad range of management and other specialized services to its individual units. The knowledge and expertise of its staff enhance the capability of each individual unit's management and expand the variety of products which the unit can offer to customers. Valley's units utilize this specialized knowledge and expertise in numerous

aspects of bank policy and operations, including auditing; data processing and automation; credit and loan analysis and review; investments; bank operations and systems analysis; facilities and equipment planning; marketing; employee benefit programs; human resources management, recruiting and training; trust services; and community development. Service charges, which Valley believes to be reasonable, are paid by subsidiaries for such assistance.

To increase the efficiency of Valley Banks, Valley operates under a service corporation concept through its subsidiary Valley BankService Corporation whereby all day-to-day bank operational activities, including data processing, are managed centrally and performed at regional service centers. Moreover, Valley organized a mortgage servicing subsidiary, Valley Real Estate Services Corporation, to service residential mortgage loans originated in Wisconsin by Valley Banks that have been sold in the secondary market, to assume management of the interest rate risk, and to act as a resource to all Valley Banks in the underwriting, processing and servicing of these mortgage loans. Relieved of various operations responsibilities, Valley Banks have the opportunity to focus more on business development and customer sales and service.

Financial Service Subsidiaries

Through certain subsidiaries, Valley makes available to its customers a variety of trust and fiduciary services, credit cards, insurance sales and securities brokerage services. Other subsidiaries offer credit life reinsurance for loans originated by Valley Banks and extensive data processing services, which are utilized primarily by Valley Banks. Valley also offers equipment leasing services through one of its subsidiary banks.

Valley Trust Company

Created in 1972 as the successor to the separate trust department activities of several of the Valley Banks, Valley Trust Company provides a broad spectrum of trust services to customers in banking markets served by Valley. Valley Trust Company has over $3.1 billion of assets under its management, and services its customers through 17 offices in conjunction with Valley Banks located throughout Wisconsin. Services provided include professional investment management, asset safekeeping and accounting, employee benefit plan design and administration, acting as fiduciary under wills and trusts, and other specialized financial services to individuals and corporations.

Insurance Services, Inc.

Valley Bank, Appleton acquired Insurance Services, Inc. (ISI) in 1984. ISI is one of the largest independent insurance agencies in Wisconsin, based on premium volume, with a staff of 60 employees representing over 40 insurance companies.

Through the Commercial Lines Department, ISI provides specialized insurance coverages for corporate clients, both large and small.

ISI's Personal Lines Department provides the insurance coverage needed by families and individuals. ISI's agents provide a full line of insurance coverages (homeowner, automobile, life and health). These services are also offered through agents located in Valley Banks in Appleton, Green Bay, Madison, Milwaukee and Janesville.

ISI's Financial Services Division provides business with a wide variety of group life, health and disability plans which range from fully insured plans to completely self-insured plans depending upon size and needs. A Surety Division provides bonding to contractors, financial institutions and municipalities. ISI also has a Claims Department and serves as third party administrator to those customers who wish to self-insure their Workers' Compensation exposures. Credit life and disability insurance needs and tax deferred annuities are made available through selected licensed Valley bankers.

Valley Bancard, Inc.

Created in 1986 to provide VISA and MasterCard products and processing for customers of Valley Banks, Valley Bancard processed in excess of $500 million VISA and MasterCard sales drafts from more than 7,800 merchants in 1993. At 1993 year end Valley Bancard had approximately 65,000 active accounts with balances of $59 million. Products provided for cardholders are VISA, MasterCard and MasterCard Gold cards. Products provided for merchants are standard paper, point of sale and electronic draft capture processing of their VISA, MasterCard, DISCOVER and American Express transactions.

Valley Securities, Inc.

Valley began offering discount securities brokerage services in 1983, and since 1986 has conducted this business through a separate subsidiary. The services available through Valley Securities' nine locations include the traditional discount trading activities, as well as recommendations of selected investments, including mutual funds, unit trusts and variable and fixed annuities. One of the larger nationwide securities clearing firms executes and clears transactions initiated by Valley Securities.

Community Life Insurance Company

Since 1981, this subsidiary has acted as a reinsurer in underwriting credit life insurance and credit accident and health insurance related to loans made by Valley Banks.

Competition

Each Valley Bank competes actively with other banks located in or near its service area. Such competition encompasses efforts to obtain new deposits, type and convenience of services offered, loan rates charged and interest rates paid on time deposits, as well as other aspects of banking. In addition, all of the Valley Banks encounter substantial competition from other financial institutions engaged in the business of making loans or accepting savings deposits such as savings and loan associations, savings banks, small loan companies, credit unions, certain governmental agencies, insurance companies, and various mutual and money market funds.

Those financial service subsidiaries which deal directly with customers also encounter vigorous competition, including that from much larger organizations. Valley Trust Company competes with similar units of other bank holding companies, trust departments of individual banks and other entities which concentrate upon certain of the services it offers, such as investment management firms and employee benefit consultants. ISI competes with numerous independent insurance agencies and also with insurance companies which write coverage directly through employed agents. Other large banking organizations throughout the United States, as well as affiliates of large, diverse businesses, solicit credit card accounts in Valley's market area. Valley Securities competes with a number of nationwide discount brokerage firms, as well as with many national and regional investment firms which, because of legal restrictions upon bank holding company affiliates, are able to provide a much broader range of services.

Employees

At December 31, 1993, Valley and its subsidiaries had 2,807 full-time equivalent employees. Valley provides a wide range of benefits to employees, including educational opportunities, and considers its employee relations to be excellent. Valley conducts extensive training programs in order to enhance the job-related knowledge and skills of its people and to imbue its employees with a sales-oriented approach to customers. Eligible employees of Valley participate in pension, thrift and sharing and stock option plans as well as group life and major medical insurance programs.

Supervision and Regulation

The operations of financial institutions, including bank and savings and loan holding companies, commercial banks and savings associations, are highly regulated, both at the federal and state levels. Numerous statutes and regulations affect the businesses of Valley and its financial service subsidiaries.

Valley's own activities are regulated by the BHCA, which requires each holding company to obtain the prior approval of the Federal Reserve Board (the "Board") before acquiring direct or indirect ownership or control of more than five percent of the voting shares of any bank. (M&I's acquisition of Valley requires such approval, as well as the approval of the OTS under HOLA.) The BHCA prohibits acquisition of shares of a bank located outside the state in which the operations of Valley's banking subsidiaries are principally conducted, unless specifically authorized by statute of the other state. Since 1987, Wisconsin law has permitted interstate bank acquisitions within those states in a nine-state region which have adopted similar legislation. Laws reciprocal to the Wisconsin law have been enacted by Illinois, Indiana, Iowa, Kentucky, Michigan, Minnesota and Ohio. A Wisconsin-based holding company, such as Valley, may also acquire banks in certain other states which expressly permit nationwide acquisitions with no requirement for reciprocal legislation.

The BHCA also prohibits, with certain exceptions for savings associations and other entities engaged in bank-related activities, acquisition of more than five percent of the voting shares of any company which is not a bank and the conduct by a holding company (directly or through its subsidiaries) of any business other than banking or performing services for its subsidiaries, without prior approval of the Board.

Pursuant to the BHCA, Valley is supervised and regularly examined by the Board.

As a savings and loan holding company, Valley is subject to oversight, regulation and examination by the Office of Thrift Supervision (OTS). In addition, the OTS has enforcement authority over Valley and its non-insured subsidiaries which also permits the OTS to restrict or prohibit activities that are determined to be a serious risk to a savings association.

Each Valley Bank is also supervised and regularly examined by regulatory agencies pursuant to applicable banking laws. The deposits of each Valley Bank (except those which are savings associations) are insured by the Bank Insurance Fund (BIF) administered by the Federal Deposit Insurance Corporation (FDIC). State-chartered Valley Banks and Valley Trust Company are supervised by the Office of the Wisconsin Commissioner of Banking and regularly examined by that agency and the FDIC. Valley Banks which are national banks are supervised and regularly examined by the Office of the Comptroller of the Currency (OCC), and are also subject to regulation by the Board and the FDIC.

Western and United are supervised and regularly examined by regulatory agencies pursuant to applicable laws governing savings associations. As a federally charted savings association, Western is subject to supervision and regulation by the OTS. As a state chartered savings association, United is subject to supervision and regulation by the Wisconsin Commissioner of Savings and Loan. The deposits of savings associations are insured by the Savings Association Insurance Fund (SAIF) administered by the FDIC. As a result, both Western and United are subject to regulation and supervision by the FDIC, to the extent deemed necessary by the FDIC to insure the safety and soundness of the SAIF. Regulatory requirements applicable to them include maintenance of a sufficient portion of assets in housing-related loans and assets to meet a "qualified thrift lender" test; and limitations upon certain types of loans and investments.

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) has significantly affected the operation of financial institutions, including banks, bank holding companies and savings associations. As was authorized by FIRREA, deposit insurance premiums payable by the Valley Banks to the BIF and SAIF have been significantly increased. FIRREA also redefined applicable capital standards for banks and savings associations and significantly increased the minimum levels of capital required to be maintained by savings associations.

Regulations adopted by the FDIC, the OCC and the OTS since the enactment of FIRREA have established minimum leverage capital requirements for banks and savings associations. Western, United, and all of Valley's banks are in compliance with the minimum capital requirements applicable to them.

The Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA) provides for, among other things, establishment by the federal banking agencies of revised risk-based capital requirements designed to account for interest rate risk, concentration of credit risk and the risks of nontraditional activities; the recapitalization of BIF; enhanced federal supervision of depository institutions, including greater authority for the appointment of a conservator or receiver for undercapitalized institutions; the establishment of risk-based deposit insurance premiums; limitation of equity investments and other activities permissible to state banks and savings associations to those permissible for national banks and federal savings associations, respectively; liberalization of the qualified thrift lender test; greater restrictions on transactions with affiliates; and mandated consumer protection disclosures with respect to deposit accounts. Certain provisions of FDICIA which are potentially applicable to Valley and its affiliates are discussed below.

FDICIA requires the federal banking regulators to define five levels of regulatory capital (i.e., well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized), and mandates specific enforcement actions that the federal banking agencies must take with respect to depository institutions whose capital level is significantly below the required minimums. Depending on the capital level which the institution fails to meet, such an institution may be prohibited from increasing its assets, acquiring another institution, establishing a branch, engaging in any new activities, or making capital distributions. Any company controlling such an institution, including Valley, may be required to guarantee that the institution will achieve minimum capital levels in accordance with a capital restoration plan approved by the federal banking agency. Other actions which the federal banking agencies may take with respect to such an institution include requiring the issuance of additional voting securities; placing limitations on asset growth; mandating asset reduction; mandating changes in senior management; requiring the divestiture, merger or acquisition of the institution; placing restrictions on executive compensation; and any other action that the agency deems appropriate. If the depository institution's capital levels fall below certain levels, FDICIA requires that the appropriate federal banking agency be appointed as a receiver or conservator of the institution.

Federal banking regulators have proposed and adopted regulations required to implement the provisions of FDICIA. Among the more important of these regulations, the Board, FDIC, OTS and OCC adopted uniform regulations establishing criteria to define the five levels of regulatory capital specified under FDICIA. Under those regulations, all of the Valley Banks fall into the category of well-capitalized, and the provisions of FDICIA described in the preceding paragraph are therefore not expected to have any material adverse effect on Valley.

The FDIC also adopted a final rule establishing a risk-based insurance premium assessment system. Under this regulation, insurance premiums of both BIF and SAIF insured institutions range between $.23 and $.31 on each $100 of deposits, depending on the regulatory capital level and supervisory rating of the institution. This new risk-based premium assessment system is not expected to result in any material increase in insurance premium assessments applicable to Valley Banks because of their relatively high levels of regulatory capital and generally favorable supervisory ratings. However, the FDIC has indicated it will regularly review the adequacy of the premium assessment levels and will make further changes in premium rates as necessary to assure sufficient reserves are maintained in the insurance funds.

Other significant regulatory developments under FDICIA are summarized below. Although applicable to Valley and its subsidiaries, none of these regulations are expected to have any material adverse effect on Valley's financial condition or future operations. The FDIC has adopted regulations requiring all insured depository institutions with $500 million or more in assets to have annual audits by an independent public accountant and an independent audit committee made up of outside directors, and requiring annual reports by management on its responsibility for preparing financial statements and establishing and maintaining an internal control structure for financial reporting and compliance, unless these requirements are satisfied at the parent holding company level. The Board, FDIC and OTS have all adopted rules further limiting the types and amounts of loans that insured depository institutions may make to their officers, directors and principal shareholders. The FDIC adopted a rule prohibiting insured depository institutions from soliciting deposits by offering rates significantly higher

than community rates or the national rates paid on deposits of comparable maturity. The Board, FDIC, OCC and OTS have established uniform rules and guidelines for real estate lending, but these rules do not preclude individual institutions from establishing their own specific standards. The FDIC adopted a rules which prohibits, with certain exceptions including investments in majority-owned subsidiaries, any state bank from acquiring or retaining any equity investment of a type not permissible for a national bank. Finally, the Board adopted a rule under the Truth in Savings Act imposing certain disclosure and advertising requirements for interest-bearing transaction and savings accounts, and requiring that individual and other non-business accounts offered by depository institutions be accompanied by disclosures of the terms, conditions, fees and yields applicable to the account. This rule also establishes standardized terms that must be used in connection with interest-bearing deposits.

Certain other rules mandated under FDICIA have been proposed or adopted, including rules limiting the activities of state banks and their subsidiaries to activities permissible for national banks, uniform rules designed to take interest rate risk into account in calculating risk-based regulatory capital, rules addressing the treatment of purchased mortgage servicing rights for purposes of calculating regulatory capital, and others.

Proposals for new legislation or rule making affecting the financial services industry are continuously being advanced and considered at both the national and state levels. There can be no assurance as to the substance of any legislation or regulations that may ultimately emerge from such proposals or what effect they may have on Valley and its operations in the future.

Monetary Policy and Economic Conditions

The monetary policies of regulatory authorities, including the Board, have a significant effect on the operating results of holding companies and their subsidiary depository institutions. The Board regulates the national supply of bank credit, and utilizes its powers in efforts to curb inflationary pressures and combat economic recession. Among the means available to the Board are open market operations in U.S. Government securities, changes in the discount rate on member bank borrowings and changes in reserve requirements against member bank deposits. These means are used in varying combinations to influence overall growth and distribution of bank loans, investments and deposits, and their use may also affect interest rates charged on loans or paid for deposits.

Most of the Valley Banks are state banks and are not members of the Federal Reserve System. They are, however, subject to regulation by the Wisconsin Commissioner of Banking as to required reserves.

Board monetary policies have materially affected the operating results of commercial banks in the past and are expected to continue to do so in the future. The historic statements of income of Valley reflect the effects of monetary policies during the periods covered thereby. The nature of future monetary policies and the effects thereof on the future business and earnings of Valley and its subsidiaries cannot be predicted.

Additional Information

Additional information in response to this Item 1 is incorporated by reference to the following portions of this report: "Average Balances, Mix, Interest, Average Rate and Key Ratios" and "Quarterly Average Balances, Interest, Average Rates and Key Ratios" in Item 6, "Management Discussion and Analysis of Financial Condition and Results of Operations" (which includes statistical disclosure required by Guide 3) in Item 7, and Note 8 of the Notes to Consolidated Financial Statements in Item 8 hereof.

ITEM 2. PROPERTIES

The principal executive offices of the holding company occupy leased facilities in downtown Appleton. Additional holding company staff operate from facilities at several Valley Banks. A building owned by Valley houses the main offices of Valley Bank, Appleton, and Valley Trust Company. Separate owned structures in Appleton provide facilities for Valley BankService Corporation, which also owns a remote entry site at Sun Prairie. Valley leases space in downtown Appleton which contains the main office of

Valley Securities and additional offices used by Valley BankService Corporation - Financial Services Division. Valley Bancard leases office space in Madison for its operations. ISI occupies leased office space in Appleton. Valley Real Estate Services Corporation occupies a new facility completed in 1993. Additional financial service subsidiaries share space in buildings occupied by other Valley Banks. Most of the bank premises are owned by the respective Valley Banks, either directly or through a subsidiary, although some of the buildings housing branches of the Madison Bank were sold and leased back before Valley acquired those units in 1987. Each of Valley's banking offices is a well maintained concrete, stone or brick building which Valley considers to be attractive and efficient. Convenient drive-in facilities are provided at each of the larger banking offices. Valley also leases space for its supermarket branch locations from several different companies.

ITEM 3. LEGAL PROCEEDINGS

Neither Valley nor any of its subsidiaries is a party to any legal proceeding which is material to Valley and its subsidiaries taken as a whole. Valley's subsidiaries are routinely involved in certain types of proceedings, especially collection and foreclosure actions, incidental to their businesses.

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

No matters were submitted to a vote of security holders during the fourth quarter of 1993.

However, the Merger Agreement with M&I was approved at the special meeting of Valley shareholders held on February 15, 1994. Of the 20,721,290 outstanding shares of Valley Common Stock entitled to vote on the Merger Agreement, the Inspector of Election certified that 16,635,928 shares, or approximately 80.3%, were voted for such approval, 612,406 shares were voted against, and there were 147,365 abstentions. There were no broker non-votes.

Additional information concerning the Merger Agreement is contained in, and referred to in, Item 1 of this report. See "Business--Pending Merger With Marshall & Ilsley Corporation."

PART II

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

Information in response to this Item 5 is incorporated herein by reference to Table 19: "Market Price of Common Stock and Related Security Matters" in Item 7 of this report, and to the discussion of dividend restrictions in Note 9 of the Notes to Consolidated Financial Statements in Item 8 of this report. Also, in the Merger Agreement, Valley has agreed that it will not, without the prior written consent of M&I, declare or pay any dividend other than regular quarterly cash dividends on Valley Common Stock not in excess of $.24 per share (provided that in the quarter that the Merger occurs, shareholders of Valley will receive cash dividends only with respect to shares of Valley Common Stock held or with respect to shares of M&I Common Stock received pursuant to the Merger Agreement, but not both).

The Valley Common Stock is traded on the NASDAQ National Market System under the symbol VYBN. At December 31, 1993, there were approximately 7,630 holders of record of Valley Common Stock, excluding individual participants in security position listings.

ITEM 6. SELECTED FINANCIAL DATA

(dollars in thousands)	1993	1992	1991	1990	1989	1988	Five Year Compound Growth Rate
Balance Sheet, December 31,							
Cash and due from banks	$ 202,370	$ 230,858	$ 213,916	$ 247,874	$ 191,299	$ 180,100	2.36%
Funds sold	2,640	16,117	47,213	17,929	148,786	70,116	(48.68)
Interest-bearing deposits with other banks	756	3,950	19,710	42,705	42,012	21,243	(48.10)
Investment securities (1)	972,203	915,330	887,156	772,305	616,866	695,111	6.94
Mortgages held for sale	60,421	38,430	21,995	1,816	19,710	---	NMF
Loans	3,190,485	3,017,338	2,612,518	2,312,399	2,001,676	1,863,325	11.36
Reserve for loan losses	(40,411)	(37,921)	(31,241)	(25,422)	(22,150)	(20,408)	14.64
Premises and equipment, net	103,271	103,485	106,362	95,771	78,836	72,486	7.34
Other assets	100,458	96,719	98,313	85,455	76,775	75,812	5.79
Total assets	$4,592,193	$4,384,306	$3,975,942	$3,550,832	$3,153,810	$2,957,785	9.20
Noninterest-bearing deposits	571,751	537,845	469,266	451,705	417,449	405,205	7.13
Interest-bearing deposits	3,406,358	3,294,779	2,971,940	2,604,890	2,339,610	2,170,700	9.43
Total deposits	3,978,109	3,832,624	3,441,206	3,056,595	2,757,059	2,575,905	9.08
Short-term borrowings	132,004	86,894	132,410	113,161	84,349	82,237	9.93
Long-term borrowings	53,251	68,311	75,842	81,299	29,778	45,151	3.36
Other liabilities	62,921	69,701	56,635	47,375	48,073	39,178	9.94
Shareholders' equity	365,908	326,776	269,849	252,402	234,551	215,314	11.19
Total liabilities and shareholders' equity	$4,592,193	$4,384,306	$3,975,942	$3,550,832	$3,153,810	$2,957,785	9.20
Selected Average Balances							
Loans	$3,111,702	$2,843,439	$2,527,722	$2,186,253	$1,943,180	$1,754,078	12.15
Funds sold	5,926	23,952	67,698	80,283	70,861	85,010	(41.30)
Taxable securities	729,098	663,978	573,721	504,645	470,115	424,046	11.45
Nontaxable securities	188,568	223,699	264,675	219,601	227,050	248,929	(5.40)
Interest-earning assets	4,035,294	3,755,068	3,433,816	2,990,782	2,711,206	2,512,063	9.94
Total assets	4,359,951	4,079,790	3,750,237	3,286,307	2,974,979	2,770,416	9.49
Interest-bearing deposits	3,282,195	3,081,395	2,869,939	2,491,096	2,230,196	2,069,752	9.66
Short-term borrowings	110,168	120,349	106,076	84,369	98,086	75,757	7.78
Long-term borrowings	63,269	71,676	79,414	44,619	37,084	46,142	6.52
Interest-bearing liabilities	3,455,632	3,273,420	3,055,429	2,620,084	2,365,366	2,191,651	9.53
Shareholders' equity	344,237	298,062	262,567	244,773	225,245	204,988	10.92

Average Rates Earned and Paid

Earning assets

Loans	8.43%	9.28%	10.43%	10.98%	11.07%	10.50%
Funds sold	2.23	3.77	5.46	7.96	8.94	7.59
Taxable securities	5.30	6.45	7.94	8.57	8.47	7.76
Nontaxable securities	8.12	9.20	10.40	11.21	11.39	10.80
Total earning assets	7.84	8.74	9.91	10.50	10.59	9.97
Interest-bearing liabilities						
N.O.W. & money market deposits	2.14	2.68	4.22	4.83	5.11	4.98
Savings deposits	2.51	2.83	4.11	4.52	4.61	4.66
Time deposits	4.73	5.69	7.20	8.03	8.10	7.17
Short-term borrowings	2.81	3.41	5.12	7.21	8.12	6.54
Long-term borrowings	10.63	10.47	9.77	8.93	10.93	10.24
Total interest-bearing liabilities	3.93	4.74	6.22	6.85	6.95	6.22
Rate spread	3.91	4.00	3.69	3.65	3.64	3.75
Net yield on earning assets	4.47	4.61	4.37	4.50	4.53	4.55

</TABLE>

(1) Includes investment securities held to maturity and investment securities available for sale.
NMF = Not Meaningful

<TABLE>
<CAPTION>

(dollars in thousands except per share data)	Years ended December 31, 1993	1992	1991	1990	1989	1988	Five Year Compound Growth Rate
Summary of Operations							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Interest income*	$ 316,363	$ 328,012	$ 340,304	$ 314,252	$ 287,175	$ 251,201	4.72%
Interest expense	135,847	155,088	190,154	179,544	164,480	136,244	(.06)
Taxable equivalent net interest income	180,516	172,924	150,150	134,708	122,695	114,957	9.45
Provision for loan losses	8,970	8,395	8,369	7,864	6,796	5,226	11.41
Taxable equivalent net interest income after provision for loan losses	171,546	164,529	141,781	126,844	115,899	109,731	1.10
Noninterest income	66,061	59,292	48,018	40,143	35,466	32,358	15.34
Noninterest expense	164,481	160,103	140,999	120,410	105,382	98,365	10.83
FTE income before income taxes	73,126	63,718	48,800	38,937	37,956	35,143	10.59
Income taxes	22,118	17,556	9,589	9,909	8,270	8,633	20.70
Taxable equivalent adjustment	5,105	6,383	8,545	7,640	8,027	8,581	(9.87)
Net income	$ 45,903	$ 39,779	$ 30,666	$ 29,028	$ 29,686	$ 26,510	11.61
Weighted average shares**	20,326	19,244	18,336	18,015	17,800	17,535	
Net income per share**	$ 2.26	$ 2.07	$ 1.67	$ 1.61	$ 1.67	$ 1.51	
Selected Ratios							
Performance							
Net Income to:							
Average assets	1.05%	.98%	.82%	.88%	1.00%	.96%	

Average shareholders' equity	13.33	13.35	11.68	11.86	13.18	12.93
Ratio of earnings to fixed charges	1.49	1.37	1.21	1.21	1.23	1.26
Efficiency ratio	66.84	69.20	71.41	68.85	66.63	67.04
Capital Adequacy						
Shareholders' equity to assets at year end	7.97%	7.45%	6.79%	7.11%	7.44%	7.28%
Risk-based capital-Tier 1	10.05	9.44	8.33	8.37	N/A	N/A
Risk-based capital-Total	11.27	10.76	9.67	9.72	N/A	N/A
Tier I Leverage at year end	7.26	6.71	5.87	6.25	6.55	6.27
Debt to equity	14.55	20.90	28.11	32.21	12.70	20.97
Asset Quality						
Net charge-offs to average loans	.25%	.21%	.27%	.27%	.26%	.25%
Reserve for loan losses to loans	1.27	1.26	1.20	1.10	1.11	1.10
Nonperforming loans to loans	.65	.86	1.47	1.13	1.24	1.33
Nonperforming assets to assets	.50	.68	1.09	.84	.91	.94
Stock Performance**						
Dividends paid per share						
(Historical)	$ .94	$ .85	$ .80	$ .75	$ .69	$ .59
Market price:						
High	$ 39.63	$ 26.50	$ 20.00	$ 17.00	$ 18.17	$ 17.50
Low	24.83	18.00	11.83	11.33	15.00	13.33
At year end	39.63	25.09	18.79	12.00	16.50	17.25
Average market price for the year	30.69	22.52	16.60	14.75	16.69	15.10
Book value at year end	17.65	16.24	14.69	13.95	13.12	12.18
Market to book value at year end	225%	154%	128%	86%	126%	142%
Dividend payout percentage						
(Historical)	41%	41%	48%	46%	42%	38%
Dividend yield (based on average price for the year)	3.06%	3.78%	4.82%	5.08%	4.13%	3.91%
Price/earnings ratio (based on year end stock price)	17.54x	12.12x	11.25x	7.45x	9.88x	11.42x
Other Historical Data						
Shareholders at year end	7,630	7,641	7,415	7,428	7,455	7,505
Full time equivalent employees	2,807	2,648	2,530	2,250	2,032	2,012
Number of banking offices at year end	160	151	137	118	96	98

</TABLE>

*Income computed on a fully taxable equivalent basis.
**Data has been restated for the three for two stock split, effected in the form of a 50% stock dividend, distributed on August 27, 1993.

Average Balances, Mix, Interest, Average Rates and Key Ratios
<TABLE>

<CAPTION>

(dollars in thousands)	1993 Average Balance	Mix	Interest	Average Rate
Assets				
Earning assets:				
Loans, net of unearned discount (1)	$3,111,702	71.4%	$ 262,263	8.43%
Funds sold	5,926	.2	132	2.23
Investment securities (2)				
Taxable (3)	729,098	16.7	38,651	5.30
Nontaxable	188,568	4.3	15,317	8.12
Total investment securities	917,666	21.0	53,968	5.88
Total earning assets	4,035,294	92.6	316,363	7.84
Reserve for loan losses	(39,852)	(.9)		
Cash and due from banks	172,111	3.9		
Premises and equipment, net	103,087	2.4		
Other assets	89,311	2.0		
Total assets	$4,359,951	100.0%		
Liabilities and Shareholders' Equity				
Interest-bearing liabilities:				
N.O.W. and money market deposits	$ 776,256	17.8%	$ 16,647	2.14
Savings deposits	411,525	9.4	10,318	2.51
Time deposits	2,094,414	48.0	99,062	4.73
Short-term borrowings	110,168	2.5	3,097	2.81
Long-term borrowings	63,269	1.5	6,723	10.63
Total interest-bearing liabilities	3,455,632	79.2	135,847	3.93
Demand deposits	492,232	11.3		
Accrued expenses and other liabilities	67,850	1.6		
Total liabilities	4,015,714	92.1		
Shareholders' equity	344,237	7.9		
Total liabilities and shareholders' equity	$4,359,951	100.0%		
Taxable equivalent net interest income and rate spread			$ 180,516	3.91%
Net yield on earning assets				4.47%

</TABLE>

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	71.37%
Earning assets to total assets	92.55
Reserve for loan losses to loans	1.28
Net loans charged off as a % of loans	.25
Long-term borrowings to shareholders' equity	18.38

Shareholders' equity to total assets	7.90

Average Balances, Mix, Interest, Average Rates and Key Ratios

(dollars in thousands)	1992 Average Balance	Mix	Interest	Average Rate
Assets				
Earning assets:				
Loans, net of unearned discount (1)	$2,843,439	69.7%	$ 263,737	9.28%
Funds sold	23,952	.6	903	3.77
Investment securities (2)				
Taxable (3)	663,978	16.2	42,797	6.45
Nontaxable	223,699	5.5	20,575	9.20
Total investment securities	887,677	21.7	63,372	7.14
Total earning assets	3,755,068	92.0	328,012	8.74
Reserve for loan losses	(35,090)	(.9)		
Cash and due from banks	157,986	3.9		
Premises and equipment, net	108,528	2.7		
Other assets	93,298	2.3		
Total assets	$4,079,790	100.0%		
Liabilities and Shareholders'Equity				
Interest-bearing liabilities:				
N.O.W. and money market deposits	$747,076	18.3%	$ 20,004	2.68%
Savings deposits	327,447	8.0	9,267	2.83
Time deposits	2,006,872	49.2	114,217	5.69
Short-term borrowings	120,349	2.9	4,099	3.41
Long-term borrowings	71,676	1.8	7,501	10.47
Total interest-bearing liabilities	3,273,420	80.2	155,088	4.74
Demand deposits	438,802	10.8		
Accrued expenses and other liabilities	69,506	1.7		
Total liabilities	3,781,728	92.7		
Shareholders' equity	298,062	7.3		
Total liabilities and shareholders' equity	$4,079,790	100.0%		
Taxable equivalent net interest income and rate spread			$ 172,924	4.00%
Net yield on earning assets				4.61%

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	69.70%
Earning assets to total assets	92.04

Reserve for loan losses to loans	1.23
Net loans charged off as a % of loans	.21
Long-term borrowings to shareholders' equity	24.05
Shareholders' equity to total assets	7.31

Average Balances, Mix, Interest, Average Rates and Key Ratios

(dollars in thousands)	1991 Average Balance	Mix	Interest	Average Rate
Assets				
Earning assets:				
Loans, net of unearned discount (1)	$2,527,722	67.4%	$ 263,527	10.43%
Funds sold	67,698	1.8	3,696	5.46
Investment securities (2)				
Taxable (3)	573,721	15.3	45,544	7.94
Nontaxable	264,675	7.1	27,537	10.40
Total investment securities	838,396	22.4	73,081	8.72
Total earning assets	3,433,816	91.6	340,304	9.91
Reserve for loan losses	(28,406)	(.8)		
Cash and due from banks	152,972	4.1		
Premises and equipment, net	104,165	2.8		
Other assets	87,690	2.3		
Total assets	$3,750,237	100.0%		
Liabilities and Shareholders' Equity				
Interest-bearing liabilities:				
N.O.W. and money market deposits	$ 683,454	18.2%	$ 28,823	4.22%
Savings deposits	301,471	8.1	12,396	4.11
Time deposits	1,885,014	50.3	135,739	7.20
Short-term borrowings	106,076	2.8	5,434	5.12
Long-term borrowings	79,414	2.1	7,762	9.77
Total interest-bearing liabilities	3,055,429	81.5	190,154	6.22
Demand deposits	387,316	10.3		
Accrued expenses and other liabilities	44,925	1.2		
Total liabilities	3,487,670	93.0		
Shareholders' equity	262,567	7.0		
Total liabilities and shareholders' equity	$3,750,237	100.0%		
Taxable equivalent net interest income and rate spread			$ 150,150	3.69%
Net yield on earning assets				4.37%

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.

(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	67.40%
Earning assets to total assets	91.56
Reserve for loan losses to loans	1.12
Net loans charged off as a % of loans	.27
Long-term borrowings to shareholders' equity	30.25
Shareholders' equity to total assets	7.00

Average Balances, Mix, Interest, Average Rates and Key Ratios
<TABLE>
<CAPTION>

	1990			
(dollars in thousands)	Average Balance	Mix	Interest	Average Rate
Assets				
Earning assets:				
<S>	<C>	<C>	<C>	<C>
Loans, net of unearned discount (1)	$2,186,253	66.5%	$ 239,990	10.98%
Funds sold	80,283	2.4	6,389	7.96
Investment securities (2)				
Taxable (3)	504,645	15.4	43,256	8.57
Nontaxable	219,601	6.7	24,617	11.21
Total investment securities	724,246	22.1	67,873	9.58
Total earning assets	2,990,782	91.0	314,252	10.50
Reserve for loan losses	(24,016)	(.7)		
Cash and due from banks	148,700	4.5		
Premises and equipment, net	85,964	2.6		
Other assets	84,877	2.6		
Total assets	$3,286,307	100.0%		
Liabilities and Shareholders'Equity				
Interest-bearing liabilities:				
N.O.W. and money market deposits	$ 663,778	20.2%	$ 32,062	4.83%
Savings deposits	267,959	8.2	12,125	4.52
Time deposits	1,559,359	47.4	125,287	8.03
Short-term borrowings	84,369	2.6	6,086	7.21
Long-term borrowings	44,619	1.3	3,984	8.93
Total interest-bearing liabilities	2,620,084	79.7	179,544	6.85
Demand deposits	367,582	11.2		
Accrued expenses and other liabilities	53,868	1.6		
Total liabilities	3,041,534	92.5		
Shareholders' equity	244,773	7.5		
Total liabilities and shareholders' equity	$3,286,307	100.0%		
Taxable equivalent net interest income and rate spread			$ 134,708	3.65%
Net yield on earning assets				4.50%

</TABLE>

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	66.53%
Earning assets to total assets	91.00
Reserve for loan losses to loans	1.10
Net loans charged off as a % of loans	.27
Long-term borrowings to shareholders' equity	18.23
Shareholders' equity to total assets	7.45

Average Balances, Mix, Interest, Average Rates and Key Ratios
<TABLE>
<CAPTION>

	1989			
(dollars in thousands)	Average Balance	Mix	Interest	Average Rate
Assets				
Earning assets:				
<S>	<C>	<C>	<C>	<C>
Loans, net of unearned discount (1)	$1,943,180	65.3%	$ 215,153	11.07%
Funds sold	70,861	2.4	6,338	8.94
Investment securities (2)				
Taxable (3)	470,115	15.8	39,819	8.47
Nontaxable	227,050	7.6	25,865	11.39
Total investment securities	697,165	23.4	65,684	9.42
Total earning assets	2,711,206	91.1	287,175	10.59
Reserve for loan losses	(21,316)	(.7)		
Cash and due from banks	135,303	4.6		
Premises and equipment, net	74,881	2.5		
Other assets	74,905	2.5		
Total assets	$2,974,979	100.0%		
Liabilities and Shareholders'Equity				
Interest-bearing liabilities:				
N.O.W. and money market deposits	$ 647,214	21.8%	$ 33,059	5.11%
Savings deposits	250,938	8.4	11,571	4.61
Time deposits	1,332,044	44.8	107,832	8.10
Short-term borrowings	98,086	3.3	7,965	8.12
Long-term borrowings	37,084	1.2	4,053	10.93
Total interest-bearing liabilities	2,365,366	79.5	164,480	6.95
Demand deposits	341,090	11.5		
Accrued expenses and other liabilities	43,278	1.4		
Total liabilities	2,749,734	92.4		
Shareholders' equity	225,245	7.6		

Total liabilities and shareholders' equity	$2,974,979	100.0%		
Taxable equivalent net interest income and rate spread			$ 122,695	3.64%
Net yield on earning assets				4.53%

</TABLE>

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	65.32%
Earning assets to total assets	91.13
Reserve for loan losses to loans	1.10
Net loans charged off as a % of loans	.26
Long-term borrowings to shareholders' equity	16.46
Shareholders' equity to total assets	7.57

Quarterly Average Balances, Interest, Average Rates and Key Ratios
<TABLE>
<CAPTION>

	1993					
	Fourth Quarter			Third Quarter		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Earning assets:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans, net of unearned discount (1)	$3,191,052	$ 65,969	8.27%	$3,123,147	$ 65,667	8.41%
Funds sold	4,411	27	2.45	8,329	39	1.88
Investment securities (2)						
Taxable (3)	758,015	9,595	5.06	714,578	9,328	5.22
Nontaxable	202,845	3,806	7.50	188,948	4,071	8.62
Total investment securities	960,860	13,401	5.58	903,526	13,399	5.93
Total earning assets	4,156,323	79,397	7.64	4,035,002	79,105	7.84
Reserve for loan losses	(40,215)			(40,449)		
Cash and due from banks	180,769			176,398		
Premises and equipment, net	102,982			102,109		
Other assets	88,435			88,076		
Total assets	$4,488,294			$4,361,136		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
N.O.W. and money market deposits	$ 798,684	$ 4,056	2.03	$ 774,879	$ 4,103	2.12%
Savings deposits	437,181	2,660	2.43	414,966	3,085	2.97
Time deposits	2,121,063	24,177	4.56	2,064,502	23,780	4.61

Short-term borrowings	103,529	761	2.94	133,059	920	2.76
Long-term borrowings	53,150	1,352	10.17	63,256	1,811	11.45
Total interest-bearing liabilities	3,513,607	33,006	3.76	3,450,662	33,699	3.91
Demand deposits	541,159			501,348		
Accrued expenses and other liabilities	74,707			61,931		
Total liabilities	4,129,473			4,013,941		
Shareholders' equity	358,821			347,195		
Total liabilities and shareholders' equity	$4,488,294			$4,361,136		
Taxable equivalent net interest income and rate spread		$46,391	3.88%		$45,406	3.93%
Net yield on earning assets			4.45%			4.50%

</TABLE>

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	71.10%	71.61%
Earning assets to total assets	92.60	92.52
Reserve for loan losses to loans	1.26	1.30
Net loans charged off as a % of loans	.10	.06
Long-term borrowings to shareholders' equity	14.81	18.22
Shareholders' equity to total assets	7.99	7.96

Quarterly Average Balances, Interest, Average Rates and Key Ratios
<TABLE>
<CAPTION>

	1993					
	Second Quarter			First Quarter		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Earning assets:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans, net of unearned discount (1)	$3,086,578	$ 65,643	8.51%	$3,046,032	$ 64,984	8.53%
Funds sold	2,137	12	2.25	8,827	54	2.45
Investment securities (2)						
Taxable (3)	718,727	9,620	5.35	725,071	10,108	5.58
Nontaxable	178,550	3,633	8.14	183,930	3,807	8.28
Total investment securities	897,277	13,253	5.91	909,001	13,915	6.12
Total earning assets	3,963,860	78,953	7.97	3,985,992	78,908	7.92
Reserve for loan losses	(39,946)			(38,798)		
Cash and due from banks	166,796			164,480		

Premises and equipment, net	103,613			103,643		
Other assets	90,309			90,425		
Total assets	$4,306,764			$4,283,610		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
N.O.W. and money market deposits	$ 757,764	$ 4,131	2.18%	$ 773,698	$ 4,357	2.25%
Savings deposits	455,898	2,602	2.28	338,054	1,971	2.33
Time deposits	2,038,633	24,803	4.87	2,153,459	26,302	4.89
Short-term borrowings	102,948	711	2.76	101,136	705	2.79
Long-term borrowings	68,330	1,780	10.42	68,340	1,780	10.42
Total interest-bearing liabilities	3,423,573	34,027	3.98	3,434,687	35,115	4.09
Demand deposits	473,705			452,717		
Accrued expenses and other liabilities	70,186			64,907		
Total liabilities	3,967,464			3,952,311		
Shareholders' equity	339,300			331,299		
Total liabilities and shareholders' equity	$4,306,764			$4,283,610		
Taxable equivalent net interest income and rate spread		$ 44,881	3.94%		$ 43,838	3.88%
Net yield on earning assets			4.50%			4.42%

</TABLE>

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	71.67%	71.11%
Earning assets to total assets	92.55	92.54
Reserve for loan losses to loans	1.29	1.27
Net loans charged off as a % of loans	.05	.04
Long-term borrowings to shareholders' equity	20.14	20.63
Shareholders' equity to total assets	7.87	7.73

Quarterly Average Balances, Interest, Average Rates and Key Ratios
<TABLE>
<CAPTION>

	1992					
	Fourth Quarter			Third Quarter		
(dollars in thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Assets						
Earning assets:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans, net of unearned discount (1)	$3,060,974	$ 67,940	8.88%	$3,011,928	$ 68,995	9.16%

Funds sold	19,452	160	3.29	28,548	263	3.69
Investment securities (2)						
Taxable (3)	689,710	10,093	5.85	673,591	10,704	6.36
Nontaxable	199,099	4,311	8.66	213,249	4,845	9.09
Total investment securities	888,809	14,404	6.48	886,840	15,549	7.01
Total earning assets	3,969,235	82,504	8.31	3,927,316	84,807	8.64
Reserve for loan losses	(40,757)			(36,727)		
Cash and due from banks	168,036			160,984		
Premises and equipment, net	107,910			111,538		
Other assets	92,482			101,654		
Total assets	$4,296,906			$4,264,765		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
N.O.W. and money market deposits	$ 780,016	$ 4,658	2.39%	$ 771,881	4,828	2.50%
Savings deposits	341,004	2,220	2.60	333,432	2,306	2.77
Time deposits	2,129,116	27,556	5.18	2,097,221	28,711	5.48
Short-term borrowings	87,862	662	3.01	139,734	1,107	3.17
Long-term borrowings	68,298	1,775	10.40	71,532	1,880	10.51
Total interest-bearing liabilities	3,406,296	36,871	4.33	3,413,800	38,832	4.55
Demand deposits	479,425			447,207		
Accrued expenses and other liabilities	87,985			87,921		
Total liabilities	3,973,706			3,948,928		
Shareholders' equity	323,200			315,837		
Total liabilities and shareholders' equity	$4,296,906			$4,264,706		
Taxable equivalent net interest income and rate spread		$ 45,633	3.98%		$ 45,975	4.09%
Net yield on earning assets			4.60%			4.68%

</TABLE>

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	71.24%	70.62%
Earning assets to total assets	92.37	92.09
Reserve for loan losses to loans	1.33	1.22
Net loans charged off as a % of loans	.08	.04
Long-term borrowings to shareholders' equity	21.13	22.65
Shareholders' equity to total assets	7.52	7.41

Quarterly Average Balances, Interest, Average Rates and Key Ratios

(dollars in thousands)	1992 Second Quarter Average Balance	Interest	Average Rate	First Quarter Average Balance	Interest	Average Rate
Assets						
Earning assets:						
Loans, net of unearned discount (1)	$2,668,362	$ 63,180	9.47%	$2,632,492	$ 63,623	9.67%
Funds sold	22,878	219	3.83	24,930	261	4.19
Investment securities (2)						
Taxable (3)	642,513	10,544	6.56	650,098	11,455	7.05
Nontaxable	237,162	5,545	9.35	245,286	5,874	9.58
Total investment securities	879,675	16,089	7.32	895,384	17,329	7.74
Total earning assets	3,570,915	79,488	8.90	3,552,806	81,213	9.14
Reserve for loan losses	(30,825)			(32,051)		
Cash and due from banks	150,637			152,287		
Premises and equipment, net	107,400			107,264		
Other assets	86,272			92,784		
Total assets	$3,884,399			$3,873,090		
Liabilities and Shareholders' Equity						
Interest-bearing liabilities:						
N.O.W. and money market deposits	$ 713,943	$ 5,039	2.82%	$ 722,463	$ 5,480	3.03%
Savings deposits	325,683	2,421	2.97	309,669	2,320	3.00
Time deposits	1,875,394	27,570	5.88	1,925,760	30,380	6.30
Short-term borrowings	143,255	1,313	3.67	110,545	1,017	3.68
Long-term borrowings	73,450	1,922	10.47	73,424	1,924	10.48
Total interest-bearing liabilities	3,131,725	38,265	4.89	3,141,861	41,121	5.24
Demand deposits	419,448			409,128		
Accrued expenses and other liabilities	54,033			48,827		
Total liabilities	3,605,206			3,599,816		
Shareholders' equity	279,193			273,274		
Total liabilities and shareholders' equity	$3,884,399			$3,873,090		
Taxable equivalent net interest income and rate spread		$ 41,223	4.01%		$40,092	3.90%
Net yield on earning assets			4.62%			4.51%

(1) Non-performing loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes investment securities held to maturity and investment securities available for sale.
(3) Includes time deposits with other banks.

Key Average Balance Ratios

Loans to assets	68.69%	67.97%
Earning assets to total assets	91.93	91.73
Reserve for loan losses to loans	1.16	1.22
Net loans charged off as a % of loans	.03	.06
Long-term borrowings to shareholders' equity	26.31	26.87
Shareholders' equity to total assets	7.19	7.06

Glossary of Financial Terms

Average Balance - The sum of the daily balances at the end of each day divided by the number of days in the period.

Book Value Per Share - The value of a share of common stock determined by dividing total shareholders' equity at the end of the period by the total number of common shares then outstanding.

Cash and Cash Equivalents - Cash and cash equivalents include cash on hand, amounts due from banks, and federal funds sold. Generally, federal funds are purchased and sold for one-day periods.

Common Dividend Payout Ratio - The percentage of net income that was paid to common shareholders as dividends.

Earning Assets - Assets that generate interest income and yield-related fee income, such as loans, short-term investments, and investment securities.

Efficiency Ratio - A measurement of overhead expense efficiency. It is computed by dividing noninterest expense by the sum of fully taxable-equivalent (FTE) net interest income and noninterest income (excluding security gains or losses on sales).

Fully Taxable-Equivalent Income (FTE) - Refers to tax-exempt income which has been converted to put tax-exempt and taxable income on a comparable basis before application of income taxes.

Gap - The amount by which interest-rate sensitive assets exceed interest-rate sensitive liabilities for a designated time period is referred to as a positive gap. An excess of liabilities would represent a negative gap.

Interest-bearing Liabilities - Liabilities upon which interest is paid for the use of funds, such as savings and time deposits, short-term borrowings, and long-term borrowings.

Interest-rate Sensitive Assets/Liabilities - Earning assets and interest-bearing liabilities whose yields and rates vary within a specific time period, due to either maturity or in association with market interest rates.

Internal Capital Generation Rate - The rate at which equity is generated internally. It is computed by dividing earnings retained by the corporation (net income less dividends) by the average balance of shareholders' equity for a given period.

Liquidity - The ability of a corporation to generate adequate funds to meet its cash flow requirements.

Money Market Interest Rates - Interest rates which are determined by the demand and supply of funds in the money market. These rates include the federal funds rate, treasury bill rate and national commercial/prime rates.

Net Interest Income - The difference between total interest income and total interest expense.

Net Rate Spread - The difference between the yield on interest-earning assets (FTE basis) and the rate paid on interest-bearing liabilities.

Net Yield on Earning Assets - A measurement of how effectively the corporation utilizes its earning assets in relationship to the interest cost of funding them. It is computed by dividing net interest income (FTE basis) by average interest-earning assets.

Nonaccrual Loans - Loans on which interest accruals have been discontinued due to the borrower's financial difficulties. Interest income on these loans is reported on the cash basis as it is collected.

Nonperforming Loans - The total of nonaccrual loans, past due loans and restructured loans.

Past Due Loans - Loans that are contractually past due 90 or more days as to interest or principal.

Provision for Loan Losses - A charge to earnings which appears on the income statement. This charge increases the reserve for loan losses.

Reserve for Loan Losses - A valuation allowance offset against total loans which appears on the balance sheet. This reserve represents the amount considered by management to be adequate to cover estimated losses inherent in the loan portfolio.

Restructured Loans - A loan is considered restructured when a bank for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider.

Return on Average Assets - A measure of profitability that indicates how effectively the corporation utilized its assets. It is calculated by dividing net income by total average assets.

Return on Average Equity - A measure of profitability that indicates what the corporation earned on its shareholders' investment. It is calculated by dividing net income by total average shareholders' equity.

Risk-Based Capital - Tier I - As defined by regulatory authorities, includes among other things common stock, surplus, retained earnings, qualified preferred stock and minority interests in consolidated subsidiaries reduced by certain intangible assets.

Risk-Based Capital - Tier II - As defined by regulatory authorities, includes the qualified portion of the reserve for loan losses and qualified long-term borrowings.

Risk-Based Capital - Total - The sum of Tier I and Tier II Risk-Based Capital.
Standby Letter of Credit - An instrument issued by a bank which represents an obligation to honor demands for payment upon compliance with specified conditions. It may be used to back up a commercial paper issue or to serve as a guarantee of funding for a real estate project. If a customer defaults on loan payments, the issuer of the standby letter would be called upon to make the payments. Standby letters of credit represent contingent liabilities and therefore they are not included on a bank's balance sheet.

[Valley Bancorporation Letterhead]

Valley Bancorporation
100 West Lawrence Street, P.O. Box 1061, Appleton, WI 54912-1061 (414) 738-3830

January 18, 1994

The management of Valley Bancorporation ("Valley") is responsible for the preparation, integrity, and fair presentation of Valley's consolidated financial statements for the year ended December 31, 1993. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and, as such, include amounts based on judgments and estimates made by management.

The consolidated financial statements referred to above have been audited by Arthur Andersen & Co., who have been given unrestricted access to all financial records and related data, including minutes of all meetings of stockholders, the board of directors, and committees of the board. Management believes that all representations made to Arthur Andersen & Co. during the audit were valid and appropriate.

/s/ Peter M. Platten, III	/s/ Gary A. Lichtenberg
Peter M. Platten, III President and Chief Executive Officer	Gary A. Lichtenberg Senior Vice President/Chief Financial Officer and Secretary

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

See ITEM 1. "Business -- Pending Merger with Marshall & Ilsley Corporation" for information concerning Valley's merger into M&I which is incorporated herein by reference.

The following discussion will cover Valley's results of operations, asset quality, financial position, liquidity, interest rate sensitivity and capital resources for the years 1991 through 1993. The information included in this discussion is intended to assist readers in their analysis of, and should be read in conjunction with, the consolidated financial statements and related notes and other supplemental information presented elsewhere in this report. Throughout this discussion, the term "bank(s)" includes commercial banks and savings associations, unless otherwise indicated.

Results of Operations

Overview

Valley reported net income of $45.903 million in 1993, an increase of 15.39% from the $39.779 million in 1992. Net income per share was $2.26 in 1993, compared with $2.07 (adjusted for three for two stock split on August 27, 1993) per share in 1992. In 1991, net income was $30.666 million, which amounted to $1.67 (adjusted) per share.

In July 1992, Valley completed its acquisition of United Savings and Loan Association (United). United, a Wisconsin savings association, is being operated as a separate subsidiary of Valley. In November 1993, Valley acquired Pierce County Bank & Trust Company (Pierce County). Both of these acquisitions were accounted for as purchases and the results of their operations are included in Valley's results of operations from their acquisition dates forward.

At Valley, maintaining excellent credit quality continues to be a priority. Nonperforming loans as a percent of loans fell to .65% as of December 31, 1993, down from .86% at December 31, 1992. Provision for loan losses for 1993 was $8.970 million as compared to $8.395 million in 1992, a 6.8% increase between periods. Reserve for loan losses as a percent of loans increased to 1.27% at December 31, 1993 as compared to 1.26% at December 31, 1992. Reserve for loan losses as a percent of nonperforming loans, increased to 196%, up from 146% a year ago. This ratio represents the extent of coverage of nonperforming loans in the reserve for loan losses. Net loans charged off as a percent of average loans was .25% for 1993. This ratio compares to .21% reported at year end 1992 and .27% at year end 1991. This net charge off ratio compares favorably to other financial institutions in the Midwest and is a positive reflection on Valley's overall credit quality.

During 1993, Valley continued recognizing the benefits from several expense reduction initiatives undertaken in 1990 and 1991 to enhance its operating efficiencies and reduce its operating costs. Valley's bank backroom operations and other bank support functions have been centralized and standardized at two regional service centers. Valley also converted the majority of its banks to an in-house data processing system (VISION) and centralized and standardized mortgage lending operations. These initiatives have eliminated many duplications of effort and significantly enhanced operating efficiencies.

During 1993, the continued low interest rate environment fueled mortgage lending activities which resulted in strong fee income, along with significant gains on sales of mortgage loans to the secondary market. Valley recognized $6.786 million in gains on sale of mortgage loans to the secondary market in 1993, up from the $3.274 million recognized in 1992.

Earnings also benefitted from an increase in fully-taxable equivalent (FTE) net interest income between years of $7.591 million. This increase resulted primarily from growth in average earning assets between periods of 7.5%, or $280.226 million.

Table 1 highlights the major factors affecting the changes in earnings per share during the last three years. Growth in net interest income, stability in the provision for loan losses and increases in noninterest income all contributed to the improved earnings.

Table 1: Changes in Earnings and Earnings Per Share
<TABLE>
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	Years Ended December 31,						
Income/ExpenseChange							
	1993	1992	1991	1993/1992		1992/1991	
(dollars in thousands)	Dollars	Dollars	Dollars	Dollars	Per Share**	Dollars	Per Share**
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net Income, prior period	N/A	N/A	N/A	$ 39,779	$ 2.07	$ 30,666	$1.67
Increase(decrease) attributable to:							

Interest Income*	$316,363	$328,012	$340,304	(11,649)	(.60)	(12,292)	(.67)
Interest Expense	135,847	155,088	190,154	19,241	1.00	35,066	1.91
Net Interest Income	180,516	172,924	150,150	7,592	.40	22,774	1.24
Provision for loan losses	8,970	8,395	8,369	(575)	(.03)	(26)	(.01)
Noninterest Income:							
Service charges on deposit accounts	17,167	15,707	13,606	1,460	.08	2,101	.12
Trust service fees	12,631	12,455	10,927	176	.01	1,528	.08
Other service charges, commissions and fees	11,839	11,043	8,673	796	.04	2,370	.13
Insurance related	7,325	7,573	6,672	(248)	(.01)	901	.05
Credit card	7,186	6,147	5,466	1,039	.05	681	.04
Net securities gains	497	864	724	(367)	(.02)	140	.01
Other	9,416	5,503	1,950	3,913	.20	3,553	.19
Total noninterest income	66,061	59,292	48,018	6,769	.35	11,274	.62
Noninterest Expense:							
Salaries and wages	72,200	66,542	59,579	(5,658)	(.30)	(6,963)	(.38)
Pensions and other employee benefits	20,406	23,636	17,710	3,230	.17	(5,926)	(.32)
Equipment	16,615	16,134	13,639	(481)	(.03)	(2,495)	(.14)
Net occupancy	12,816	11,598	10,773	(1,218)	(.06)	(825)	(.04)
FDIC Insurance	8,333	7,923	6,640	(410)	(.02)	(1,283)	(.07)
Credit card	3,896	3,325	2,961	(571)	(.03)	(364)	(.02)
Other	30,215	30,945	29,697	730	.04	(1,248)	(.07)
Total noninterest expense	164,481	160,103	140,999	(4,378)	(.23)	(19,104)	(1.04)
FTE income before taxes	73,126	63,718	48,800	9,408	.49	14,918	.81
Income taxes	22,118	17,556	9,589	(4,562)	(.24)	(7,967)	(.43)
Taxable equivalent adjustment	5,105	6,383	8,545	1,278	.07	2,162	.12
Additional shares outstanding	---	---	---	---	(.13)	---	(.10)
Net change	---	---	---	6,124	.19	9,113	.40
Net income, current period	$ 45,903	$ 39,779	$ 30,666	$ 45,903	$2.26	$ 39,779	$2.07

</TABLE>

* Income computed on a fully taxable equivalent basis.
** Per share data has been restated for the three for two stock split, effected in the form of a 50% stock dividend, distributed on August 27, 1993.

Bank analysts consider 15.00% return on average equity and 1.00% return on average assets to be benchmarks for high performing financial institutions in the Midwest. Valley's return on average equity in 1993 was 13.33%, compared to 13.35% and 11.68% reported in 1992 and 1991, respectively. Return on average assets reached 1.05% in 1993, up from .98% and .82% in 1992 and 1991, respectively. Table 2 highlights certain relationships between significant financial ratios.

Table 2: Financial Ratios

	1993	1992	1991	1990	1989
Return on average assets	1.05%	.98%	.82%	.88%	1.00%
divided by					
Average equity as a % of average assets	7.89	7.31	7.00	7.45	7.57
equals					

Return on average equity (%)	13.33	13.35	11.68	11.86	13.18
multiplied by					
Earnings retained (%)	58.58	58.71	52.14	53.63	58.40
equals					
Internal capital growth (%)	7.81	7.84	6.09	6.36	7.70

The remainder of this discussion provides a more detailed explanation of factors affecting the changes in results of operations and the changes in financial position of Valley for the past three years.

Net Interest Income

Net interest income is the most significant component of earnings. For analytical purposes, interest earned on tax exempt assets, such as industrial development revenue bonds and state and municipal obligations, is adjusted to an FTE basis. This adjustment is based upon the applicable federal corporate income tax rate (currently 35%), and any interest expense which is disallowed as a deduction in connection with carrying these tax exempt assets, and thus facilitates a meaningful comparison between taxable and nontaxable earning assets. Table 3 shows the sources of interest income and expense between years and the variances resulting from fluctuations in interest rate (rate) and changes in the amount and type (volume) of earning assets and interest-bearing liabilities.

Table 3: Changes in Net Interest Income - Taxable Equivalent Basis
<TABLE>
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	Average Balances			Average Rates		Interest		1993-1992		
(dollars in thousands)	1993	1992	Increase/ (Decrease)	1993	1992	1993	1992	Income Expense Variance	Volume Variance	Rate Variance
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans(1)	$3,111,702	$2,843,439	$268,263	8.43%	9.28%	$262,263	$263,737	$(1,474)	$23,727	$(25,201)
Funds sold	5,926	23,952	(18,026)	2.23	3.77	132	903	(771)	(500)	(271)
Investment securities -taxable(2)	729,098	663,978	65,120	5.30	6.45	38,651	42,797	(4,146)	3,932	(8,078)
Investment securities -nontaxable	188,568	223,699	(35,131)	8.12	9.20	15,317	20,575	(5,258)	(3,015)	(2,243)
Total earning assets	4,035,294	3,755,068	280,226	7.84	8.74	316,363	328,012	(11,649)	24,144	(35,793)
Reserve for loan losses	(39,852)	(35,090)	(4,762)							
Cash and due from banks	172,111	157,986	14,125							
Premises and equipment	103,087	108,528	(5,441)							
Other assets	89,311	93,298	(3,987)							
Total assets	$4,359,951	$4,079,790	$280,161							
N.O.W. and money market deposits	$ 776,256	$ 747,076	$ 29,180	2.14	2.68	16,647	20,004	(3,357)	755	(4,112)
Savings deposits	411,525	327,447	84,078	2.51	2.83	10,318	9,267	1,051	2,191	(1,140)
Time deposits	2,094,414	2,006,872	87,542	4.73	5.69	99,062	114,217	(15,155)	4,809	(19,964)
Short-term borrowings	110,168	120,349	(10,181)	2.81	3.41	3,097	4,099	(1,002)	(327)	(675)
Long-term borrowings	63,269	71,676	(8,407)	10.63	10.47	6,723	7,501	(778)	(891)	113
Total interest-bearing liabilities	3,455,632	3,273,420	$182,212	3.93	4.74	135,847	155,088	(19,241)	6,537	(25,778)
Demand deposits	492,232	438,802	53,430							
Accrued expenses and other liabilities	67,850	69,506	(1,656)							
Shareholders' equity	344,237	298,062	46,175							
Total liabilities and shareholders' equity	$4,359,951	$4,079,790	$280,161							

Rate spread				3.91	4.00				
Net interest margin/revenue				4.47%	4.61%	$180,516	$172,924	$ 7,592	$17,607	$(10,015)

</TABLE>

Changes in interest due to volume and rate were defined as follows: Volume variance-change in average balance multiplied by prior year rate; Rate variance-change in rate multiplied by prior year average balance; and Rate/ Volume variance-change in average balance multiplied by the change in rate. The change in interest due to both rate and volume has been allocated proportionately to volume variance and rate variance based on the relationship of the absolute dollar change in each.

(1) Nonperforming loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes time deposits with other banks and investment securities available for sale.

Table 3: Changes in Net Interest Income - Taxable Equivalent Basis
<TABLE>
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(dollars in thousands)	Average Balances 1992	Average Balances 1991	Increase/ (Decrease)	Average Rates 1992	Average Rates 1991	Interest 1992	Interest 1991	1992-1991 Income Expense Variance	1992-1991 Volume Variance	1992-1991 Rate Variance
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Loans(1)	$2,843,439	$2,527,722	$315,717	9.28%	10.43%	$263,737	$263,527	$ 210	$30,987	$(30,777)
Funds sold	23,952	67,698	(43,746)	3.77	5.46	903	3,696	(2,793)	(1,888)	(905)
Investment securities -taxable(2)	663,978	573,721	90,257	6.45	7.94	42,797	45,544	(2,747)	6,551	(9,298)
Investment securities -nontaxable	223,699	264,675	(40,976)	9.20	10.40	20,575	27,537	(6,962)	(3,981)	(2,981)
Total earning assets	3,755,068	3,433,816	321,252	8.74	9.91	328,012	340,304	(12,292)	31,669	(43,961)
Reserve for loan losses	(35,090)	(28,406)	(6,684)							
Cash and due from banks	157,986	152,972	5,014							
Premises and equipment	108,528	104,165	4,363							
Other assets	93,298	87,690	5,608							
Total assets	$4,079,790	$3,750,237	$329,553							
N.O.W. and money market deposits	$ 747,076	$ 683,454	$ 63,622	2.68	4.22	20,004	28,823	(8,819)	2,485	(11,304)
Savings deposits	327,447	301,471	25,976	2.83	4.11	9,267	12,396	(3,129)	996	(4,125)
Time deposits	2,006,872	1,885,014	121,858	5.69	7.20	114,217	135,739	(21,522)	8,341	(29,863)
Short-term borrowings	120,349	106,076	14,273	3.41	5.12	4,099	5,434	(1,335)	661	(1,996)
Long-term borrowings	71,676	79,414	(7,738)	10.47	9.77	7,501	7,762	(261)	(788)	527
Total interest-bearing liabilities	3,273,420	3,055,429	217,991	4.74	6.22	155,088	190,154	(35,066)	11,695	(46,761)
Demand deposits	438,802	387,316	51,486							
Accrued expenses and other liabilities	69,506	44,925	24,581							
Shareholders' equity	298,062	262,567	35,495							
Total liabilities and shareholders' equity	$4,079,790	$3,750,237	$329,553							
Rate spread				4.00	3.69					
Net interest margin/revenue				4.61%	4.37%	$172,924	$150,150	$22,774	$19,974	$ 2,800

</TABLE>

Changes in interest due to volume and rate were defined as follows: Volume variance-change in average balance multiplied by prior year rate; Rate variance-change in rate multiplied by prior year average balance; and Rate/ Volume variance-change in average balance multiplied by the change in rate. The change in interest due to both rate and volume has been allocated proportionately to volume variance and rate variance based on the relationship of the absolute dollar change in each.

(1) Nonperforming loans and mortgages held for sale are included in average balances used to determine average rates.
(2) Includes time deposits with other banks and investment securities available for sale.

Net interest income on an FTE basis increased to $180.516 million in 1993, compared with $172.924 million in 1992 and $150.150 million in 1991. This increase of $7.592 million in net interest income in 1993 was due to a larger increase in the volume of earning assets in 1993 (a $280.226 million increase), than in the increase in interest-bearing liabilities (a $182.212 million increase) which accounted for $17.607 million of the increase in net interest income.

The total increase in average earning assets was primarily due to an increase in average loans of $268.263 million. Approximately 55%, of this growth was external, due to acquisitions, while the remaining 45% was internally generated. Interest-bearing deposits increased by $200.800 million in 1993. Approximately 55% of this growth was due to acquisitions.

The continued volume of mortgage loan refinancings has negatively impacted Valley's net interest income. The impact on earning assets from the declining rate environment (a decrease of $35.793 million) was offset by aggressive repricing of interest-bearing liabilities (a $25.778 million decrease). The resulting $10.015 million decrease in net interest income from rate variances was offset by a positive volume variance of $17.607 million between 1992 and 1993. As a result of these factors, Valley's net interest margin declined to 4.47% in 1993, down from 4.61% for 1992. The impact of interest not recorded on nonperforming loans was not material for the reported periods. See "Interest Rate Sensitivity" below for additional information as to the effect of rate changes.

The increase in FTE net interest income in 1992 over 1991 of $22.774 million was primarily a result of an increase in the volume of average earning assets of $321.252 million, partially offset by a slightly lower volume increase in average interest-bearing liabilities. An increase in average loans of $315.717 million in 1992 over 1991 accounted for the majority of the $321.252 million increase in average earning assets. Approximately 64% of this loan growth resulted from acquisitions and the balance was internally generated.

Contributing to the increase in net interest income in 1992 was Valley's aggressive repricing of its interest-bearing liabilities, as general market rates declined, in late 1991 and early 1992. The decrease in the average rate on earning assets of 117 basis points was more than offset by a 148 basis point decrease in the average rate on interest-bearing liabilities, resulting in a $2.800 million increase in net interest income. The impact of interest not recorded on nonperforming loans was not material for the reported periods.

The net interest margin was affected not only by the increase in average balances and declining interest rates, as noted above, but also by changes in the mix of earning assets and interest-bearing liabilities. Table 4 shows the sources and mix of net interest income. As shown in this table, the mix of nontaxable interest income to total interest on earning assets declined significantly from 1991 to 1993. Valley's commitment to lending is evident in the increase in the relationship of interest and fees on loans as a percent of total interest on earning assets for the years shown. The decrease in the level of nontaxable interest income was caused by Valley employing other investment alternatives in response to the decrease in the FTE yields of "bank qualified" municipal obligations, in relation to other taxable investment alternatives.

Table 4: Sources of Net Interest Income
<TABLE>
<CAPTION>

	Years Ended December 31,					
(dollars in thousands)	1993	Mix	1992	Mix	1991	Mix
Interest Income						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans (1)	$262,263	82.9%	$263,737	80.4%	$263,527	77.4%
Funds sold	132	.1	903	.3	3,696	1.1
Taxable securities (2)	38,651	12.2	42,797	13.0	45,544	13.4
Nontaxable securities	15,317	4.8	20,575	6.3	27,537	8.1
Total earning assets	$316,363	100.0%	$328,012	100.0%	$340,304	100.0%

Interest Expense						
N.O.W. & money market deposits	$ 16,647	12.3%	$ 20,004	12.9%	$ 28,823	15.2%
Savings deposits	10,318	7.6	9,267	6.0	12,396	6.5
Time deposits	99,062	72.9	114,217	73.7	135,739	71.4
Short-term borrowings	3,097	2.3	4,099	2.6	5,434	2.8
Long-term borrowings	6,723	4.9	7,501	4.8	7,762	4.1
Total interest-bearing funds	$135,847	100.0%	$155,088	100.0%	$190,154	100.0%
Net interest income -- taxable equivalent basis	$180,516		$172,924		$150,150	
Average Rates						
Earning assets	7.84%		8.74%		9.91%	
Interest-bearing funds	3.93		4.74		6.22	
Net yield on earning assets	4.47		4.61		4.37	

</TABLE>

(1) Includes mortgages held for sale.
(2) Includes time deposits with other banks and investment securities available for sale.

Provision for Loan Losses

In 1993, the provision for loan losses amounted to $8.970 million compared with $8.395 million in 1992 and $8.369 million in 1991. The 1993 provision is comprised of two elements: 1) restoration of the reserve for the 1993 net charge-offs, amounting to $7.646 million; and 2) establishing a reserve on the $173.148 million increase in loans outstanding from December 31, 1992 (excluding the impact of Pierce County's loans outstanding at date of acquisition), amounting to $1.167 million.

Noninterest Income

Total noninterest income amounted to $66.061 million in 1993 compared to $59.292 million in 1992 and $48.018 million in 1991, an 11.4% increase in 1993 from 1992 and a 23.5% increase in 1992 from 1991. All categories of noninterest income reflect increases due to Valley's acquisitions of Western Federal and Great American in April 1991, United in July 1992, and Pierce County in November 1993. Their results of operations are included in Valley's from the dates of acquisition forward. Table 5 shows the major categories of noninterest income for 1993, 1992 and 1991, and the percentage change between years.

Table 5: Noninterest Income
<TABLE>
<CAPTION>

	Years Ended December 31,			% Increase (Decrease)	
(dollars in thousands)	1993	1992	1991	1993-1992	1992-1991
<S>	<C>	<C>	<C>	<C>	<C>
Service charges on deposit accounts	$17,167	$15,707	$13,606	9.3	15.4
Trust service fees	12,631	12,455	10,927	1.4	14.0
Other service charges, commissions and fees	11,839	11,043	8,673	7.2	27.3
Credit card	7,186	6,147	5,466	16.9	12.5
Gain on sales of mortgage loans	6,786	3,274	1,412	107.3	131.9
Insurance related	5,511	5,367	5,317	2.7	0.9
Other	2,048	1,422	538	44.0	164.3
Annuity commissions	1,814	2,206	1,355	(17.8)	62.8
Accretion of negative goodwill	1,576	807	---	95.3	NMF
Subtotal	66,558	58,428	47,294	13.9	23.5
Net securities gains	497	864	724	(42.5)	19.3
Total noninterest income	$66,061	$59,292	$48,018	11.4	23.5

</TABLE>

Service charges on deposit accounts make up the largest portion of noninterest income. Service charges increased by $1.460 million, or 9.3% over the amounts recorded in 1992. Valley has repeatedly increased deposit service fees at subsidiary banks to help offset increased operating expenses such as the FDIC insurance premiums which have increased dramatically in recent years. See "Noninterest Expense".

Trust service fees originate from the activities of Valley Trust Company, which has over $3.1 billion of assets under management and services customers in 17 Valley Bank locations throughout Wisconsin. Trust service fees recorded in 1993 were $12.631 million, a $.176 million increase over 1992.

Other service charges, commissions and fees recorded in 1993 were $11.839 million, a 7.2% increase over the $11.043 million in 1992 and a 27.3% increase over the $8.673 million in 1991. This category is comprised mainly of loan commissions, safe deposit fees, check charges and fees from Valley's securities operation. Valley Securities, Inc. reported a 23% increase in revenues over the 1992 amounts recorded, attributable to increased market activity along with sales through ten Valley Banks located throughout Wisconsin. Loan commissions recorded in 1993 increased by 10%, mainly due to continued increased mortgage lending.

Insurance related revenues are generated primarily by Insurance Services, Inc. through the sale of commercial and personal insurance coverage and by Community Life Insurance Company through the sale of credit reinsurance. In early 1991, Valley began to place a major emphasis on the sale of tax deferred annuities (TDAs). Income from the sale of TDAs totalled $1.814 million in 1993, compared to $2.206 million and $1.355 million in 1992 and 1991, respectively. Total insurance related revenue, including the sale of TDAs, has grown from $2.815 million in 1984 to $7.325 million in 1993, a compound growth rate of 11.2%.

In 1993, Valley Bancard generated noninterest income from its credit card processing activity of $7.186 million, a 16.9% increase over the $6.147 million recorded in 1992 and a 12.5% increase over the $5.466 million in 1991. Gain on sales of mortgage loans to the secondary market were $6.786 million in 1993 and $3.274 million in 1992. These gains largely resulted from the sale of certain mortgages at a premium during a declining interest rate environment. Significant gains on mortgage sales to the secondary market are not anticipated for future periods.

Valley recognized accretion of negative goodwill in the amount of $1.576 million in 1993, substantially all of which is attributable to the United acquisition completed on July 1, 1992. The negative goodwill attributable to United is being accreted over a 10 year period, commencing on July 1, 1992, in equal annual amounts of $1.537 million.

Other noninterest income is derived from a wide range of services, collectively totalling $2.048 million in 1993 compared to $1.422 million in 1992.

Net securities gains amounted to $.497 million in 1993 and $.864 million in 1992. Securities classified as available for sale had an estimated market value in excess of their carrying amounts of $6.755 million at December 31, 1993. Valley has no current intention of selling these securities, but they may not be held until maturity.

Noninterest Expense

Noninterest expense increased to $164.481 million in 1993, compared to $160.102 million in 1992 and $140.999 million in 1991. All categories of noninterest expenses reflect increases due to Valley's acquisitions of Western Federal and Great American in April 1991, United in July 1992, and Pierce County in November 1993. Their results of operations are included in Valley's from their dates of acquisition forward. Table 6 shows the major categories of noninterest expense for 1993, 1992 and 1991, and the percentage change between years.

Table 6: Noninterest Expense
<TABLE>
<CAPTION>

	Years Ended December 31,			% Increase (Decrease)	
(dollars in thousands)	1993	1992	1991	1993-1992	1992-1991
<S>	<C>	<C>	<C>	<C>	<C>
Salaries and wages	$ 72,200	$ 66,542	$ 59,579	8.5	11.7
Pensions and other employee benefits	20,406	23,636	17,710	(13.7)	33.5
Equipment	16,615	16,134	13,639	3.0	18.3

Net occupancy	12,816	11,598	10,773	10.5	7.7
FDIC insurance	8,333	7,923	6,640	5.2	19.3
Business development	6,503	6,291	5,847	3.4	7.6
Communication/Delivery	6,502	6,005	5,408	8.3	11.0
Professional services	6,408	5,210	4,384	23.0	18.8
Credit Card	3,896	3,325	2,961	17.2	12.3
Intangible amortization	3,506	3,499	3,389	.2	3.2
Supplies	3,359	3,317	3,110	1.3	6.7
Processing costs	3,303	3,840	4,717	(14.0)	(18.6)
Other	634	2,782	2,842	(77.2)	(2.1)
Total noninterest expense	$164,481	$160,102	$140,999	2.7	13.5

</TABLE>

Valley's efficiency ratio (noninterest expense as a percent of total FTE income excluding securities gains or losses) decreased to 66.84% in 1993, from 69.20% in 1992. This decrease reflects the cost control measures Valley implemented in 1991, 1992, and 1993.

The largest component of noninterest expense is salaries and wages. Salaries and wages increased to $72.200 million in 1993, up from $66.542 million in 1992 and $59.579 million in 1991. Pensions and other employee benefits totalled $20.406 million in 1993,

compared to $23.636 million in 1992 and $17.710 million in 1991. These two categories make up over 56% of Valley's total noninterest expense.

Valley currently offers post retirement health care benefits to retired employees over the age of 54 who have rendered at least 10 years of service to Valley. These benefits are subject to deductibles, copayment provisions and other limitations. Only those employees retiring on or before December 31, 1994 will be eligible for such benefits. Valley adopted Statement of Financial Accounting Standards (SFAS) No. 106 "Employers' Accounting for Post Retirement Benefits Other Than Pensions", on January 1, 1993. Pursuant to this new standard, the expected cost of these benefits must be charged to expense during the years that the employees render service. As of January 1, 1993, Valley's accumulated post retirement benefit obligation (also its transition obligation) totalled $2.855 million. In accordance with this new standard, this unfunded liability will be amortized over a twenty year period. The annual expense for 1993, in conjunction with the adoption of SFAS No. 106, was $365,000.

In 1992 the Financial Accounting Standards Board (FASB) issued SFAS No. 112 "Employers' Accounting for Post Employment Benefits." This statement requires accrual accounting for the estimated cost of benefits provided to former employees after employment, but before retirement. Valley is required to adopt the new standard no later than 1994. Valley currently accrues for severance benefits when identified and therefore, has determined that adoption of the new standard will not have a material impact.

Equipment expense increased by $.481 million in 1993. Net occupancy costs increased by 10.5% over 1992. These costs are associated with owning and leasing all of Valley's facilities and include depreciation, insurance, rent, taxes and maintenance.

Business development, primarily marketing, contributions and employee reimbursable expenses, increased by 3.4% in 1993 to $6.503 million from the $6.291 million in 1992. Increased marketing costs are associated with Valley's entrance into new markets, and support of its large network of locations.

Communication and delivery costs increased to $6.502 million in 1993, up from $6.005 million in 1992 and $5.408 million in 1991. This category includes telephone, postage and express courier service.

The increase in professional services reflects the costs associated with complying with additional regulatory and accounting regulations. This category is comprised mainly of legal fees, accounting fees, liability insurance, and directors fees. This category of expenses showed a 23.0% increase in 1993 over 1992.

Processing costs reflect the expenses Valley incurs to externally process the remainder of its banks not converted to VISION and external processing at various non-banking subsidiaries. These costs decreased by 14.0% in 1993, from $3.840 million in 1992 to $3.303 million in 1992.

Intangible amortization results primarily from goodwill and deposit base intangibles which arise as part of acquisitions accounted for as purchases. This category also includes amortization of customer lists at Insurance Services, Inc., and capitalized fees paid in association with Valley's supermarket branch locations.

The costs of operating Valley Bancard (excluding salaries and benefits, equipment and occupancy) are shown in the credit card category. The increase in costs is a result of increased charge card activity in 1993. The increase in these expenses, a $.571 million increase in 1993 from 1992, was more than offset by the increase in revenue generated by these activities (see "Noninterest Income").

Supplies expense includes daily office supplies, supplies for Valley's internal print shop, general supplies for the data processing center and equipment and software costs not capitalized. These costs increased 1.3% from the 1992 total of $3.317 million. Valley has made significant efforts in controlling these costs throughout 1993 and 1992.

Other expenses include a wide range of miscellaneous expense types which decreased by 77.2% from 1992 to 1993. Expenses associated with foreclosed real estate are included in this category; these expenses totalled $1.336 million, $1.521 million and $1.061 million in 1993, 1992 and 1991, respectively.

Income Taxes

Income tax expense was $22.118 million in 1993 compared to $17.556 million and $9.589 million in 1992 and 1991, respectively. The increase in tax expense in 1993 of $4.562 million over 1992 resulted primarily from three factors: 1) an increase of income before income taxes of $10.685 million, 2) a decrease in nontaxable interest income of $3.978 million, and 3) the corporate tax rate increase in 1993 from 34% to 35%, which resulted in an increase in tax expense of $.560 million in 1993.

The increase in tax expense in 1992 of $7.967 million over 1991 resulted primarily from two factors: 1) an increase of $5.807 million of Federal tax expense and $.996 million of State tax expense (net of Federal benefit) resulting from increased income before taxes of $17.080 million; and 2) an increase of $1.283 million of federal tax expense resulting from decreased nontaxable interest income of $3.774 million.

On January 1, 1993, Valley adopted SFAS No. 109, "Accounting for Income Taxes." The effect of adoption of this new standard was not material.

Reserve for Loan Losses

The reserve for loan losses (reserve) totalled $40.411 million or 1.27% of total loans at 1993 year end compared with $37.921 million or 1.26% of total loans at 1992 year end and $31.241 million or 1.20% of total loans at the end of 1991. The percentage increase in the reserve from 1991 to 1993 was due primarily to the 1991 and 1992 acquisitions of financial institutions requiring higher reserves than Valley's. The level of the reserve is established by management based upon an assessment of overall risk in the loan portfolio. Valley uses a loan grading system to continuously monitor problem credits. A loan is graded based upon a number of factors, which include collateral values, financial condition of borrowers and assessment of ultimate collectibility. The reserve is based upon reasonable estimates, from which actual losses may vary. Reserve estimates are reviewed quarterly and evaluated based upon current conditions relating to individual customers and the economy in general. Adjustments to the reserve are reflected through the provision for loan losses. Valley implemented a new method of establishing and evaluating the reserve levels at all of its affiliate banks, based upon current regulatory methodology, in 1992. This method sets reserve requirements based upon a combination of estimated potential losses plus an additional percentage of the remaining balance of problem loans, and establishes a general reserve based upon the loan composition of the bank's loan portfolio. Overall, reserves were determined to be adequate based on the new methodology.

Loans charged off, net of recoveries, totalled $7.646 million in 1993, compared with $5.999 million and $6.894 million in 1992 and 1991, respectively. Net loans charged off as a percent of loans amounted to .25% in 1993. This percentage compares to .21% and .27% in 1992 and 1991, respectively. Table 7 shows a five year summary of reserve activity, including charge offs, recoveries and provision for loan losses and the reserve allocated by loan type. The allocation of reserve is provided for analytical purposes. Loan classifications vary from those shown in the consolidated statements of financial condition.

Table 7: Reserve for Loan Losses - Five-Year Summary
<TABLE>
<CAPTION>
December 31,

(dollars in thousands)	1993	1992	1991	1990	1989
Balance at beginning of period	$ 37,921	$ 31,241	$ 25,422	$ 22,150	$ 20,408
Loans charged off:					
Real estate-mortgage	517	675	1,168	631	533
Real estate-construction	38	52	10	---	---
Installment	1,586	2,030	2,627	1,394	1,075
Check credit and credit card	1,133	1,095	833	915	700
Commercial real estate	895	716	---	---	---
Agricultural	268	188	---	---	---
Commercial and other (1)	6,243	3,996	4,185	4,650	4,809
Total loans charged off	10,680	8,752	8,823	7,590	7,117
Recoveries of loans previously charged off:					
Real estate-mortgage	383	276	325	72	552
Real estate-construction	9	---	---	---	---
Installment	737	717	576	378	410
Check credit and credit card	173	163	118	129	79
Commercial real estate	435	285	---	---	---
Agricultural	161	455	---	---	---
Commercial and other (1)	1,135	857	910	1,000	1,022
Total recoveries of loans previously charged off	3,033	2,753	1,929	1,579	2,063
Net loans charged off	7,647	5,999	6,894	6,011	5,054
Provision charged to expense	8,970	8,395	8,369	7,864	6,796
Reserve at date of acquisition of banks acquired,accounted for as purchases and other	1,167	4,284	4,344	1,419	---
Balance at end of period	$ 40,411	$ 37,921	$ 31,241	$ 25,422	$ 22,150
Reserve as a percent of loans	1.27%	1.26%	1.20%	1.10%	1.11%
Net loans charged off as a percent of average loans (2)	.25%	.21%	.27%	.27%	.26%
Loans outstanding at period end	$3,190,485	$3,017,338	$2,612,518	$2,312,399	$2,001,676
Average loans outstanding during period (2)	$3,111,702	$2,843,439	$2,527,722	$2,186,253	$1,943,180

</TABLE>

Allocation of Reserve for Loan Losses
<TABLE>
<CAPTION>

	At December 31, 1993		
	Reserve for Loan Losses	Loans Outstanding	Loan Mix
Real estate-mortgage	$ 2,849	$ 798,985	25.0%
Commercial real estate	12,144	922,531	28.9
Commercial	13,882	613,850	19.2
Agricultural	3,142	204,742	6.4
Installment	6,013	650,377	20.4
Unallocated	2,381	---	---

Total Reserve for Loan Losses	$40,411	$3,190,485	100.0%

</TABLE>

(1) For years 1989 through 1991, includes commercial real estate and agricultural charge-offs and recoveries.
(2) Non-performing loans and mortgages held for sale are included in average balances.

Asset Quality

The most significant risk of loss in a financial institution is from its loan portfolio. Valley manages its loan portfolio to limit risk through initial review of credit applications, approval of loans by a review committee and loan documentation and compliance procedures. Valley also has a corporate credit administration and loan review staff. This staff performs loan reviews at subsidiary banks. This review process assists banks in early recognition of problem credits. This staff also provides expertise in loan workouts to limit credit losses. Valley's banks prepare quarterly problem loan action reports (PLARs) to monitor nonperforming loans and determine the adequacy of the reserve. All loans classified for regulatory purposes as loss, doubtful or substandard are included in the PLARs. The PLARs also include all loans classified as nonperforming.

Valley's lending philosophy is to make high-quality loans to Wisconsin consumers and businesses, allowing the banks to efficiently monitor and control credit risk. The majority of the portfolio is composed of loans to individuals and small and medium-sized businesses. Consistent with its corporate-wide lending and investment policies, Valley's banks' portfolios have no foreign loans, energy loans or out-of-market credit card balances. Valley's loan underwriting policies discourage the making of out-of-market real estate loans and loans relating to highly leveraged transactions. Valley's banks do not hold non-investment grade debt securities in their investment portfolios and Valley does not invest in any interest only or principal only investment securities.

Loan loss exposure is also limited through industry diversification. Valley's loan portfolio is well diversified with no excessive concentration in any one industry. Agricultural loans at Valley represent approximately 6.4% of the portfolio, while loans to finance non-owner occupied commercial real estate development amounted to approximately $485 million, or 15.2% of year end 1993 loans. Valley does a limited amount of lease financing, comprised primarily of leases to individuals and small and medium sized businesses. Leases outstanding amounted to $17.0 million at December 31, 1993 compared to $12.3 million at December 31, 1992.

Senior management also reviews the PLARs quarterly with the corporate credit administration and loan review staff to determine if there are any trends or uncertainties which management reasonably expects will materially impact future operating results, liquidity, or capital resources. In addition, senior management determines if there is any information regarding large credits that may cause management to question the ability of such borrowers to comply with loan repayment terms.

Valley has an environmental policy which establishes procedures to limit the exposure for loss related to environmental problems on any properties foreclosed upon or properties securing extensions of credit by Valley. This policy generally requires the borrower to complete an environmental questionnaire and calls for an on site inspection of the real estate securing the loan. The policy also requires that, prior to taking title to any real property by foreclosure, an investigation must be made of the property to determine if there is any potential environmental liability.

Nonperforming Loans and Assets

In accordance with regulatory standards, loans are placed in nonaccrual status when they reach a prescribed delinquency stage, generally when payments are 90 days past due or when other events occur which make the collection of all principal and interest owing on the loan questionable.

Nonperforming loans, which include nonaccrual loans, loans past due 90 days or more and loans with restructured terms, totalled $20.586 million at the end of 1993, down from the $25.993 million and $38.501 million reported at year end 1992 and 1991, respectively. Nonperforming loans as a percent of loans outstanding fell to .65% at year end 1993, compared to .86% at year end 1992 and 1.47% at year end 1991. The 1993 nonperforming loan percentage is the lowest ever reported by Valley. This reflects Valley's commitment to maintaining excellent credit quality.

Nonperforming assets, which include nonperforming loans and other real estate owned acquired in foreclosure, totalled $22.880 million at year end 1993, compared to $29.938 million and $43.214 million at year end 1992 and 1991, respectively.

In addition to the loans classified as nonperforming, there were other loans aggregating approximately $66 million at December 31, 1993 and $70 million at December 31, 1992, where management is closely following the borrowers' ability to continue to comply with loan payment terms. Current conditions do not warrant classification of these loans as nonperforming, nor is any principal loss on these loans considered likely at this time. Table 8 shows balances of nonperforming loans and assets, reserve for loan losses and key asset quality performance ratios for the last five years. Table 9 shows the impact nonperforming loans have had on Valley's interest income for the last five years.

Table 8: Nonperforming Assets and Reserve For Loan Losses

(dollars in thousands)	December 31, 1993	1992	1991	1990	1989
Nonperforming Assets:					
Nonaccrual loans	$ 16,306	$ 21,181	$ 31,368	$ 20,833	$ 18,566
Loans past due 90 days or more	2,212	2,088	3,182	2,281	1,993
Restructured loans	2,068	2,724	3,951	2,997	4,163
Total nonperforming loans	20,586	25,993	38,501	26,111	24,722
Other real estate owned	2,294	3,945	4,713	3,680	3,893
Total nonperforming assets	$ 22,880	$ 29,938	$ 43,214	$ 29,791	$ 28,615
Nonperforming loans as a % of loans	.65%	.86%	1.47%	1.13%	1.24%
Nonperforming assets as a % of assets	.50%	.68%	1.09%	.84%	.91%
Reserve for Loan Losses:					
At period end	$ 40,411	$ 37,921	$ 31,241	$ 25,422	$ 22,150
As a % of loans	1.27%	1.26%	1.20%	1.10%	1.11%
As a % of nonperforming loans	196.30%	145.89%	81.14%	97.36%	89.60%
As a % of nonaccrual loans	247.83%	179.03%	99.60%	122.03%	119.30%

Table 9: Impact of Nonperforming Loans on Interest Income

(dollars in thousands)	December 31, 1993	1992	1991	1990	1989
Interest income that would have been recorded at original rate	$ 1,821	$ 2,660	$ 3,301	$ 2,447	$ 2,588
Interest income that was actually recorded	2,960	2,779	3,034	2,146	2,199
Net interest (earned) lost	$(1,139)	$ (119)	$ 267	$ 301	$ 389

Valley's credit quality compares very favorably with other bank holding companies in the Midwest. The level of nonperforming loans as a percent of loans is among the best in the Midwest. The net loans charged off as a percent of average loans of .25% also compares favorably with peers in the Midwest. Valley places a high priority on maintaining the credit quality of its loan portfolio. Emphasis is placed on hiring and maintaining highly skilled loan officers. A thorough review and analysis of credit requests along with proper follow-up of supporting documentation, including legal filings and current financial statements of borrowers, are necessary procedures for maintaining sound credit quality. Valley's management believes that early recognition of problem loans is the key to minimizing losses. Valley evaluates its reserve in relation to the level of nonperforming loans, measuring its adequacy to sustain anticipated losses.

Financial Position

Total average assets grew to $4.360 billion in 1993, an increase of $280.161 million over 1992 average assets of $4.080 billion. Approximately $11.0 million of this growth was external (acquisitions) and $92.6 million was internally generated. Average earning assets have consistently accounted for over 90% of total average assets. Average earning assets represented

92.6% of total average assets for 1993. Average loans increased to $3.112 billion in 1993, compared to $2.843 billion in 1992 and $2.528 billion in 1991. Of the increase of $268.263 million, or 9.4%, in average loans from 1992, approximately $145 million from external growth (acquisitions) and $113 million was internally generated.

In addition to the $268 million in average loan growth, Valley produced approximately $425 million of real estate loans not included in year end balances, which were packaged and sold into the secondary market. Valley's general policy is not to retain long-term fixed rate mortgages in its loan portfolio.

Loans as a percent of assets have increased from 63.5% at year end 1989 to 69.5% at year end 1993. The five year compound growth rate of loans is 11.36% compared to 9.20% for total assets. Table 10 shows the loan portfolio mix for the past five years. The table shows Valley's mix of real estate and commercial loans changing dramatically in the past three years but this is due primarily to a reclassification as a result of Valley's VISION conversion project. As banks' loan portfolios were converted to the VISION system, loan note type classifications were reviewed and reclassified, as appropriate. Valley's management believes the classifications shown in 1993 accurately reflect the mix of its loan portfolio. The acquisition of savings associations in 1991 and 1992 have also had an impact on the mix of loans. The three savings associations' loan portfolios were primarily made up of real estate loans.

Table 10: Loan Portfolio Review
<TABLE>
<CAPTION>

	December 31,									
(dollars in thousands	1993	MIX	1992	MIX	1991	MIX	1990	MIX	1989	MIX
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Commercial real estate	$ 847,594	26.6%	$ 705,242	23.4%	$ 410,485	15.7%	N/A	N/A	N/A	N/A
Real estate-mortgage (1st lien)	758,510	23.8	812,330	26.9	681,985	26.1	$1,008,679	43.6%	$ 860,201	43.0%
Commercial	593,060	18.6	629,516	20.9	850,778	32.6	830,037	35.9	740,876	37.0
Consumer	368,022	11.5	327,225	10.8	298,973	11.4	385,302	16.7	329,973	16.5
Agricultural	204,707	6.4	184,623	6.1	76,802	2.9	N/A	N/A	N/A	N/A
Real estate-mortgage (2nd lien)	150,179	4.7	109,949	3.6	70,216	2.7	N/A	N/A	N/A	N/A
Real estate-construction	119,240	3.7	114,949	3.8	95,630	3.7	88,381	3.8	70,626	3.5
Check credit and credit card	66,897	2.1	61,604	2.0	58,192	2.2	N/A	N/A	N/A	N/A
Student	65,279	2.1	59,600	2.0	57,214	2.2	N/A	N/A	N/A	N/A
Leasing	16,997	.5	12,300	.4	12,243	.5	N/A	N/A	N/A	N/A
Total loans	3,190,485	100.0%	3,017,338	100.0%	2,612,518	100.0%	2,312,399	100.0%	2,001,676	100.0%
Reserve for loan losses	(40,411)		(37,921)		(31,241)		(25,422)		(22,150)	
Total loans, net	$3,150,074		$2,979,417		$2,581,277		$2,286,977		$1,979,526	
Loans as a % of assets	69.5%		68.8%		65.7%		65.1%		63.5%	

</TABLE>

TABLE 10: Loan Portfolio Review (Pie Chart)

A pie chart depicting the following categories and percentages was presented:

Commercial real estate	26.60%
Real estate-mortgage (1st liens)	23.80%
Commercial	18.60%
Consumer	11.50%
Agricultural	6.40%
Real estate-mortgage (2nd lien)	4.70%
Real estate-construction	3.70%
Check credit and credit card	2.10%

Student	2.10%
Leasing	.50%
Total loans	100.00%

Table 11 shows the carrying value of investment securities for the past three years. In 1992, Valley evaluated the conditions under which it might sell any of its investment securities. Those securities that might be sold in the future as part of Valley's efforts to manage interest rate risk or in response to changes in interest rate or other economic factors are shown as investment securities available for sale. Total investment securities comprise 21.2% of total 1993 year end assets compared to 20.9% at year end 1992.

Table 11 also shows that balances of collateralized mortgage obligations (CMOs) increased from $203.206 million at the end of 1991 to $239.842 million at year end 1992. Valley changed the mix of its investment securities portfolio in 1992 to include to include more CMOs due to their credit quality and attractive yields. CMOs added to the portfolio have short estimated lives, favorable yields and excellent credit quality as a result of federal agency collateral. Valley does not invest in any interest only or principal only CMOs because of their perceived higher risk.

In December of 1993, Valley, in anticipation of adopting SFAS 115 on January 1, 1994, conducted a review of its investment portfolio. This review resulted in reclassifications of investment securities available for sale and investment securities held to maturity.

Table 11: Carrying Value of Investment Securities
<TABLE>
<CAPTION>

	December 31,		
(dollars in thousands)	1993	1992	1991
Investment securities available for sale:			
<S>	<C>	<C>	<C>
U.S. Government	$393,612	$ ---	$ ---
CMOs	198,796	---	---
Federal agencies	101,772	---	---
Other	39,623	---	---
Mortgage pass-throughs	29,117	27,063	---
Corporate	2,906	11,278	---
Total investment securities available for sale	$765,826	$38,341	$ ---
Investment securities held to maturity:			
U.S. Government	$ ---	$297,896	$203,281
CMOs	---	239,842	203,206
Federal agencies	---	117,916	153,995
Other	---	24,848	64,970
State and political subdivisions	206,377	196,487	261,704
Total investment securities held to maturity	$206,377	$876,989	$887,156
Total investments	$972,203	$915,330	$887,156

</TABLE>

Deposits are the primary source of funds for Valley. Average deposits accounted for 95.6% of the total source of funds for 1993, with interest-bearing deposits representing 87.0% of total average deposits. Table 12 shows the breakdown of deposits at the end of the last three years and the maturity stratification of time certificates of deposit in principal amounts of $100,000 or more at year end 1993, which includes $20.724 million of brokered CDs. Brokered CDs offered attractive rates as a funding source in 1993. Valley considers itself to be asset driven and believes that future loan growth will continue to be primarily funded at reasonable rates with deposits from its own markets.

Table 12: Deposits

(average balance-dollars in thousands)	1993	1992	1991
Demand	$ 492,232	$ 438,802	$ 387,316
N.O.W. and Money Market	776,256	747,076	683,454
Savings	411,525	327,447	301,471
Time	2,094,414	2,006,872	1,885,014
Total Deposits	$3,774,427	$3,520,197	$3,257,255

(Years ended December 31,)

Time certificates of deposit of $100,000 or more at 12/31/93 maturing in:	
Less than 3 months	$ 187,130
3 to 6 months	51,623
6 to 12 months	56,388
Over 12 months	67,078
Total	$ 362,219

Investment Securities/Liquidity

Liquidity is necessary to ensure that adequate funds will be available to support deposit outflows and meet borrowing requirements of customers. This goal is accomplished primarily by maintaining sufficient liquid assets along with consistent core deposit growth to fund earning assets. Other sources of liquidity at Valley are marketable investment securities, unused capacity to borrow funds in the national money market and brokered CDs. The goal of management is to provide maximum investment earnings and liquidity within prudent investment risk parameters. The liquidity of Valley's portfolio is provided by a relatively short average maturity. Valley has specifically identified investments available for sale which could provide needed liquidity. Interest rate risk management is also considered when selecting investment securities. Historically, Valley has managed the maturity structure of its portfolio to more closely match the maturity structure of its source of funds.

Investment securities classified as "held to maturity" are purchased with the intent and ability to hold the securities to maturity. These securities are carried at cost, adjusted for

amortization of premiums and accretion of discounts. At December 31, 1993, the average yield of total investment securities held to maturity was 7.11% and the average maturity was three years and two months. Investment securities classified as "available for sale", described above, may be sold in future periods. These securities are carried at the lower of amortized cost or market value. At December 31, 1993, the average yield of total investment securities available for sale was 5.12% and the average maturity was three years and one month.

Investment decisions are made after considering current balance sheet structure, current economic and interest rate conditions, and the relationship of various types of securities in the marketplace. On rare occasions, significant and unforeseen changes may occur in the economic and interest rate environment which cause changes to the balance sheet structure, liquidity and interest rate risk position.

Table 13 shows the maturity distribution and yields of investment securities at December 31, 1993. Table 14 shows the comparative maturity distribution and average maturity of investments at year end 1993 and 1992. As shown in Table 14, the average maturity of total investments at year end 1993 was three years and one month compared to an average maturity of two years and eight months at year end 1992. Table 15 provides information on the maturity of certain loans. This table excludes installment and real estate mortgage loans.

Table 13: Relative Maturities and Weighted Average Rates of Investment Securities

Investment Securities at December 31, 1993, Maturing

(dollars in thousands)	Within one year Amount	Yield	After one but within five years Amount	Yield	After five but within ten years Amount	Yield	After ten years Amount	Yield	Total Amount	Yield
Investment securities available for sale:										
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
U.S. Government	$103,154	5.35%	$288,831	4.92%	$ 1,627	5.59%	$ ---	--%	$393,612	5.03%
CMOs	2,075	6.92	123,348	5.69	72,291	5.88	1,083	5.65	198,797	5.77
Federal agencies	56,454	4.63	36,134	4.40	2,504	8.17	6,680	5.84	101,772	4.72
Other	39,424	2.45	199	4.75	---	--	---	--	39,623	2.46
Mortgage pass-throughs	---	--	6,848	5.47	12,416	8.14	9,853	6.70	29,117	7.02
Corporates	499	4.94	2,186	4.28	220	6.48	---	--	2,905	4.56
Total investment securities available for sale	$201,606	4.60%	$457,546	5.09%	$ 89,058	6.26%	$ 17,616	6.31%	$765,826	5.12%
Investment securities held to maturity:										
State and political subdivisions	$ 60,515	4.45%	$ 95,771	7.98%	$ 40,010	7.27%	$ 10,081	14.20%	$206,377	7.11%
Total investment securities held to maturity	$ 60,515	4.45%	$ 95,771	7.98%	$ 40,010	7.27%	$ 10,081	14.20%	$206,377	7.11%
Tax equivalent	$ 936		$ 2,659		$ 1,012		$ 498		$ 5,105	
Total investments	$262,121	4.56%	$553,317	5.59%	$129,068	6.57%	$ 27,697	9.18%	$972,203	5.55%

</TABLE>

Table 14: Investment Securities Maturity Distribution

<TABLE>
<CAPTION>

Investment Securities at December 31, 1993

Investment Securities Available for Sale

(dollars in thousands)	U.S. Government	CMOs	Federal Agencies	Other	Mortgage Pass-throughs	Corporates	Total Book Value	Total Market Value
1993								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Within 1 year	$103,154	$ 2,075	$ 56,454	$ 39,424	$ ---	$ 499	$201,606	$204,475
1-5 years	288,831	123,348	36,134	199	6,848	2,186	457,546	460,093
5-10 years	1,627	72,291	2,504	---	12,416	220	89,058	90,104
Over 10 years	---	1,083	6,680	---	9,853	---	17,616	17,909
Total	$393,612	$198,797	$101,772	$ 39,623	$29,117	$2,905	$765,826	$772,581
Average maturity years/months	2/1	4/4	2/8	0/8	11/9	2/2	3/1	

</TABLE>

<TABLE>
<CAPTION>

Investment Securities at December 31, 1993

(dollars in thousands)	Investment Securities Held to Maturity: State & Political Subdivisions	Book Value	Total Market Value	Total Investments: Total Book Value	Total Market Value
1993					
<S>	<C>	<C>	<C>	<C>	<C>
Within 1 year	$ 60,515	$ 60,515	$ 60,690	$262,121	$265,165

1-5 years	95,771	95,771	97,822	553,317	557,915
5-10 years	40,010	40,010	40,189	129,068	130,293
Over 10 years	10,081	10,081	10,376	27,697	28,285
Total	$206,377	$206,377	$209,077	$972,203	$981,658
Average maturity years/months	3/2	3/2		3/1	

</TABLE>

<TABLE>
<CAPTION>

Investment Securities at December 31, 1992

(dollars in thousands)	Investment Securities Available for Sale: Mortgage Pass-Throughs	Corporates	Total Book Value	Total Market Value
1992				
<S>	<C>	<C>	<C>	<C>
Within 1 year	$ ---	$ 5,010	$ 5,010	$ 5,080
1-5 years	2,652	1,519	4,171	4,246
5-10 years	16,004	4,749	20,753	20,975
Over 10 years	8,407	---	8,407	9,056
Total	$ 27,063	$ 11,278	$ 38,341	$ 39,357
Average maturity years/months	11/1	2/10	8/8	

</TABLE>

<TABLE>
<CAPTION>

Investment Securities at December 31, 1992

	Investment Securities Held to Maturity							Total Investments	
(dollars in thousands)	U.S. Government	CMOs	Federal Agencies	Other	State & Political Subdivision	Total Book Value	Total Market Value	Total Book Value	Total Market Value
1992									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Within 1 year	$133,982	$ 11,867	$ 76,621	$ 24,848	$ 75,962	$323,280	$326,740	$328,290	$331,820
1-5 years	163,321	161,662	37,507	---	83,442	445,932	452,262	450,103	456,508
5-10 years	593	60,974	1,493	---	27,330	90,390	90,451	111,143	111,426
Over 10 years	---	5,339	2,295	---	9,753	17,387	17,528	25,794	26,584
Total	$297,896	$239,842	$117,916	$ 24,848	$196,487	$876,989	$886,981	$915,330	$926,338
Average maturity years/months	1/6	4/2	1/1	0/8	2/8	2/6		2/6	

</TABLE>

Table 15: Loan Portfolio Maturity Distribution
<TABLE>
<CAPTION>

Loans at December 31, 1993, Maturing In

		One to five years		After five years	
(dollars in thousands)	Less than one year (a)	Fixed Interest Rates	Variable Interest Rates (b)	Fixed Interest Rates	Variable Interest Rates (b)
<S>	<C>	<C>	<C>	<C>	<C>
Commercial, financial and agricultural	$406,345	$159,251	$ 86,821	$ 11,814	$ 59,710
Real estate-construction	58,001	24,109	11,433	3,542	22,155

</TABLE>

(a) Includes demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts.
(b) The variable interest rate loans generally fluctuate according to a formula based on the prime rate.

Interest Rate Sensitivity

Asset and liability rate sensitivity management attempts to maintain an appropriate balance between the growth of net interest income and the risks associated with significant changes in market interest rates. Interest rate sensitivity is determined by the relative amounts of assets and liabilities that are subject to repricing within a specified time period. Liquidity management attempts to align the sources and uses of funds to meet cash flow requirements of customers and Valley. Liquidity and interest rate sensitivity must be managed together since action taken with respect to one often impacts the other.

A historical tool for measuring interest rate sensitivity is the gap analysis presented in Table 16. The sensitivity presented in this table is based upon a gap analysis which assumes an equal degree of rate sensitivity between rate sensitive assets and liabilities. As an example, in an environment of increasing interest rates, the increase in yields on assets such as variable rate commercial loans is assumed to be equal to the increase in rates paid on liabilities such as money market deposit accounts.

Table 16: Interest Rate Sensitivity Analysis at December 31, 1993
<TABLE>
<CAPTION>

(dollars in thousands)	Floating Rate	Zero to Three Months	Three to Six Months	Six Months to One Year	Total Within One Year	One to Five Years	Over Five Years	Nonrate Sensitive	Total
Assets:									
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Cash and due from banks	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 202,370	$ 202,370
Interest-bearing deposits with other banks	---	---	---	---	---	---	---	756	756
Funds sold	2,640	---	---	---	2,640	---	---	---	2,640
Investment securities -taxable (1)	34,663	50,676	41,506	125,249	252,094	428,324	85,408	---	765,826
Investment securities -nontaxable	10,026	6,052	5,669	47,659	69,406	95,529	41,442	---	206,377
Mortgages held for sale	---	60,420	---	---	60,420	---	---	---	60,420
Loans:									
Commercial	388,588	45,518	56,222	71,687	562,015	129,890	32,037	---	723,942
Real estate (2)	354,899	106,651	178,680	269,522	909,752	815,018	91,408	---	1,816,178
Installment	170,521	29,420	38,899	69,305	308,145	265,299	76,922	---	650,366
Total loans	914,008	181,589	273,801	410,514	1,779,912	1,210,207	200,367	---	3,190,486
Reserve for loan losses	---	---	---	---	---	---	---	(40,411)	(40,411)
Total loans, net	914,008	181,589	273,801	410,514	1,779,912	1,210,207	200,367	(40,411)	3,150,075
Premises and equipment, net	---	---	---	---	---	---	---	103,271	103,271
Other assets	---	---	---	---	---	---	---	100,458	100,458
Total assets	$ 961,337	$ 298,737	$ 320,976	$ 583,422	$2,164,472	$1,734,060	$ 327,217	$ 366,444	$4,592,193
Liabilities and Shareholders' Equity									
Deposits:									
Noninterest-bearing	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ ---	$ 571,751	$ 571,751
Interest bearing	1,650,750	268,883	314,979	464,146	2,698,758	658,459	49,141	---	3,406,358
Total deposits	1,650,750	268,883	314,979	464,146	2,698,758	658,459	49,141	571,751	3,978,109
Short-term borrowings	132,004	---	---	---	132,004	---	---	---	132,004
Long-term borrowings	---	---	---	23,000	23,000	30,251	---	---	53,251

Other liabilities	---	---	---	---	---	---	---	62,921	62,921
Total liabilities	1,782,754	268,883	314,979	487,146	2,853,762	688,710	49,141	634,672	4,226,285
Shareholders' equity	---	---	---	---	---	---	---	365,908	365,908
Total liabilities and shareholders' equity	$1,782,754	$ 268,883	$ 314,979	$ 487,146	$2,853,762	$ 688,710	$ 49,141	$1,000,580	$4,592,193
Interest rate sensitive gap-period	$ (821,417)	$ 29,854	$ 5,997	$ 96,276	$ (689,290)	$1,045,350	$ 278,076	$ (634,136)	$ ---
Interest rate sensitivity gap-cumulative	$ (821,417)	$ (791,563)	$ (785,566)	$ (689,290)	$ (689,290)	$ 356,060	$ 634,136	$ ---	$ ---

</TABLE>

(1) Includes investment securities available for sale.
(2) Includes real estate-mortgage and real estate-construction.

At December 31, 1993, for maturities of one year or less, Valley was in a cumulative net liability-sensitive position of $689.290 million. Included in the $2.854 billion of rate sensitive liabilities are $1.272 billion of savings, N.O.W. and money market deposits, which do not reprice in the same proportion as rate-sensitive assets. Rate-sensitive assets reprice with changes to general market indicators, such as T-bill and prime rates. The ratio of rate-sensitive assets to rate-sensitive liabilities within the one year time frame was .76, which shows liabilities at 1993 year end slightly more interest rate sensitive than assets. However, within the time frame of one year, there are managed gaps which provide the flexibility to change the positions should interest rates change significantly. Valley's net interest margin for the year ended 1993 was 4.47%, compared to 4.61% for 1992. Valley's hedging activities are not material to the consolidated financial statements.

Capital Resources

Shareholders' equity increased to $365.908 million at December 31, 1993 compared to $326.776 million at December 31, 1992 and $269.849 million at December 31, 1991. The increase from 1992 in shareholders' equity of $39.132 million was comprised mainly of $26.889 million in net earnings retained.

The Federal Reserve Board has adopted final capital guidelines. They relate capital to level of risk by assigning risk weightings to assets and off-balance sheet items. Capital is measured by two risk-based ratios: Tier I capital, and total capital which includes Tier II capital. Tier I capital consists of shareholders' equity and minority interests reduced for certain intangibles, while Tier II includes certain long-term borrowings and reserve for loan losses up to 1.25% of gross risk-weighted assets. The rules require minimums of 4% and 8% for Tier I and total capital, respectively. Table 17 shows Valley's consolidated capital structure and risk-based capital ratios at December 31, 1993 and 1992. Valley's Tier I ratio of 10.05% at year end is well above the regulatory minimum of 4%. The total capital ratio of 11.27% at December 31, 1993 is also well above the regulatory minimum of 8%.

Table 17: Capital Resources

	December 31, 1993	December 31, 1992
Capital Structure		
Long-term debt	$ 53,251,185	$ 68,310,434
Shareholders' equity	365,907,853	326,775,936
Total capitalization	$ 419,159,038	$ 395,086,370
Tangible equity	$ 330,653,918	$ 291,303,184
Intangible Assets		
Goodwill - parent	$ 17,362,541	$ 17,143,773
Core deposit premium - parent	1,512,782	2,178,052
Subsidiaries:		
Goodwill	13,621,866	12,341,694
Core deposit premium	2,514,175	3,265,879

Other identifiable intangibles	242,571	543,354
Total intangibles	$ 35,253,935	$ 35,472,752

Risk-Based Capital

Tier I capital:		
Shareholders' equity	$ 365,907,853	$ 326,775,936
Minority interest	330,030	161,570
Less intangibles	(35,253,935)	(35,472,752)
Total Tier I capital	$ 330,983,948	$ 291,464,754
Tier II capital:		
Allowable reserve for loan losses	$ 40,410,907	$ 37,920,674
Qualifying long-term debt	---	3,000,000
Total Tier II capital	$ 40,410,907	$ 40,920,674
Total capital	$ 371,394,855	$ 332,385,428
Risk-Weighted Assets	$3,294,529,000	$3,089,094,000
Risk-based capital ratios:		
Tier I	10.05%	9.44%
Total	11.27%	10.76%
Tier I Leverage	7.26%	6.71%

As discussed in "Noninterest Expense", the FDIC implemented a risk-based deposit insurance fee assessment program beginning January 1, 1993. The FDIC has created three risk classifications for capital. These three classifications are then used as one of the factors in determining the amount per $100 of domestic deposits each bank will pay in FDIC deposit insurance premiums. The classification is based on a bank's Tier I capital, total capital and Tier I leverage (Tier I capital as a percent of total assets) ratios. The classifications and qualifiers for each are:

Well capitalized:
- Total risk-based capital ratio greater than 10%, and
- Tier I capital ratio greater than 6%, and
- Tier I leverage ratio greater than 5%.

Adequately capitalized:
- Failing the well capitalized test, and
- Total risk-based capital ratio greater than 8%, and
- Tier I capital ratio greater than 4%, and
- Tier I leverage ratio greater than 4%

Undercapitalized:
- Failing both well and adequately capitalized tests

A depository institution falling within any one of the foregoing capital categories will be assessed one of three different premium rates established for that category, depending on the composite rating it is assigned by its primary regulatory examiner. Under this structure, a "well capitalized" institution may be assessed a premium rate of $.23, $.26 or $.29, depending on its overall composite rating. The corresponding rates for an "adequately capitalized" institution are $.26, $.29 and $.30, and for an "under capitalized" institution the rates are $.29, $.30 and $.31.

Valley's FDIC deposit insurance premium rate, for the first six months of 1993, was $.23 per $100 of its total domestic deposits for all but one of its banks. At this time, all of Valley's banks are paying the minimum FDIC insurance rate. Valley intends to maintain capital levels and otherwise manage its banks so as to minimize the FDIC deposit insurance expense.

During each of 1993 and 1992, $5.0 million of 11.25% senior notes issued in 1985 were paid at maturity. Also in 1993, Valley prepaid the remaining $10 million.

On July 1, 1992, Valley completed the acquisition of United in a merger/conversion transaction. In conjunction with this acquisition, Valley issued 1,002,225 shares of its common stock at $32.75 ($21.83 post-split basis) per share, receiving $29.865 million in net proceeds. Concurrent with United's conversion to stock form, United issued shares of its newly authorized common stock to Valley in exchange for $18.0 million of the net proceeds of Valley's stock issuance. Net proceeds received by Valley from the sale of common stock in excess of the $18.0 million were retained by Valley and are being used for general corporate purposes.

On November 6, 1993, Valley completed the acquisition of Pierce County Bank & Trust Company (Pierce County). Pierce County, with December 31, 1993 assets of $112 million, serves western Wisconsin markets through seven branch offices. The acquisition of Pierce County was funded primarily through internal means.

Shareholders have benefitted from Valley's growth. Valley's policy is to increase dividends as earnings increase, with a targeted payout of approximately 35% to 40% of net income. Table 18 shows the relationship between earnings and dividends per share for the last five years (restated for the three for two stock split distributed on August 27, 1993). In order to maintain their historical integrity, these figures have not been restated for poolings-

of-interests and a change in accounting principle. Restated information is shown under "Selected Financial Data" elsewhere in this report.

Table 18: Historical Dividend Payout

	Per Share		
	Net Income	Dividends Paid	Dividend Payout Ratio
1993	$2.26	$.94	41%
1992	2.07	.85	41
1991	1.67	.80	48
1990	1.61	.75	46
1989	1.67	.69	42

During 1993, Valley increased its quarterly dividend from an annualized $.85 (adjusted) per share in the fourth quarter of 1992 to an annualized $.94 (adjusted) per share in the fourth quarter of 1993. This 1993 dividend increase marks the 26th consecutive year that Valley increased dividends to shareholders. Table 19 shows quarterly information relative to Valley stock and related shareholders' equity for 1993 and 1992.

Table 19: Market Price of Common Stock and Related Security Matters***
<TABLE>
<CAPTION>

Quarter Ended	Shareholders' Equity (in millions)	Common Shares Outstanding (in thousands)	Per Share Net Income	Per Share Dividends** (Historical)	Per Share Book Value	Stock Price Range* Low	Stock Price Range* High
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
December 31, 1993	$366	20,726	$.58	$.2350	$17.65	$35.00	$39.63
September 30, 1993	350	20,343	.57	.2350	17.23	28.25	38.00
June 30, 1993	343	20,296	.57	.2350	16.88	25.83	30.50
March 31, 1993	335	20,222	.54	.2350	16.55	24.83	29.50
December 31, 1992	327	20,122	.55	.2125	16.24	23.00	26.00
September 30, 1992	319	20,041	.57	.2125	15.91	22.17	26.50
June 30, 1992	281	18,481	.50	.2125	15.21	20.00	22.50
March 31, 1992	275	18,458	.45	.2125	14.92	18.00	21.67

</TABLE>

* High and low sales prices in the NASDAQ National Market System as reported by NASDAQ.
** See note 9 of notes to consolidated financial statements as to restrictions upon the payment of cash dividends.
*** Restated for the three for two stock split, effected in the form of a 50% stock dividend, distributed on August 27, 1993.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of Valley Bancorporation:

We have audited the accompanying consolidated statements of financial position of Valley Bancorporation (a Wisconsin corporation) and subsidiaries as of December 31, 1993 and 1992 and the related consolidated statements of income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 1993. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Valley Bancorporation and subsidiaries as of December 31, 1993 and 1992, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1993, in conformity with generally accepted accounting principles.

As discussed in Notes 11 and 12 to the consolidated financial statements, effective January 1, 1993, the Corporation changed its methods of accounting for income taxes and post retirement benefits other than pensions.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin,
January 18, 1994.

Consolidated Statements of Financial Position
<TABLE>
<CAPTION>

	December 31,	
Assets	1993	1992
<S>	<C>	<C>
Cash and due from banks	$ 202,369,683	$ 230,858,324
Federal funds sold and securities purchased under resale agreements	2,640,000	16,116,620
Total cash and cash equivalents	205,009,683	246,974,944
Interest-bearing deposits with other banks	756,010	3,949,763
Investments: (Note 5)		
Investment securities available for sale (market value $772,580,974 and $39,357,276, respectively)	765,825,981	38,341,347
Investment securities held to maturity (market value $209,076,438 and $886,980,723, respectively)	206,376,848	876,988,861
Total investments	972,202,829	915,330,208
Mortgages held for sale	60,420,582	38,430,117
Loans: (Note 6)		
Commercial	723,941,280	746,813,049
Real estate-construction	119,240,431	114,949,293
Real estate-mortgage	1,696,927,013	1,597,197,891
Installment (primarily simple interest)	650,376,812	558,377,513
Total loans	3,190,485,536	3,017,337,746
Reserve for loan losses (Note 7)	(40,410,907)	(37,920,674)

Total loans, net	3,150,074,629	2,979,417,072
Premises and equipment, net	103,271,225	103,484,643
Other assets	100,457,657	96,719,274
Total assets	$4,592,192,615	$4,384,306,021
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest-bearing	$ 571,750,622	$ 537,844,699
Interest-bearing	3,406,358,245	3,294,779,422
Total deposits	3,978,108,867	3,832,624,121
Short-term borrowings (Note 8)	132,004,071	86,894,354
Long-term borrowings (Note 9)	53,251,185	68,310,434
Other liabilities	62,920,639	69,701,176
Total liabilities	4,226,284,762	4,057,530,085
Shareholders' equity:		
Preferred stock, cumulative, par value $1 per share, 1,000,000 shares authorized; none issued (Note 3)	---	---
Common stock, par value $.50 per share, 40,000,000 shares authorized; 20,725,790 and 13,414,513 shares issued and outstanding, respectively (Note 10)	10,362,895	6,707,257
Capital surplus	213,230,599	204,642,969
Retained earnings	142,314,359	115,425,710
Total shareholders' equity	365,907,853	326,775,936
Total liabilities and shareholders' equity	$4,592,192,615	$4,384,306,021

</TABLE>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Income

<TABLE>
<CAPTION>

	Years ended December 31,		
Interest Income	1993	1992	1991
<S>	<C>	<C>	<C>
Interest and fees on loans	$262,262,797	$263,738,012	$263,527,130
Interest on federal funds sold and securities purchased under resale agreements	131,974	903,372	3,696,841
Interest on interest-bearing deposits with other banks	125,800	700,703	1,345,668
Interest on investment securities-taxable	38,525,615	42,096,133	44,197,429
Interest on investment securities-nontaxable	10,210,998	14,189,321	18,991,320
Total interest income	311,257,184	321,627,541	331,758,388
Interest Expense			
Deposits	126,027,134	143,488,168	176,957,337
Short-term borrowings	3,097,149	4,098,829	5,433,896
Long-term borrowings	6,722,608	7,500,892	7,761,432
Total interest expense	135,846,891	155,087,889	190,152,665
Net Interest Income	175,410,293	166,539,652	141,605,723
Provision for loan losses (Note 7)	8,969,600	8,394,670	8,368,810
Net Interest Income			

After Provision for Loan Losses	166,440,693	158,144,982	133,236,913
Noninterest Income			
Service charges on deposit accounts	17,167,120	15,707,029	13,605,252
Trust service fees	12,631,254	12,455,207	10,927,066
Other service charges, commissions and fees	11,839,320	11,042,772	8,673,142
Insurance related	7,325,368	7,572,980	6,671,882
Credit card	7,185,534	6,147,392	5,466,209
Gain on sale of mortgage loans	6,786,265	3,274,302	1,412,456
Net securities gains	497,202	863,497	724,829
Other	2,629,398	2,228,789	537,268
Total noninterest income	66,061,461	59,291,968	48,018,104
Noninterest Expense			
Salaries and wages	72,199,853	66,541,506	59,578,562
Pensions and other employee benefits (Note 12)	20,406,264	23,636,183	17,710,095
Equipment	16,614,615	16,133,516	13,639,011
Net occupancy	12,816,126	11,597,853	10,773,016
FDIC insurance	8,333,361	7,922,601	6,640,357
Credit card	3,896,283	3,325,331	2,961,118
Other	30,214,987	30,944,588	29,696,331
Total noninterest expense	164,481,489	160,101,578	140,998,490
Income Before Income Taxes	68,020,665	57,335,372	40,256,527
Provision for income taxes (Note 11)	22,117,899	17,555,947	9,590,464
Net Income	$ 45,902,766	$ 39,779,425	$ 30,666,063
Net Income Per Share* (Note 1)	$2.26	$2.07	$1.67

</TABLE>

The accompanying notes to consolidated financial statements are an integral part of these statements.

*Per share data has been restated for the three for two stock split, effected in the form of a 50% stock dividend, distributed on August 27, 1993.

Consolidated Statements of Shareholders' Equity

<TABLE>
<CAPTION>

	Common Stock Shares	Common Stock Par Value	Capital Surplus	Retained Earnings	Total
<S>	<C>	<C>	<C>	<C>	<C>
Balance, December 31, 1990	12,067,273	$ 6,033,637	$170,285,922	$ 76,082,685	$252,402,244
Net income	---	---	---	30,666,063	30,666,063
Cash dividends	---	---	---	(14,676,553)	(14,676,553)
Common stock issued pursuant to stock option plans	103,916	51,958	1,413,298	---	1,465,256
Acquisition of savings associations	174,274	87,137	2,355,470	---	2,442,607
Treasury stock purchased	(100,400)	(50,200)	(2,637,828)	---	(2,688,028)
Tax benefit on stock options	---	---	236,960	---	236,960
Balance, December 31, 1991	12,245,063	6,122,532	171,653,822	92,072,195	269,848,549
Net income	---	---	---	39,779,425	39,779,425
Cash dividends	---	---	---	(16,425,910)	(16,425,910)
Common stock issued pursuant to					

stock option plans	167,225	83,612	2,857,647	---	2,941,259
Acquisition of a mutual savings association	1,002,225	501,113	29,363,909	---	29,865,022
Tax benefit on stock options	---	---	767,591	---	767,591
Balance, December 31, 1992	13,414,513	6,707,257	204,642,969	115,425,710	326,775,936
Net income	---	---	---	45,902,766	45,902,766
Cash dividends	---	---	---	(19,014,117)	(19,014,117)
Three for two stock split	6,776,745	3,388,373	(3,388,373)	---	---
Common stock issued pursuant to stock option plans	534,532	267,265	8,700,097	---	8,967,362
Tax benefit on stock options	---	---	3,275,906	---	3,275,906
Balance, December 31, 1993	20,725,790	$10,362,895	$213,230,599	$142,314,359	$365,907,853

</TABLE>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Consolidated Statements of Cash Flows

<TABLE>
<CAPTION>

	Years ended December 31,		
	1993	1992	1991
Operating Activities			
<S>	<C>	<C>	<C>
Net Income	$ 45,902,766	$ 39,779,425	$ 30,666,063
Adjustments to reconcile net income to net cash provided by operating activities:			
Provision for loan losses	8,969,600	8,394,670	8,368,810
Origination of loans held for resale	(578,203,000)	(431,957,920)	(213,687,051)
Proceeds from sale of loans held for resale	563,311,868	418,955,157	193,508,000
Depreciation	13,527,266	12,678,633	10,558,110
Amortization/accretion of intangibles	1,929,901	2,692,058	3,389,334
Accretion of valuation adjustments	(1,633,056)	(1,706,803)	(289,935)
Amortization of premium on investment securities	9,243,857	8,173,647	5,955,940
Accretion of discount on investment securities	(251,184)	(637,962)	(1,093,198)
Provision for (benefit of) deferred taxes	2,080,736	(403,910)	615,253
Other, net	(14,717,846)	(13,696,667)	(1,392,067)
Net cash provided by operating activities	50,160,908	42,270,328	36,599,259
Investing Activities			
Proceeds from sales of investment securities	11,243,616	40,701,125	66,118,985
Proceeds from matured investment securities	709,954,827	488,933,665	368,579,752
Purchases of investment securities	(733,713,704)	(538,184,145)	(498,403,247)
Net decrease in time deposits with other banks	3,193,913	22,602,102	22,950,945
Net increase in loans	(134,520,885)	(155,018,509)	(79,992,227)
Cash of banks acquired, net of payment for purchase (Note 2)	(11,136,184)	6,124,766	19,258,492
Purchase of premises and equipment, net of disposals	(10,601,642)	(9,697,724)	(15,179,094)
Recoveries of loans charged off	3,033,612	2,753,544	1,929,176
Net cash used by investing activities	(162,546,447)	(141,785,176)	(114,737,218)

Financing Activities			
Net increase in deposits	50,555,025	123,379,231	73,126,601
Net increase (decrease) in short-term borrowings	44,971,257	(46,866,387)	19,249,945
Repayment of long-term borrowings	(15,059,249)	(7,531,875)	(5,456,458)
Net proceeds from issuance of common stock	8,967,362	32,806,281	3,907,863
Repurchase of common stock	---	---	(2,688,028)
Dividends paid	(19,014,117)	(16,425,910)	(14,676,553)
Net cash provided by financing activities	70,420,278	85,361,340	73,463,370
Net decrease in cash and cash equivalents	(41,965,261)	(14,153,508)	(4,674,589)
Cash and cash equivalents at beginning of period	246,974,944	261,128,452	265,803,041
Cash and cash equivalents at end of period	$205,009,683	$246,974,944	$261,128,452
Supplemental Disclosure of Cash Flow Information			
Cash Paid for:			
Interest (net of amount capitalized)	$136,820,342	$163,932,193	$193,803,558
Income taxes	19,098,755	17,457,959	7,643,496
Supplemental Disclosure of Non-Cash Investing and			
Financing Activities:			
Loans charged off	$ 10,679,932	$ 8,752,299	$ 8,822,921
Loans transferred to other real estate owned	2,380,632	6,508,518	5,281,610

</TABLE>

The accompanying notes to consolidated financial statements are an integral part of these statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies:

Basis of Consolidation

The consolidated financial statements include the accounts of Valley Bancorporation (Valley) and subsidiaries. All material intercompany transactions and balances are eliminated in consolidation. Certain amounts in the 1991 consolidated financial statements have been reclassified to conform to the 1992 and 1993 presentation. The accounting and reporting policies of Valley conform to generally accepted accounting principles and to general practice within the banking industry.

Investment Securities

Until the end of the third quarter of 1992, all of Valley's investment securities were carried at amortized cost. In December of 1992, Valley evaluated the conditions under which it might sell any of its investment securities. As a result, Valley decided that certain types of investment securities might be sold in the future as part of Valley's efforts to manage interest rate risk or in response to changes in interest rates or other economic factors. Based upon this decision, Valley has classified these selected investments as Investment Securities Available for Sale. While Valley has no current intention of selling these securities, they may not beheld to maturity.

In December of 1993, Valley, in anticipation of adopting SFAS 115 on January 1, 1994, conducted a review of its investment portfolio. This review resulted in reclassifications of Investment Securities Available for Sale and Investment Securities Held to Maturity.

Investment Securities Held to Maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. Investment Securities Available for Sale are carried at the lower of amortized cost or market. Short-term investments acquired as trading securities are carried at market value.

Securities, when purchased, are designated as Trading, Investment Securities Held to Maturity, or Investment Securities Available for Sale and remain in that category until they are sold or mature. The specific identification method is used in determining the cost of securities sold. Valley has no mortgage derivatives.

Mortgages Held for Sale

Mortgage loans held for sale to investors are carried at the lower of cost or market, in the aggregate, based on outstanding firm commitments received for such loans or on current market prices.

Reserve for Loan Losses

The reserve for loan losses is an estimated amount based on an analysis of the loan portfolios and current economic conditions and, in management's judgment, represents an amount adequate to provide for potential losses. Ultimate losses may vary from the current

estimates and, as adjustments become necessary, the reserve for loan losses is adjusted in the periods in which estimates are revised or losses become known.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed primarily on a straight-line basis and is charged to operating expense over the estimated useful life of each type of asset. Interest expense is capitalized on major construction projects using the subsidiaries' cost of funds. Interest capitalized in 1993 and in 1992 was not material. Interest capitalized in 1991 was $621,174.

Cash Flows

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, federal funds sold, and securities purchased under resale agreements.

Capitalized Conversion Costs

Capitalized conversion costs associated with Valley's system conversion project completed in July 1991 are amortized on a straight line basis over five to ten year periods. Approximately $2.247 million, $2.368 million, and $1.469 million were amortized in 1993, 1992, and 1991 respectively. The unamortized balances of $11.686 million and $13.933 million in 1993 and 1992 respectively are included in premises and equipment in the Consolidated Statements of Financial Position.

Intangibles

Intangibles, primarily goodwill and customer deposit base, from acquisitions accounted for as purchase transactions are amortized on a straight-line basis over periods of 10 to 25 years. Valley has applied push-down accounting for all purchase accounting transactions consummated after December 31, 1988.

As of December 31, 1993, Valley had approximately $35.3 million of intangible assets which have arisen primarily from purchase transactions. Amortization of approximately $3.506 million, $3.499 million, and $3.389 million is included in the 1993, 1992 and 1991 results of operations.

Valley also has approximately $14.0 million of negative goodwill included in other liabilities as of December 31, 1993, the majority of which arose from the 1992 acquisition of United Savings and Loan Association (United) which is being accreted on a straight-line base over a period of 10 years. Accretion of approximately $1.576 million and $.807 million is included in the 1993 and 1992 results of operations, respectively.

Interest and Fees on Loans

Interest on loans is recognized as income based on loan principal outstanding. Fees and certain incremental direct costs of originating loans are deferred and amortized over the contractual term of the loans as an adjustment to yield. Unamortized net fees and costs are

reported as part of the loan balance outstanding. There is no accrual of interest income on loans where collection is doubtful.

Net Income Per Share

Net income per share was computed based on the weighted average number of common shares outstanding (20,325,524 in 1993, 19,243,509 in 1992, and 18,335,847 in 1991 post-split basis). A three for two stock split, effected in the form of a 50% stock dividend, was declared July 20, 1993, payable August 27, 1993 to shareholders of record August 6, 1993. The common stock per share and average share information for years 1992 and prior have been retroactively restated for the stock split. The effect of outstanding stock options on net income per share is not material.

2. Business Combinations

In January 1991, Valley acquired Exchange State Bank, La Crosse, a $55 million-asset bank. In April 1991, Valley completed the stock acquisitions of the $90 million-asset Western Federal Savings & Loan Association, Sparta (Western) and the $180 million-asset Great American Savings Bank, F.S.B., Milwaukee (Great American). Valley issued and sold 83,235 (124,853 post-split basis) and 91,039 (136,559 post-split basis) common shares, respectively, in connection with its acquisitions of Western and Great American. An initial contribution to capital, which included the proceeds from the sale of this stock, of $4.9 million was made to Western and $8.4 million to Great American. In 1991, additional contributions were made to capital at Western and Great American in the amounts of $200,000 and $4.7 million, respectively.

On July 1, 1992, Valley completed the acquisition of the $320 million-asset United, headquartered in Sheboygan, Wisconsin. In this transaction, United converted from a mutual to a stock institution and concurrently issued 1,000 shares of its stock to Valley, thereby becoming a wholly-owned subsidiary of Valley. As part of the transaction, Valley sold to United's account holders, certain other eligible subscribers and the general public, 1,002,225 (1,503,338 post-split basis) shares of its common stock at a price of $32.75 ($21.83 post-split basis) per share, receiving $29.865 million in net proceeds, of which $18.0 million was infused into United, with the remainder of the proceeds to be used for general corporate purposes.

On November 6, 1993, Valley completed the acquisition of Pierce County Bank and Trust Company (Pierce County). Pierce County, with December 31, 1993 assets of $112 million, serves western Wisconsin markets through seven branch offices.

These transactions were accounted for as purchases, and therefore are not included in Valley's results of operations or statements of financial position prior to their dates of acquisition. The following table shows the fair value of assets acquired, fair value of liabilities assumed and net cash paid or received for purchase transactions consummated in 1993, 1992 and 1991, respectively:

	For the Year Ended December 31,		
	1993	1992	1991
Fair value of assets acquired	$112,101,418	$298,502,421	$323,621,521
Fair value of liabilities assumed	(97,423,633)	(298,502,421)	(317,735,492)
Cash paid for acquisitions	14,677,735	---	5,886,029
Cash received in acquisitions	(3,541,551)	(6,124,766)	(25,144,521)
Net cash paid (received)	$11,136,184	$ (6,124,766)	$(19,258,492)

The pro forma impact on Valley's results of operations for the period ended December 31, 1992, had the United transaction described above been consummated as of January 1, 1992, is as follows:

	For the year ended December 31, (Unaudited)
(dollars in thousands)	1992
Net interest income	$173,685
Provision for loan losses	13,487
Net Income	38,292
Net Income per share	$ 2.87

Valley and Marshall & Ilsley Corporation (M&I) have entered into an Agreement and Plan of Merger, dated as of September 19, 1993 (the "Merger Agreement"), which provides for the combination of the two companies through a merger of Valley into M&I (the "Merger"). Under the Merger Agreement, each share of Valley common stock, par value $.50 per share ("Valley Common Stock"), outstanding at the time the Merger is consummated (other than any shares owned by M&I for its own account) will be converted into the right to receive 1.72 (the "Exchange Rate") shares of M&I common stock, par value $1.00 per share ("M&I Common Stock"), in a tax-free reorganization to be accounted for as a pooling of interests. Resulting fractional share interests will be paid in cash in lieu of issuing fractional shares. Then outstanding Valley employee and director stock options will be converted at the Exchange Rate into options to acquire M&I Common Stock.

The consummation of the Merger, which is currently expected to occur in the second quarter of 1994, is subject to various conditions set forth in the Merger Agreement, including approval by the shareholders of both companies and all requisite regulatory approvals.

In connection with the Merger Agreement, the parties entered into a Stock Option Agreement, dated as of September 19, 1993 (the "Stock Option Agreement"), by which Valley granted M&I an option (the "Option") to purchase up to 4,045,795 newly issued shares of Valley Common Stock (19.9% of the number of shares outstanding and subject to adjustment to maintain that percentage) at an exercise price of $35.75 per share, exercisable upon the occurrence of certain events and subject to certain conditions set forth in the Stock Option Agreement. The Stock Option Agreement also provides M&I the right to receive a

termination fee to the extent that the Option has not been exercised after the occurrence of an event which makes the Option exercisable.

The following unaudited pro forma data combines the results of operations for the M&I and Valley, giving effect to the merger as if it had been consummated at December 31, 1990.

	For the Year Ended December 31,		
(dollars in thousands)	1993	1992	1991
Net interest income	$484,588	$474,345	$430,573
Income before cumulative effects of changes in accounting principles (operating income)	171,487	156,270	130,013
Net income	171,487	147,266	130,013
Income per common share			
Primary			
Operating income	1.67	1.55	1.33
Net income	1.67	1.46	1.33
Fully diluted			
Operating income	1.60	1.48	1.27
Net income	1.60	1.40	1.27

Certain divestitures by M&I and Valley will be required in order to obtain regulatory approvals. M&I has filed applications with such authorities proposing the divestiture of certain bank branches in the State of Wisconsin with total deposits of approximately $300 million. It is anticipated that federal regulators will require M&I to obtain commitments for the divestitures prior to consummation of the Merger and complete the divestitures within six months of the consummation of the Merger. Valley does not anticipate that such divestitures will have a material impact on the consolidated financial statements.

Estimates of employee severance and contract costs, write-downs and write-offs of duplicative facilities, equipment and data processing software associated with the Merger will result in an estimated one-time charge of approximately $80 million ($48 million net of tax) in 1994. Since the estimated charge is nonrecurring, it has not been reflected in the pro forma data set forth above.

3. Shareholder Rights Plan

On October 21, 1988, Valley declared a distribution of one preferred share purchase right (a "Right") for each outstanding share of Valley Common Stock. As a result of the three for two stock split on August 27, 1993, each outstanding share of Valley Common Stock now evidences two-thirds of a Right. Detailed provisions of the Rights are set forth in a Rights Agreement, dated as of October 21, 1988, between Valley and The First National Bank of Boston, and this Note summarizes, in general terms, only certain of the more significant provisions.

The Rights will not become exercisable until after a person or group acquires or has the right to acquire beneficial ownership of 20% or more of the outstanding Valley Common Stock, or after commencement of a tender or exchange offer, the consummation of which would result in a person or group becoming the beneficial owner of 30% or more of the outstanding Valley Common Stock. If the Rights become exercisable, initially they will entitle the holder of each Right to purchase from Valley one one-hundredth (1/100) of a share of Valley Series A Preferred Stock, par value $1.00 per share ("Series

A Preferred"), at a price of $60 per one one-hundredth of a share, subject to adjustment. If, after the Rights become exercisable, (a) Valley is involved in any of certain types of transactions with an Acquiring Person or any person becomes the beneficial owner of more than 25% of the outstanding Valley Common Stock, one Right will permit each holder other than an Acquiring Person to receive, upon exercise, Valley Common Stock or, in certain circumstances, cash, property or other securities of Valley, having a value equal to two times the exercise price of the Right; or (b) Valley or 50% or more of its assets or earning power is acquired in any of certain types of transactions, provisions shall be made so that each holder other than an Acquiring Person will receive, upon exercising one Right, common shares of the acquiring company having a value equal to two times the exercise price of the Right. In certain events, Valley may exchange shares of Valley Common Stock or Series A Preferred for outstanding and exercisable Rights, other than those held by an Acquiring Person, at the ratio of one share of Valley Common Stock, or one one-hundredth (1/100) of a share of Series A Preferred, per Right. The Rights, which expire on October 21, 1998, are nonvoting and may be redeemed by Valley at $.05 per Right at any time prior to the occurrence of certain events. In connection with the Rights Agreement, the Board of Directors has designated 200,000 shares of Valley's authorized preferred stock as Series A Preferred, and has reserved such shares for issuance upon exercise of the Rights.

The Rights Agreement may be amended by the Valley Board of Directors with the concurrence of a majority of the Board's independent directors. As required by the Merger Agreement, the Rights Agreement has been amended by Amendment No. 1 thereto, dated as of September 19, 1993, to provide that (a) neither M&I nor any affiliate of M&I shall be deemed an Acquiring Person, and (b) the execution, delivery and performance of the Merger Agreement and the Stock Option Agreement does not and will not result in a Shares Acquisition Date or Distribution Date (as such terms are defined in the Rights Agreement), provided that M&I and its affiliates acquire Valley Common Stock only in the manner specified. Under the Merger Agreement, the shares of M&I Common Stock into which the outstanding shares of Valley Common Stock will be converted in the Merger will be deemed to have been issued in full satisfaction of all rights pertaining to such shares of Valley Common Stock, including the Rights.

4. Cash and Due From Banks:

Cash and amounts due from banks totalling $46,274,000 were restricted at December 31, 1993 to meet the reserve requirements of the Federal Reserve System.

5. Investment Securities:

The book and market values of investment securities are as follows:

<TABLE>
<CAPTION>

December 31, 1993	Book Value	Gross Unrealized Gains	(Losses)	Market Value
Investment securities available for sale:				
<S>	<C>	<C>	<C>	<C>
U.S. Government	$393,612,520	$ 4,686,876	$ (249,727)	$398,049,669
CMOs	198,796,311	903,837	(1,051,806)	198,648,342
Federal agencies	101,771,854	814,500	(69,509)	102,516,845
Other	39,622,664	1,291,714	(1,973)	40,912,405
Mortgage pass-throughs	29,117,145	481,010	(38,435)	29,559,720
Corporates	2,905,487	4,067	(15,561)	2,893,993
Total investment securities available for sale	765,825,981	8,182,004	(1,427,011)	772,580,974
Investment securities held to maturity:				
State and political subdivisions	206,376,848	3,374,798	(675,208)	209,076,438
Total investment securities held to maturity	206,376,848	3,374,798	(675,208)	209,076,438
Total investments	$972,202,829	$11,556,802	$(2,102,219)	$981,657,412

December 31, 1992	Book Value	Gross Unrealized Gains	(Losses)	Market Value
Investment securities available for sale:				

Mortgage pass-throughs	$ 27,063,294	$ 938,094	$ (11,064)	$ 27,990,324
Corporates	11,278,053	90,779	(1,880)	11,366,952
Total investment securities available for sale	38,341,347	1,028,873	(12,944)	39,357,276
Investment securities held to maturity:				
U.S. Government	297,896,504	4,145,732	(162,624)	301,879,612
CMOs	239,841,618	1,209,075	1,649,288)	239,401,405
Federal agencies	117,915,839	984,505	(108,262)	118,792,082
Other	24,848,157	954,304	(894)	25,801,567
State and political subdivisions	196,486,743	4,701,744	(82,430)	201,106,057
Total investments held to maturity	876,988,861	11,995,360	2,003,498)	886,980,723
Total investments	$915,330,208	$13,024,233	$(2,016,442)	$926,337,999

</TABLE>

The book and market values of investment securities at December 31, 1993, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

<TABLE>
<CAPTION>

	Investment securities available for sale	
December 31, 1993	Book Value	Market Value
<S>	<C>	<C>
Due in 1 year or less	$199,631,264	$202,502,841
Due after 1 through 5 years	334,099,095	337,119,401
Due after 5 through 10 years	16,766,313	17,447,402
Due after 10 years	16,532,998	16,862,988
Total excluding CMOs	567,029,670	573,932,632
CMOs	198,796,311	198,648,342
Total	$765,825,981	$772,580,974

	Investment securities held to maturity	
December 31, 1993	Book Value	Market Value
Due in 1 year or less	$ 60,514,823	$ 60,689,781
Due after 1 through 5 years	95,771,028	97,822,352
Due after 5 through 10 years	40,010,161	40,188,663
Due after 10 years	10,080,836	10,375,642
Total excluding CMOs	206,376,848	209,076,438
CMOs	---	---
Total	$206,376,848	$209,076,438

</TABLE>

Investment securities with an approximate par value of $150,864,000 were pledged at December 31, 1993, to qualify for fiduciary powers, to secure public deposits and short-term borrowings and for other purposes required by law.

Proceeds from sale of investments in 1993 and 1992 were $11,243,616 and $40,701,125, respectively. Gross gains of $654,830 in 1993 and $962,500 in 1992 and gross losses of $157,628 in 1993 and $99,003 in 1992 were realized on those sales.

In May 1993, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," (SFAS 115). SFAS 115 requires, among other things, that securities classified as available for sale be carried at market value; however, market value adjustments and the related income tax effects are excluded from earnings and reported separately as a component of shareholders' equity. This new standard was adopted by Valley on January 1, 1994. If this new standard had been adopted by Valley at December 31, 1993, the result would have increased shareholders' equity by the net unrealized gain of $4,390,745, after tax.

6. Loans:

In the ordinary course of business, loans are made to directors, officers and other employees of Valley and to companies and persons affiliated with directors and officers. These loans are made on substantially the same terms and conditions as loans to nonaffiliated parties except for certain employee loans, which are at rates slightly below those prevailing for comparable transactions. The aggregate amount of loans to executive officers and directors of the parent company and its five largest bank subsidiaries, Madison, Appleton, Green Bay, Milwaukee, and Sheboygan and their related interests are shown below:

Balance 12/31/92	Additions	Reductions	Balance 12/31/93
$55,285,360	$141,058,143	$(145,118,651)	$51,224,852

Valley has pledged approximately $21.1 million of loans to secure certain short-term borrowings.

7. Reserve for Loan Losses:

An analysis of the reserve for loan losses is as follows:

<TABLE>
<CAPTION>

	1993	1992	1991
<S>	<C>	<C>	<C>
Balance, beginning of year	$37,920,674	$31,240,521	$25,421,852
Provision charged to expense	8,969,600	8,394,670	8,368,810
Recoveries	3,033,612	2,753,544	1,929,176
Loans charged off	(10,679,932)	(8,752,299)	(8,822,921)
Net loans charged off	(7,646,320)	(5,998,755)	(6,893,745)
Reserve at date of acquisition of banks acquired accounted for as purchases	1,166,953	4,284,238	4,343,604
Balance, end of year	$40,410,907	$37,920,674	$31,240,521

</TABLE>

Substantially all of Valley's loans are made to borrowers in Wisconsin. Valley's largest banks are primarily located in the largest metropolitan areas of Wisconsin. While Valley has a significant presence in these markets, the economic diversity of the markets would not indicate an undue concentration of risk. Several of its other banks have a significant market share in smaller communities in Wisconsin. As a community lender, Valley extends all forms of credit to individuals and businesses in the community and its surroundings. Those communities are often dependent on a small number of large employers or on the agricultural economy. Agricultural loans at Valley approximated $205 million, or 6.4% of total loans, at December 31, 1993 and $185 million, or 6.1% of total loans at December 31, 1992. Valley believes its agricultural portfolio is well collateralized.

Valley also finances real estate development, for properties typically not occupied by the owners, which is dependent upon the successful sale or rental of the related properties. These loans totalled approximately $485 million, or 15.2% of total loans at December 31, 1993 and $238 million, or 7.9% of total loans at December 31, 1992. The majority of the loans are located in Valley's market area. Valley closely monitors these credits.

As of December 31, 1993 and 1992, nonaccrual loans and real estate acquired in foreclosures were less than 1.0% of total assets. The effect of nonaccrual loans on net income in 1993, 1992 and 1991 was not significant.

In May 1993, the FASB also issued Statement of Financial Accounting Standards No. 114, "Accounting by Creditors for Impairment of a Loan," (SFAS

114). SFAS 114 requires that a loan's value be measured when it has been determined that the loan is impaired and loss is probable. Write-downs which result from the measurement process are to be expensed. This new standard must be adopted by the first quarter of 1995. Based upon the current status of the Corporation's loan portfolio, it is not anticipated that this pronouncement will have a material impact on the Consolidated Financial Statements.

8. Short-Term borrowings:

Short-term borrowings at December 31, consisted of the following:

	1993	1992
Security repurchase agreements	$ 73,048,347	$70,737,472
U.S. Treasury demand notes	7,605,724	14,806,882
Lines of credit	50,000,000	---
Other	1,350,000	1,350,000
Total	$132,004,071	$86,894,354

Valley has in place with M&I, a $50 million line and with another correspondent bank, a $15 million revolving line of credit, at prime. At December 31, 1993 and 1992, there were $50 million and no outstanding borrowings, respectively, on these lines.

The average rates paid on these funds were 2.81%, 3.41%, and 5.12% for the years ended December 31, 1993, 1992 and 1991, respectively.

The demand notes payable to the U.S. Treasury accrue interest at .25% below the weekly federal funds rate and are fully collateralized by subsidiary banks' investment securities. Securities sold under repurchase agreements are periodically borrowed on a short-term basis by subsidiary banks at prevailing rates for these funds.

The following information relates to securities sold under repurchase agreements for the year indicated:

	1993	1992
End of year:		
Weighted average rate	2.90%	2.88%
For the year:		
Maximum amount outstanding	$157,680,163	$168,932,394
Average amount outstanding	$ 87,315,827	$111,173,532
Weighted average rate	2.70%	3.39%

9. Long-Term Borrowings:

Long-term borrowings at December 31, consisted of the following:

	1993	1992
Senior Unsecured Notes, Series A 9.86%, due in 1994	$23,000,000	$23,000,000
Senior Unsecured Notes, Series B 9.97%, due in 1995	30,000,000	30,000,000
Senior Unsecured Notes, 11.25%, due in annual installments in 1991 to 1995	---	15,000,000
Mortgages at varying rates and terms	251,185	310,434
Total	$53,251,185	$68,310,434

Certain provisions of the agreements covering the Series A and Series B Notes and the revolving line of credit with a correspondent bank, (a) place limitations on additional funded debt and other indebtedness which may be incurred or guaranteed by Valley, and (b) impose restrictions on the payment of cash dividends and the purchase or redemption of Valley stock. Under the most restrictive terms of the agreements, at December 31, 1993, Valley would be permitted to incur additional funded debt and other indebtedness of

$112,265,248.

Also, in connection with the Merger Agreement with M&I (see Note 2), Valley has agreed that it will not, without the prior written consent of M&I, declare or pay any dividend other than regular quarterly cash dividends on Valley Common Stock not in excess of $.24 per share.

Under the terms of the Series A and Series B Notes issued in 1990, Valley has consolidated retained earnings of $152,144,732 which were unrestricted as to the payment of dividends and the purchase and redemption of Valley stock. Restrictions as to the payment of dividends and purchase and redemption of stock amount to $7,975,942 under an existing line of credit with a correspondent bank; however at December 31, 1993 Valley had no borrowings on this line and that restriction therefore is not presently operative.

In 1991, Valley repurchased 100,400 (150,600 post-split basis) shares of its common stock for $2,688,028. Valley had obtained the consent of its lender to exempt the

repurchases from its loan covenant which restricted payments of cash and dividends and the repurchase or redemption of Valley stock. Valley did not repurchase additional shares in 1992 or 1993.

Subsidiary bank dividends, which are the principal source of funds for dividend payments by Valley, are restricted by statutory and regulatory limitations. At December 31, 1993, the aggregate amount of subsidiary banks' retained earnings available for payment of dividends under regulatory guidelines was $85,491,416. In January 1990, Valley adopted an internal bank dividend policy which restricts a banks' tangible equity from being reduced below 7% of tangible assets. Asset growth, profitability, funds availability and asset quality are factored into this policy. This internal policy effectively restricts, to a substantially lesser amount, the amount which could be distributed by the banks.

10. Stock Options:

Under terms of existing option plans, shares of unissued common stock are reserved for options to outside directors, officers and key employees of Valley at prices not less than the fair market value of the shares at the date of grant. Options expire no later than approximately 10 years from the date of grant. The information presented below has been restated for the three for two stock split effected in the form of a 50% stock dividend declared July 20, 1993, payable August 27, 1993 to shareholders of record August 6, 1993.

At December 31, 1993, options outstanding and the extent to which they are exercisable were as follows:

	Number of Shares		
	Outstanding	Exercisable	Option Price Per Share
	5,417	5,417	$ 6.93
	2,167	2,167	9.23
	11,916	11,916	11.54
	146,750	146,750	13.21
	72,450	72,450	13.33
	81,075	81,075	13.71
	125,100	125,100	14.27
	15,000	15,000	14.85
	67,500	67,500	21.33
	70,381	70,381	22.33
	254,750	254,750	25.25
	42,000	42,000	26.46
TOTAL	894,506	894,506	

For the years ended December 31, 1993, 1992, and 1991, option shares exercised were as follows:

Year Exercised	Shares Exercised	Price Range at Which Exercised
1993	534,532	$5.77 - $25.25
1992	250,838	$4.61 - $14.27
1991	155,874	$4.38 - $14.27

For the years ended December 31, 1993, 1992, and 1991, option shares granted and expired were as follows:

	Shares Granted	Shares Expired
1993	42,000	---
1992	523,895	14,013
1991	15,000	13,200

Common stock reserved for future grants under option plans approved by the shareholders amounted to 477,017 shares at December 31, 1993.

11. Income Taxes:

On January 1, 1993, Valley adopted Statement of Financial Accounting Standard No. 109, "Accounting for Income Taxes". The effect of adoption of this new standard is not material to the consolidated financial statements. This policy calls for reflecting tax assets/liabilities at amounts estimated to be realizable/payable based on current tax law and Valley's tax status. Accordingly, tax expense can be impacted by future changes in rates and return limitations.

The income tax provision for each of the years ended December 31, is as follows:

	1993	1992	1991
Federal	$18,364,365	$14,909,468	$8,452,356
State	3,753,534	2,646,479	1,138,108
Total	$22,117,899	$17,555,947	$9,590,464
Current	$20,037,163	$17,959,857	$8,975,211
Deferred	2,080,736	(403,910)	615,253
Total	$22,117,899	$17,555,947	$9,590,464

The income tax provision (benefit) applicable to net securities transactions was $174,021, $293,589, and $246,442 in 1993, 1992 and 1991, respectively.

Deferred taxes result from timing differences in the recognition of revenue and expense for tax and financial statement purposes. The sources of these differences and the tax effects of each are:

	Years ended December 31,	
	1992	1991
Differences between book and tax provision for loan losses	$(818,480)	$(653,989)
Excess of tax over book depreciation	437,344	141,300
Cash basis reporting for tax purposes	(409,783)	878,021
Deferred gain on sale/leaseback of bank premises	75,828	78,130
Net accretion of purchase accounting adjustments	441,897	69,919
Other, net	(130,716)	101,872
Total	$(403,910)	$ 615,253

The following is a reconciliation between the provision for income taxes and the tax computed by applying the statutory Federal income tax rate:

Years ended December 31,

	1993	1992	1991
Income tax computed at statutory rates	$23,807,233	$19,494,026	$13,687,219
State income tax, net of Federal income tax benefit	2,285,797	1,746,676	751,151
Tax-exempt state and municipal income	(3,136,220)	(4,254,279)	(5,537,240)
Other, net	(838,911)	569,524	689,334
Provision for income taxes	$22,117,899	$17,555,947	$ 9,590,464

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

	1993
Difference between book and tax reserve for loan losses	$6,722,061
Excess of tax over book depreciation	(4,778,791)
Cash basis reporting for tax purposes	(842,399)
Net accretion of purchase accounting adjustments	1,046,046
Deferred gain on sale/leaseback of bank premises	(4,484)
Other, net	(239,512)
Total net deferred tax assets	$1,902,921

12. Employee Benefit Plans:

Substantially all employees are covered by a trusteed defined benefit retirement plan. The benefits are based on years of service and the employee's highest consecutive five-year average salary. Valley's funding policy is to contribute annually the maximum amount that can be deducted for federal tax purposes. Contributions are intended to fund benefits attributed to service to date, and benefits expected to be earned in the future.

Plan assets are primarily invested in short to intermediate fixed-rate securities, equity securities, commingled equity real estate funds and short-term investment vehicles.

The following table sets forth the plan's funded status and amounts recognized in Valley's consolidated financial statements at December 31:

Actuarial present value of benefit obligations:	1993	1992
Vested benefit obligation	$(38,326,434)	$(26,310,676)
Nonvested benefit obligation	(1,819,776)	(1,283,493)
Accumulated benefit obligation	(40,146,210)	(27,594,169)
Effect of projected future compensation levels	(19,910,487)	(13,856,811)
Projected benefit obligation	(60,056,697)	(41,450,980)
Plan assets at fair value	43,425,521	37,163,361
Plan assets less than projected benefit obligation	(16,631,176)	(4,287,619)
Unrecognized net loss	23,147,830	9,969,974
Unrecognized prior service cost	2,401,159	2,641,953
Unrecognized net asset (being amortized evenly over 16 years)	(1,672,366)	(1,810,772)
Prepaid pension cost	$ 7,245,447	$ 6,513,536

The net pension cost for 1993, 1992 and 1991, included the following components:

	1993	1992	1991
Service cost	$3,360,706	$2,347,974	$1,897,838

Interest cost	3,282,761	2,501,787	2,243,744
Actual return on plan assets	(2,885,008)	(1,851,602)	(3,422,891)
Net amortization and deferral	(415,668)	(882,575)	1,306,597
Net periodic pension cost	$3,342,791	$2,115,584	$2,025,288

The following assumptions were used in determining the projected benefit obligation:

	1993	1992
Discount rate	6.75%	8.00%
Rate of increase in compensation levels	5.00%	5.00%
Expected long-term rate of return on assets	0.00%	10.00%

The majority of employees participate in a Thrift and Sharing Plan. Employee contributions to the plan are matched based on the ratio of Valley's consolidated net income to average shareholders' equity. The expense of the plan for the years ended December 31, 1993, 1992 and 1991 was approximately $1.457 million, $4.191 million and $2.827 million, respectively. At December 31, 1993, the plan held 2,465,632 shares of Valley common stock.

Valley currently offers post retirement health care benefits to retired employees over the age of 54 who have rendered at least 10 years of service to Valley. These benefits are subject to deductibles, copayment provisions and other limitations. Only those employees retiring on or before December 31, 1994 will be eligible for such benefits.

On January 1, 1993, Valley adopted Statement of Financial Accounting Standards (SFAS) No. 106 "Employers Accounting for Post Retirement Benefits Other Than Pensions". This statement requires that the cost of post retirement benefits expected to be provided to current and future retirees be accrued over those employees' service periods. In addition to recognizing the cost of benefits for the current period, SFAS No. 106 requires recognition of the cost of benefits earned in prior service periods (the transition obligation). Prior to 1993, post retirement benefits were accounted for on a cash basis. As of January 1, 1993, Valley's accumulated post retirement benefit obligation (also its transition obligation) totalled $2.854 million. Valley has elected to amortize the transition obligation as a charge to income over a twenty year period on a straight line basis.

The following table sets forth the plan's status and amounts recognized in Valley's consolidated financial statements.

	December 31, 1993
Accumulated post retirement benefit obligation:	
Retirees	$(2,357,668)
Fully eligible actives	(271,089)
Other actives	(11,844)
Total accumulated post retirement benefit obligation	(2,640,601)
Unrecognized prior net gain	(285,435)
Unrecognized prior service costs	0
Unrecognized transition obligation	2,711,815
Accrued post retirement benefit cost	$ (214,221)

	Year ended December 31, 1993
Service cost	$ 2,732
Interest cost	220,031
Actual return on plan assets	0
Amortization of transition obligation	142,727

Net of other amortization and deferrals	0
Net periodic post retirement cost	$ 365,490

The following actuarial assumptions were used in the determination of the accumulated post retirement benefit obligation:

	1993
Expected long-term rate of return on assets	N/A
Weighted average discount rate	6.75%
Medical care cost trend rates	12.5% - 6.0%

Shown below is the impact of a 1% increase in the medical care cost trend rates (i.e., 13.5% for 1993 grading down to 7.0% in 2013). This information is required disclosure under SFAS No. 106.

	Current Trend	Trend + 1.%	% Change
Aggregate of the service and interest components of net periodic post retirement health care benefit costs	$ 222,763	$ 243,797	+9.4%
Accumulated post retirement benefit obligation for health care benefits	2,640,601	2,889,287	+9.4%

In 1992 the Financial Accounting Standards Board issued SFAS No. 112 "Employers' Accounting for Post Employment Benefits." This statement requires accrual accounting for the estimated cost of benefits provided to former employees after employment, but before retirement. Valley is required to adopt the new standard no later than 1994. Valley currently accrues for severance benefits when identified and therefore, has determined that adoption of the new standard will not have a material impact.

13. Financial Instruments With Off-Balance Sheet Risk:

Valley utilizes various financial instruments which have off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These instruments involve, to varying degrees, elements of credit, interest rate, or liquidity risk. The following table shows the contract or notional amounts of these financial instruments at December 31, were as follows:

(dollars in thousands)	1993	1992
Standby and commercial letters of credit	$ 69,979	$ 69,501
Commitments to extend credit	1,013,726	866,112
Interest rate swaps	105,000	50,000

Standby letters of credit and commercial letters of credit are conditional commitments issued by Valley to support the financial obligation of a customer to a third party. Those commitments are primarily issued to support public and private borrowing arrangements including commercial paper issuances, bond financings, and other similar transactions. Valley's exposure to credit loss in the event of nonperformance by the counterparty is the contractual amount of the standby letter of credit, an exposure similar to that involved in extending loans. Since the conditions under which Valley is required to fund standby letters of credit may not materialize, the liquidity requirements of standby letters of credit are expected to be less than the total outstanding commitments.

Commitments to extend credit are legally binding and generally have fixed expiration dates or other termination clauses. Valley's exposure to credit loss on commitments to extend credit, in the event of nonperformance by the counterparty, is represented by the contractual amount of the commitments. Valley monitors its credit risk for commitments as it does for loans and by obtaining collateral to secure commitments based on management's credit assessment of the counterparty. Since many commitments are expected to expire without being drawn upon, total commitment amounts do not necessarily represent Valley's future liquidity requirements. In addition, Valley also offers various consumer credit line products (credit card lines, overdraft protection, and home equity lines) to its customers, some of which are cancelable upon notification. Such credit lines are included in the amount disclosed above.

An interest rate swap is an agreement in which two parties agree to exchange, at specified intervals, interest payment streams calculated on an agreed upon notional principal amount with at least one stream based on a floating rate index. Periodic payments between counterparties are typically settled on a net basis over the life of the swap.

14. Quarterly Financial Data (Unaudited):

(dollars in thousands except per share amounts)*	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
1993				
Interest income	$77,771	$77,781	$77,577	$78,129
Interest expense	(35,115)	(34,027)	(33,699)	(33,006)
Provision for loan losses	(2,165)	(2,158)	(2,155)	(2,492)
Other income and expense, net	(24,696)	(24,771)	(24,004)	(24,949)
Income taxes	(4,901)	(5,340)	(6,138)	(5,739)
Net income	$10,894	$11,485	$11,581	$11,943
Per share:				
Net income	$ .54	$ .57	$ .57	$ .58
1992				
Interest income	$79,390	$77,769	$83,303	$81,166
Interest expense	(41,121)	(38,266)	(38,831)	(36,870)
Provision for loan losses	(2,275)	(2,309)	(1,877)	(1,934)
Other income and expense, net	(24,533)	(23,999)	(25,994)	(26,284)
Income taxes	(3,236)	(3,943)	(5,343)	(5,034)
Net income	$ 8,225	$ 9,252	$11,258	$11,044
Per share:				
Net income	$ .45	$ .50	$ .57	$ .55
1991				
Interest income	$79,017	$84,533	$85,366	$82,843
Interest expense	(46,033)	(48,893)	(48,995)	(46,233)
Provision for loans losses	(2,014)	(2,122)	(1,998)	(2,235)
Other income and expense, net	(22,405)	(23,211)	(23,769)	(23,596)
Income taxes	(1,798)	(2,581)	(2,625)	(2,585)
Net income	$ 6,767	$ 7,726	$ 7,979	$ 8,194
Per share:				
Net income	$ .37	$ .42	$ .43	$ .45

*Per share data has been restated for the three for two stock split, effected in the form of a 50% stock dividend, distributed on August 27, 1993.

15. Valley Bancorporation (Parent Company Only) Condensed Financial Statements:

Statements of Financial Position
<TABLE>
<CAPTION>

	December 31,	
Assets	1993	1992
<S>	<C>	<C>
Cash and cash equivalents	$ 127,786	$ 15,978,700

Intercompany advances and notes receivable	79,231,173	24,000,000
Investment in common stock of subsidiaries	367,663,433	338,932,696
Premium paid for net assets acquired	18,875,323	19,321,825
Other assets	8,739,516	7,539,308
Total assets	$474,637,231	$405,772,529

Liabilities and Shareholders' Equity		
Short-term borrowings	$ 50,000,000	---
Long-term borrowings	53,000,000	68,000,000
Other liabilities	5,729,378	10,996,593
Total liabilities	108,729,378	78,996,593
Shareholders' equity	365,907,853	326,775,936
Total liabilities and shareholders' equity	$474,637,231	$405,772,529

</TABLE>

Statements of Income
<TABLE>
<CAPTION>

	Years ended December 31,		
	1993	1992	1991
Income			
<S>	<C>	<C>	<C>
Dividends paid by subsidiaries	$38,319,445	$25,488,488	$38,451,824
Service fees from subsidiary banks	6,462,084	5,296,536	5,454,081
Interest on intercompany advances and notes receivable	3,424,640	2,791,780	2,451,614
Other	1,475,331	1,597,384	1,347,926
Total income	49,681,500	35,174,188	47,705,445
Expense			
Interest	7,445,318	7,597,939	8,249,469
Administrative and general	10,916,054	14,986,924	10,783,203
Total expense	18,361,372	22,584,863	19,032,672
Income before income taxes and equity in undistributed net income of subsidiaries	31,320,128	12,589,325	28,672,773
Benefit for income taxes	1,493,821	3,821,940	2,748,529
Income before equity in undistributed net income of subsidiaries	32,813,949	16,411,265	31,421,302
Equity in undistributed net income of subsidiaries	13,088,817	23,368,160	(755,239)
Net Income	$45,902,766	$39,779,425	$30,666,063

</TABLE>

Statements of Cash Flows
<TABLE>
<CAPTION>

	Years ended December 31,		
	1993	1992	1991
Operating Activities			
<S>	<C>	<C>	<C>
Net income	$45,902,766	$39,779,425	$30,666,063
Adjustments to reconcile net income to net			

cash provided from operating activities:

Equity in undistributed net income of subsidiaries	(13,088,817)	(23,368,160)	755,239
Depreciation	402,737	458,808	428,613
Amortization of intangible assets	2,033,820	1,834,716	1,834,716
Accretion of valuation adjustments	(147,127)	(37,028)	(331,414)
Decrease (Increase) in other assets	320,910	(3,794,709)	5,377,253
Increase (Decrease) in other liabilities	(5,695,987)	3,062,309	(1,006,784)
Net cash provided by operating activities	29,728,302	17,935,361	37,723,686
Investing Activities			
Purchases of premises and equipment	(260,945)	(402,773)	(414,298)
Sale of commercial paper investments	---	---	20,417,667
Investment in common stock of subsidiaries	(15,040,343)	(20,000,000)	(27,086,029)
Net increase in intercompany advances	(55,231,173)	(589,020)	(996,457)
Net cash used by investing activities	(70,532,461)	(20,991,793)	(8,079,117)
Financing Activities			
Net decrease in commercial paper notes payable	---	(374,214)	(4,249,590)
Net increase in short-term borrowings	50,000,000	---	---
Repayment of long-term borrowings	(15,000,000)	(5,000,000)	(5,000,000)
Proceeds from issuance of common stock	8,967,362	32,806,281	3,907,863
Repurchase of common stock	---	---	(2,688,028)
Dividends paid	(19,014,117)	(16,425,910)	(14,676,553)
Net cash provided by (used by) financing activities	24,953,245	11,006,157	(22,706,308)
Net increase (decrease) in cash and cash equivalents	(15,850,914)	7,949,725	6,938,261
Cash and cash equivalents at beginning of year	15,978,700	8,028,975	1,090,714
Cash and cash equivalents at end of year	$ 127,786	$15,978,700	$ 8,028,975

</TABLE>

For the years ended December 31, 1993, 1992, and 1991, interest of $7,952,561, $7,785,443, and $8,436,973 was paid respectively.

16. Fair Value of Financial Instruments:

Fair value disclosures of financial instruments are made to comply with SFAS No. 107 "Disclosures About Fair Value of Financial Instruments" (SFAS 107). In accordance with the requirements of SFAS 107, fair values are based on estimates using present value and other valuation techniques where quoted market prices are not available. These techniques are significantly affected by the assumptions used, including discount rates and

estimates of future cash flows. As such, the derived fair value estimates cannot be substantiated by comparison to independent markets and, further,may not be realizable in an immediate settlement of the instruments. SFAS 107 also excludes certain items from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent, and should not be construed to represent, the underlying value of Valley.

The following methods and assumptions were used by Valley in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amounts reported in the Consolidated Statements of Financial Position for cash and cash equivalents approximate those assets' fair value.

Investment securities: Fair values for investment securities are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments.

Interest-bearing deposits with other banks: Fair values for interest-bearing deposits with other banks are based on quoted market prices.

Mortgages held for sale: Fair values of mortgages held for sale are based on quoted market prices.

Loans: The fair value of loans is estimated using discounted cash flow analyses, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality, adjusted for creditworthiness. The carrying amount of accrued interest approximates fair value.

Deposit liabilities: The fair values disclosed for demand deposits are, by definition, equal to the amount payable on demand at the reporting date. Fair values of time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on similar maturities to a schedule of aggregated expected monthly maturities on time deposits.

Short-term borrowings: The carrying amounts of federal funds purchased, borrowings under repurchase agreements, and other short-term borrowings approximate their fair values.

Long-term borrowings: The fair value of long-term borrowings is estimated based on the quoted market prices for the same or similar issues or on the current rates offered for debt of the same remaining maturities.

Off-balance sheet instruments: The fair value of guarantees and letters of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate them or otherwise settle the obligations with the counterparties at the reporting date. The fair value of commitments is estimated using the fees currently charged to enter into similar

agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair value of the interest rate swap is based on pricing models using current assumptions.

The carrying amount of accrued interest receivable and payable approximates fair value.

The carrying amount and estimated fair value of financial instruments at December 31, 1993 and December 31, 1992 were as follows:

<TABLE>
<CAPTION>

	December 31,			
	1993		1992	
(dollars in thousands)	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<S>	<C>	<C>	<C>	<C>
Cash and cash equivalents	$ 205,010	$ 205,010	$ 246,975	$ 246,975
Interest-bearing deposits with other banks	756	756	3,950	3,950
Investment securities	972,203	981,657	915,330	926,338
Mortgages held for sale	60,421	60,946	38,430	38,908
Net loans	3,150,075	3,192,570	2,979,417	3,019,029
Deposits:				
Noninterest-bearing	571,751	571,751	537,845	537,845
Interest-bearing	3,406,358	3,423,444	3,294,779	3,312,803
Total deposits	3,978,109	3,995,195	3,832,624	3,850,648
Short-term borrowings	132,004	132,004	86,894	86,894

Long-term borrowings	53,251	55,943	68,310	72,215
Off-balance sheet instruments:				
Standby and commercial letters of credit		$ 996		$ 956
Commitments to extend credit		8,409		5,897
Interest rate swap		76		28

</TABLE>

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Directors

The following table sets forth certain information with respect to the current directors of Valley. Because of the pending Merger of Valley with and into M&I, no annual meeting of the Valley stockholders will be held. Consequently, the persons listed below will continue to serve as directors of Valley until the earlier of consummation of the Merger or the election and qualification of their successors.

		Shares of Valley Common Stock Beneficially Owned on February 25, 1994	
Name, Age and Principal Occupation During Past Five Years	Director Since	Number (1)(2)(3)	Percent of Class
OSCAR C. BOLDT, 69, Chairman and Chief Executive Officer, The Boldt Group, Inc. (subsidiaries in general contracting, development and related businesses), Appleton, Wisconsin.	1980	52,584	.253%
ALFRED P. DIOTTE, 68, President, DOTT Associates (management consultants), Janesville, Wisconsin.	1973(4)	13,939	.067
CARL FARAH, 61, President, Farah Bros. Investment Corp. and DF Investments Inc., Green Bay, Wisconsin.	1976(4)	40,341	.194
EDWARD J. FELTEN, 55, Vice Chairman, Wisconsin Supply Corporation (plumbing and heating wholesaler), Madison, Wisconsin.	1977(4)	36,616	.176
WILLIAM F. GEHRKE, 65, Senior Vice President/ Lakeshore Region, Valley Bancorporation since July 1992; Chairman and Chief Executive Officer, Valley United Bank, S.S.B., Sheboygan, Wisconsin, which became a subsidiary of Valley Bancorporation in July 1992.(5)	1962(4)	31,807	.153
REYNOLDS K. HONOLD, 58, Retired as President, Aldag/Honold Mechanical, Inc. (mechanical contractor), Sheboygan Wisconsin in December 1992. Prior to 1991, Mr. Honold was President of R.P. Honold Co., Inc. (mechanical and electrical engineering contractor), Sheboygan, Wisconsin.(5)	1982(4)	6,022	.029

		Shares of Valley Common Stock Beneficially Owned on February 25, 1994	
Name, Age and Principal Occupation During Past Five Years	Director Since	Number (1)(2)(3)	Percent of Class
JOHN W. JOHNSON, 62, Senior Vice President/West Region, Valley Bancorporation;	1982(4)	199,687	.963%

President and Chief Executive Officer, Valley Bank, Southwest, Spring Green, Wisconsin.			
RICHARD H. JONES, 55, Executive Vice President/Northern Division, Valley Bancorporation since January 1991 (previously Senior Vice President); President and Chief Executive Officer, Valley Bank, Appleton, Wisconsin.	1987	77,385	.373
THOMAS L. LYON, 53, President, Cooperative Resources International (formerly known as 21st Century Genetics)(animal agriculture cooperative), Shawano, Wisconsin.	1984	10,220	.049
JOHN F. MACK, 58, Executive Vice President/Southern Division, Valley Bancorporation since January 1991 (previously Senior Vice President); Chairman and Chief Executive Officer, Valley Bank, Madison, Wisconsin since January 1991. Prior to 1991, Mr. Mack was President and Chief Executive Officer of Valley Bank, Madison.	1977(4)	52,788	.255
NEAL E. MADISEN, 67, President, Mequon Distributors, Inc. (retailer and wholesaler of lumber and building materials), Thiensville, Wisconsin. In 1992, Mr. Madisen retired as a partner of the Quarles & Brady law firm, Milwaukee, Wisconsin, which performs legal services for Valley and certain of its subsidiaries.	1982	14,988	.072
ROWLAND J. McCLELLAN, 65, Retired as Senior Vice President, Valley Bancorporation and Chairman and Chief Executive Officer, Valley Bank, Janesville, Wisconsin in December 1993.	1970(4)	85,789	.414
EDWARD L. MEYER, JR., 56, President, Anamax Corporation (processor of hides, manufacturer of tallow), Green Bay, Wisconsin.	1977(4)	9,629	.046

		Shares of Valley Common Stock Beneficially Owned on February 25, 1994	
Name, Age and Principal Occupation During Past Five Years	Director Since	Number (1)(2)(3)	Percent of Class
ROBERT C. O'MALLEY, 69, Retired as Chairman, Valley Bank, Madison, Wisconsin in January 1989. Prior to 1989, Mr. O'Malley was Chief Executive Officer of Valley Bank, Madison.	1967(4)	23,734	.114%
JOHN PETERSEN,III, 52, President, Inland Investment Co., Inc., Madison, Wisconsin.	1980(4)	62,477	.301
PETER M. PLATTEN, III, 54, President and Chief Executive Officer, Valley Bancorporation; Chairman, Valley Bank, Northeast, Green Bay, Wisconsin. Prior to January 1993, Mr. Platten was Chairman and Chief Executive Officer of Valley Bank, Northeast. Prior to January 1989, Mr. Platten was Chief Operating Officer of Valley Bancorporation.	1971(4)	226,987	1.094
HENRY PREDOLIN, 69, Chairman, HPT, Inc. (an investment company), Madison, Wisconsin.	1977(4)	386,504	1.863
JAMES D. REIGLE, 67, Chairman, Regal Ware, Inc. (manufacturer of cookware and small appliances), Kewaskum, Wisconsin since April 1991. Prior to April 1991, Mr. Reigle was President of Regal Ware, Inc.	1974	18,147	.087
DONALD P. RYAN, 63, Retired as Chairman Emeritus, Ryan Incorporated Central (heavy and highway contractor), Janesville, Wisconsin in December 1993. Prior to November 1991, Mr. Ryan was President and Vice Chairman of Ryan Incorporated Central.	1977(4)	23,792	.115
GUS A. ZUEHLKE, 72, Chairman, Valley Bancorporation; Chairman, Valley Bank,	1962	93,994	.453

Appleton, Wisconsin.

All Directors and Executive Officers as a Group (23 persons)	1,756,112	8.336%

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(1) As reported to Valley by the directors as of the date stated. Includes shares held in the name of spouses, children, trusts, estates and certain affiliated companies as to which beneficial ownership may be disclaimed. The beneficial ownership information is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as required for purposes of this Report, and is not necessarily to be construed as an admission of beneficial ownership for other purposes.

(2) Includes the following number of shares which the indicated persons have the right to acquire pursuant to stock options exercisable at or within 60 days of the date stated: Mr. Boldt, 7,500; Mr. Diotte, 7,500; Mr. Farah, 7,500; Mr. Felten, 7,500; Mr. Honold, 3,000; Mr. Lyon; 7,500; Mr. Madisen, 7,500; Mr. Meyer, 7,500; Mr. O'Malley, 7,500; Mr. Petersen, 7,500; Mr. Predolin, 7,500; Mr. Reigle, 7,500; Mr. Ryan, 7,500; Mr. Zuehlke, 7,500; and all directors and executive officers as a group, 324,975.

(3) Includes the following number of shares, as of December 31, 1993, for which the indicated persons have an indirect beneficial interest as participants in Valley's Thrift and Sharing Plan: Mr. Johnson, 4,659; Mr. Jones, 20,311; Mr. Mack, 23,933; Mr. McClellan, 41,351; Mr. Platten, 12,827; Mr. Zuehlke, 26,295; and all directors and executive officers as a group, 168,972. Such interests have subsequently increased by amounts which are not material.

(4) Indicates the year in which the director became a director of United Bankshares, Inc. ("Bankshares"), BANCWIS Corporation ("BANCWIS"), United Banks of Wisconsin, Inc. ("United Banks"), Spring Green Bankshares, Inc. ("Spring Green"), Community Banks, Inc. ("Community") or United Savings and Loan Association ("United Savings"), which were combined with or acquired by Valley in 1982, 1985, 1985, 1986, 1987 and 1992, respectively. Messrs. Farah, Meyer and Platten, formerly directors of Bankshares, became directors of Valley in 1982. Messrs. Diotte, McClellan and Ryan, formerly directors of BANCWIS, and Messrs. O'Malley, Petersen and Predolin, formerly directors of United Banks, became directors of Valley in 1985. Mr. Johnson, formerly a director of Spring Green, became a director of Valley in 1986. Messrs. Felten and Mack, formerly directors of Community, became directors of Valley in 1987. Messrs. Gehrke and Honold, formerly directors of United Savings and currently directors of its successor, Valley United Bank, S.S.B. ("Valley United"), became directors of Valley in 1992.

(5) In connection with Valley's acquisition of United Savings, Valley agreed to appoint Mr. Gehrke as Valley's Senior Vice President/Lakeshore Region and to expand Valley's Board of Directors by appointing Messrs. Gehrke and Honold as additional directors of Valley.

(6) Includes 18,321 shares in which Mr. Gehrke has an indirect beneficial interest as a participant in Valley's Management Recognition Plan, established in connection with the acquisition of United Savings.

(7) Includes 30,169 shares held by a corporation of which Mr. Platten holds 10% of the voting shares.

Executive Officers

Certain information as to each of the executive officers of Valley is set forth in the following table. The persons listed below will continue to serve as executive officers of Valley until the earlier of consummation of the Merger or the election of their successors.

Name	Age	Officer Since	Positions(1)
Gus A. Zuehlke	72	1963	Chairman, Director and Member of Executive and Compensation Committees; Chairman, Valley Bank, Appleton, Wisconsin
Peter M. Platten, III	54	1982	President and Chief Executive Officer, Director and Member of Executive Committee; Chairman, Valley Bank, Northeast, Green Bay, Wisconsin
Richard H. Jones	55	1982	Executive Vice President/Northern Division and Director; President

			and Chief Executive Officer, Valley Bank, Appleton, Wisconsin
John F. Mack	58	1987	Executive Vice President/Southern Division, Director and Member of Executive Committee; Chairman and Chief Executive Officer, Valley Bank, Madison, Wisconsin
Gary A. Lichtenberg	50	1970	Senior Vice President/Chief Financial Officer and Secretary
Charles H. Sauter	52	1977	Senior Vice President/Chief Administrative Officer
William F. Gehrke	65	1992	Senior Vice President/Lakeshore Region and Director; Chairman and Chief Executive Officer, Valley United, Sheboygan, Wisconsin
John W. Johnson	62	1987	Senior Vice President/West Region and Director; President and Chief Executive Officer, Valley Bank, Southwest, Spring Green, Wisconsin
Mark L. Miller	50	1982	Senior Vice President/Financial Services; President, Valley Trust Company

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(1) Certain executive officers hold offices in one or more subsidiaries of Valley in addition to their positions listed in the table. The principal occupation of each officer during the last five years was his present occupation stated above, except: Mr. Platten was Chief Operating Officer of Valley until he succeeded Mr. Zuehlke as Chief Executive Officer in January 1989 and was Chairman and Chief Executive Officer of Valley Bank, Northeast prior to January 1993. Messrs. Jones and Mack, who were Senior Vice Presidents previously, were elected Executive Vice Presidents of Valley in January 1991. Mr. Mack was President and Chief Executive Officer of Valley Bank, Madison prior to becoming Chairman in January 1991. Mr. Sauter was Senior Vice President/Administration prior to January 1991. Mr. Gehrke was President and Chief Executive Officer of United Savings prior to its combination with Valley in July 1992.

Compliance with Section 16(a) of the Exchange Act

Under the securities laws of the United States, Valley's directors, its executive officers, and any person holding more than 10% of Valley Common Stock are required to report their initial ownership of Valley Common Stock and any subsequent changes in that ownership to the Securities and Exchange Commission ("SEC"). Specific due dates for these reports have been established and Valley is required to disclose in this Report any failure to file such reports by these dates during 1993. Based solely on a review of copies of such reports furnished to Valley, or written representations that no reports were required, Valley believes that during 1993 all filing requirements applicable to its directors and executive officers were satisfied except that William F. Gehrke inadvertently failed to file on a timely basis one report relating to one transaction for a nominal number of Valley shares. The filing delinquency was cured promptly after Mr. Gehrke became aware of it.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table summarizes certain information for each of the last three fiscal years concerning the compensation awarded or paid to or earned by Valley's Chief Executive Officer and each of Valley's four other most highly compensated executive officers who were serving as executive officers at the end of fiscal 1993 (the "Named Executives"):

<TABLE>
<CAPTION>

		Annual Compensation (1)		Long-Term Compensation Awards		
Name and Principal Position	Year	Salary($)	Bonus ($)(2)	Stock Award(s) ($)	Securities Underlying Options Stock/SARs (#)(4)	All Other Compensation ($)(5)

- - --

<S>	<C>	<C>	<C>	<C>	<C>	<C>
Peter M. Platten, III	1993	373,000	74,600	0	0	55,742
President & Chief	1992	373.000	135,772	0	48,000	61,298
Executive Officer	1991	360,000	93,060	0	0	45,888
William F. Gehrke	1993	316,969	0	0	0	15,744
Senior Vice	1992	150,938	0	507,601(3)	0	45,217
President/						
Lakeshore Region (6)						
Richard H. Jones	1993	234,000	46,800	0	0	35,008
Executive Vice	1992	234,000	90,090	0	19,500	34,098
President/	1991	225,000	70,400	0	0	24,611
Northern Division						
John F. Mack	1993	234,000	46,800	0	0	35,032
Executive Vice	1992	234,000	87,492	0	19,500	34,234
President/	1991	225,000	58,096	0	0	25,288
Southern Division						
Mark L. Miller	1993	177,000	35,400	0	0	25,601
Senior Vice	1992	177,000	61,843	0	15,000	23,601
President/	1991	170,000	51,000	0	0	16,495
Financial Services						

</TABLE>

(1) While each of the Named Executives received perquisites or other personal benefits in the years shown, in accordance with SEC regulations, the values of these benefits are not indicated since they did not exceed, in the aggregate, the lesser of $50,000 or 10% of the individual's salary and bonus in any year. Because no other qualifying compensation was awarded or paid to or earned by the Named Executives, the "Other Annual Compensation" column has been omitted.

(2) Bonus amounts for 1993 were earned during the year and paid at the end of the year. Bonus amounts for 1992 and 1991 were earned and accrued during those years and paid at the beginning of the next calendar year.

(3) Represents the product of the closing market price of Valley Common Stock on the date of grant ($22.166) and the number of shares awarded to Mr. Gehrke (22,900) under the Valley Management Recognition Plan. The number and market value at the end of the last fiscal year of Mr. Gehrke's restricted common stock holdings, based on a fiscal year-end closing price of $39.50 per share, were 18,321 shares and $723,680, respectively. These valuations do not take into account the diminution in value attributable to the restrictions applicable to the shares. The restricted stock vests at the rate of 20% of the aggregate number of shares covered by the award at the end of each full twelve months of Mr. Gehrke's consecutive service with Valley United after the date of grant. If Mr. Gehrke's service is terminated for any reason (other than due to death, disability, retirement or change in control) prior to the fifth anniversary of the date of grant of the restricted stock award, Mr. Gehrke will forfeit the right to earn any such shares which have not theretofore vested. Dividends on the restricted stock are accrued at the same rate as on unrestricted shares and paid at the time of vesting.

(4) Consists entirely of stock options.

(5) Amounts shown for fiscal 1993 consist of Thrift and Sharing Plan contributions of $6,116 for each individual and the following additional components: (i) Non-Qualified Thrift and Sharing Plan accruals--Mr. Platten, $17,226; Mr. Jones, $8,361; Mr. Mack, $8,236; and Mr. Miller, $4,269; and (ii) life insurance premiums--Mr. Platten, $32,400; Mr. Gehrke, $9,628; Mr. Jones, $20,531; Mr. Mack, $20,680; and Mr. Miller, $15,216. The Non-Qualified Thrift and Sharing Plan was terminated effective December 31, 1993.

(6) Effective July 1, 1992, Mr. Gehrke became Senior Vice President/Lakeshore Region of Valley in connection with Valley's acquisition of United Savings. Mr. Gehrke's fiscal 1992 compensation includes only amounts earned and accrued or paid by Valley during the period from July 1, 1992 through December 31, 1992.

Option/SAR Grants in Last Fiscal Year

No option/SAR grants were made to the Named Executives during fiscal 1993.

Aggregated Option/SAR Exercises in Last Fiscal Year and Fiscal Year-End Option/SAR Values

The following table sets forth certain information regarding individual exercises of stock options during fiscal 1993 and the number and value of options outstanding at the end of the last fiscal year for each of the Named Executives. No SARs were outstanding during fiscal 1993.

Name	Shares Acquired on Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options/SARs at FY-End ($)(1) Exercisable/Unexercisaableble
Peter M. Platten, III	151,537	2,863,136	0/0	0/0
William F. Gehrke	0	0	0/0	0/0
Richard H. Jones	93,037	1,839,197	0/0	0/0
John F. Mack	73,799	1,467,289	0/0	0/0
Mark L. Miller	0	0	63,000/0	1,450,691/0

(1) Based on the $39.50 closing price of Valley Common Stock at the end of the last fiscal year.

Employment Agreements

Each of the Named Executives has an employment agreement with Valley containing termination of employment and change-in-control provisions. The agreements with Messrs. Platten, Jones, Mack and Miller, entered into on July 31, 1992, replace previous employment agreements with such Named Executives. Mr. Gehrke's employment agreement was entered into on July 1, 1992 in connection with Valley's acquisition of United Savings. Except as to Messrs. Mack and Gehrke, each agreement provides for the continued employment of the executive in his respective position for a term of three years commencing January 1, 1992, with an automatic extension for an additional year on each January 1 (a rolling three-year term) unless Valley or the executive informs the other at least 30 days prior to such anniversary date that such party does not wish to extend the term. Mr. Mack's agreement is for a five-year term commencing January 1, 1992 and ending December 31, 1996, with a similar one-year extension that commences on January 1, 1995, resulting in a rolling three-year term. Mr. Gehrke's agreement is for a three-year term commencing July 1, 1992, and may be extended as of any annual anniversary date during the term upon the mutual agreement of Valley United, Valley and Mr. Gehrke by adding one additional year to the remaining term of employment, creating a rolling three-year term. Except as to Mr. Gehrke, as compensation for services to be provided under the agreements, the executives are entitled to receive annual cash compensation at a rate not less than that which they were receiving at the time the agreements were entered into, or such greater amount as may be approved by the Board of Directors. For his services, Mr. Gehrke receives an annual base salary in such amount as may from time to time be approved by the respective Boards of Directors of Valley United and Valley, provided that such annual base salary must at all times be at least equal to $301,875. Mr. Gehrke's base salary is subject to annual review and a cost of living increase each January 1 of not less than 5%.

The Named Executives are entitled to other benefits of employment generally made available to Valley's executive or key management personnel having similar levels of responsibility and salary ("Executive Benefits") except that Mr. Gehrke is not entitled to participate in any stock purchase, stock option or stock appreciation right plans or programs of any type involving shares of Valley Common Stock or in any incentive bonus plans made available to executive officers of Valley United or Valley. Mr. Gehrke was awarded 22,900 shares of restricted Valley stock pursuant to his employment agreement under the Valley Management Recognition Plan. The restricted stock vests over a five-year period at the rate of 20% of such shares each year.

In addition to the retirement benefits to which Mr. Gehrke is entitled under Valley's defined benefit plan, Mr. Gehrke's employment agreement provides that he will also be entitled to participate in Valley's excess benefit plan. Mr. Gehrke received credit under both plans for his past years of service to United Savings. Upon Mr. Gehrke's retirement, Valley United must provide to Mr. Gehrke and his surviving spouse health benefits equivalent to those provided under health insurance programs maintained by such institution immediately prior to his retirement, and Valley United will also continue to pay the premiums on a $250,000 life insurance policy insuring Mr. Gehrke's life. The employment agreement also provides that, should Mr. Gehrke pre-decease his spouse, Valley will pay a death benefit to her for the remainder of her life. That benefit will be in the form of a decreasing lump sum, payable as an annuity, in an amount sufficient to assure that, when aggregated with the benefits she will otherwise receive under

Valley's defined benefit plan, excess benefit plan and Management Recognition Plan, she receives total annual benefits through the fifth anniversary of the employment agreement at least equal to Mr. Gehrke's base salary at retirement (assuming normal retirement at age 65), and at least equal to one-half of that amount after such fifth anniversary. Valley has no obligation to fund or otherwise secure the payment of this death benefit.

If Messrs. Platten, Jones, Mack or Miller's employment is terminated by Valley (or its successor) for any reason other than death, disability or cause, the executive is entitled to (i) severance pay, in the amount (including bonus) and form of payment for his services as was in effect at the time of termination, continuing for the unexpired portion of the term of the agreement ("Employment Term"); (ii) continued Executive Benefits for the unexpired portion of the Employment Term; and (iii) retirement benefits in the amount to which the executive would have been entitled had he continued in the employ of Valley for the entire Employment Term, or until normal retirement age if his termination occurred after he reached age 55. Subject to non-competition restrictions, the terminated executive has the duty to take reasonable steps to obtain employment elsewhere (unless the termination occurs in connection with a change-in-control), whereby the amount of compensation

payable by Valley will be partially reduced by any earnings from another employer for whom the executive works during the remainder of the Employment Term. Messrs. Platten, Jones, Mack and Miller's employment agreements provide for an increase in the amounts payable to offset fully on an after-tax basis the amount of any excise tax which may be levied upon an executive in the event portions of any payments under the agreements constitute "excess golden parachute payments" as defined in the Internal Revenue Code of 1986, as amended (the "Code").

If Mr. Gehrke's employment is terminated by Valley United or Valley for any reason other than death, disability, retirement or cause, Mr. Gehrke is entitled to receive severance pay in the form of payments continuing for the then remaining unexpired portion of the term of employment (including annual cost of living increases of not less than five percent). Mr. Gehrke could elect to receive such severance pay in one lump sum. The amount of such severance payments to Mr. Gehrke may not be less than two years compensation. In addition, retirement benefits which Mr. Gehrke would be entitled to receive under the tax qualified retirement plans maintained by Valley United and Valley in which he is eligible to participate would be determined as if he were fully vested and had accumulated the additional years of credit service that he would have received had his employment continued to the expiration of the then-remaining Employment Term at the highest annual rate of base salary in effect during the twelve months immediately preceding the termination. Mr. Gehrke's employment agreement provides that, under no circumstances may the aggregate amount of all such severance payments and termination benefits, computed on a present value basis, exceed an amount which would cause any portion of the payments to be characterized as "excess golden parachute payments" as defined in the Code.

In the event of a change-in-control of Valley, Messrs. Platten, Jones, Mack and Miller may terminate their employment with Valley upon at least 90 days' notice at any time within 12 months following the change-in-control. If the executive so terminates his employment, or if his employment is terminated by Valley (or its successor) in contemplation of a change-in-control or within 12 months following a change-in-control, the executive is entitled, for a period of three years, to the same severance pay (via installments or a lump sum payment) and Executive Benefits described above for a termination by Valley of his employment agreement for any reason other than death, disability or cause. In addition, the executive will be entitled to receive, commencing the later of (i) three years after the change-in-control, or (ii) the date at which the executive reaches the age of 50, a supplemental pension benefit equal to the total pension amount otherwise payable to the executive calculated as if the executive were age 65 and had continued in the employ of Valley until that age. This supplemental pension benefit will be paid in the form of a monthly pension for the remainder of the executive's lifetime, but will be reduced accordingly when the executive begins to receive his regular pension benefits from Valley.

Mr. Gehrke may terminate his employment for "good reason" upon at least 90 days' notice at any time within 18 months following a change-in-control of Valley United or Valley or at any time "for cause." If Mr. Gehrke so terminates his employment, he is entitled to the same severance payments and benefits described above for termination by Valley of his employment agreement for reason other than death, disability, retirement or cause. "Good reason" is defined to include a good faith determination by Mr. Gehrke that the nature of his position and the nature and quantity of his responsibilities, duties and work load are not consistent with his reasonable expectations based on representations and covenants made by the acquiror or a good faith determination by Mr. Gehrke that the overall objectives and benefits anticipated to Valley United as a result of the change-in-control transaction have not been, and are not soon likely to be, realized. Among other things, "for cause" is defined to include the occurrence of the following events without Mr. Gehrke's express written consent: (i) his assignment to any positions, duties or responsibilities that are substantially less significant than those held by him prior to any change-in-control; (ii) he is removed from, or is not re-appointed or re-elected to, his position with Valley United or Valley other than in connection with termination of his employment by Valley United or Valley for cause, disability or retirement, or, following a change-in-control, Mr. Gehrke is not appointed or elected to comparable positions with the survivor or the survivor does not agree to be bound by the terms of the employment agreement or both; or (iii) Mr. Gehrke's base salary is reduced or he is otherwise denied benefits provided to him under the employment agreement.

In July 1992, Valley and Valley United also entered into a consulting and non-competition agreement with Mr. Gehrke, pursuant to which Mr. Gehrke agreed to provide consulting services to Valley and Valley United for a period of five years following his retirement. Mr. Gehrke has further agreed not to manage, operate, control, be employed by, participate in or be connected in any manner with the operation, ownership, management or control of any financial institution which is a significant competitor of Valley, Valley United or any of Valley's other affiliates, at any time during the five-year term of the consulting and non-competition agreement. Under this agreement, Mr. Gehrke must make himself available to Valley United and Valley to consult and otherwise assist on matters and issues pertaining to their savings and loan business generally on an as-needed and as-requested basis. Mr. Gehrke may not be required to provide more than 65 hours of such consulting services during any calendar month or more than 660 hours of such consulting services during any calendar year. In consideration for making himself available to provide and for providing such services, Mr. Gehrke will receive a monthly consulting fee in the amount of $2,325. Also, in consideration for his covenant not to compete with Valley and Valley United during the five-year consulting period, Mr. Gehrke will receive additional compensation in the amount of $1,000 per month throughout this period. The consulting and non-competition agreement will terminate immediately upon the death of Mr. Gehrke, or upon termination of his employment agreement by Valley or Valley United for cause, and may be terminated by Valley and Valley United upon a breach by Mr. Gehrke of his covenant not to compete or of his non-disclosure obligations thereunder, in either case without further obligation on the part of Valley or Valley United.

In connection with the Merger, M&I has entered into letter agreements with Messrs. Platten and Miller in which it has agreed that, notwithstanding the contemplated continued employment of such individuals by M&I, each of such executives may at his election be treated as if a change-in-control termination occurred as a result of the Merger under his existing Valley employment agreement and the date of such election shall be deemed the termination date for purposes of such employment agreement. Mr. Miller has agreed with M&I, subject to certain conditions, that he shall be considered to have made such an election on the date of the Merger. Mr. Platten, Valley and M&I have agreed that Mr. Platten's election is considered to have been made, subject to certain conditions, as of the date immediately preceding the Merger. Messrs. Jones and Mack have entered into similar letter agreements with M&I providing that on the date of the Merger, their termination of employment will be treated as a change-in-control termination under their respective Valley employment agreements. The approximate aggregate amount payable to the four executives who have entered into letter agreements under their existing Valley employment agreements, discounted (where appropriate) at a 6% interest rate, compounded annually, and under the Valley Executive Life Insurance Plan, discussed below, are approximately as follows: Mr. Platten -- $3.3 million; Mr. Jones -- $2.3 million; Mr. Mack -- $1.5 million and Mr. Miller -- $1.9 million. The above amounts do not reflect the gross-up for the golden parachute excise tax, which depends on factors which are not quantifiable at this time. For a discussion of certain employment and change-in-control agreements to be entered into by certain Named Executives and M&I upon consummation of the Merger, see "Certain Related Transactions--Employment Agreements and Related Matters--New Employment Agreements and Related Matters" in M&I's and Valley's Joint Proxy Statement dated December 30, 1993.

Under the Valley Executive Life Insurance Plan, each of the Named Executives (except Mr. Gehrke) is entitled to receive a paid-up life insurance policy providing life insurance coverage for the executive's life time equal to 2.5 times base compensation pre-retirement and one times base compensation post-retirement assuming retirement at age 65 with salary increases at 6% to age 65. The premium to purchase the policy must be paid no later than 60 days after the Merger. Furthermore, if the payment of the premium would result in taxable income to the executive, the executive will receive a payment to offset fully, on an after-tax basis, any federal and state income taxes owing in connection with the premium payment. It is a condition to the Merger that Messrs. Platten, Jones, Mack and Miller agree to limit the life insurance coverage provided under the Valley Executive Life Insurance Plan to one times base compensation for 1993 for both pre- and post-retirement. Each of these executives has entered into an agreement with Valley and M&I which amends the obligation of Valley to pay the executive an amount equal to the additional premium required to provide life insurance coverage for the executive's lifetime in an amount equal to one times 1993 base compensation, plus a specific amount to offset for any federal and state income taxes arising by reason of such payment. The value of the additional premium to purchase such a policy and the federal and state income tax gross-up, assuming the existing cash surrender value of the policy and the additional premium will be taxable income to the executive, is included in the

amounts stated above for payments to the executives upon a change-in-control under the terms of their respective employment agreements.

Pension Plan Table

The following table sets forth the estimated annual benefits payable upon normal retirement at age 65 for the specified amounts of remuneration and years of service indicated under Valley's defined benefit plan.

<TABLE>
<CAPTION>

	Years of Service						
Remuneration	5	10	15	20	25	30	35
$100,000	$9,190	$18,380	$27,570	$36,760	$45,950	$55,140	$64,330
150,000	14,565	29,130	43,695	58,260	72,825	87,390	101,955
200,000	19,940	39,880	59,820	79,760	99,700	119,640	139,580
250,000	25,315	50,630	75,945	101,260	126,575	151,890	177,205
300,000	30,690	61,380	92,070	122,760	153,450	184,140	214,830
350,000	36,065	72,130	108,195	144,260	180,325	216,390	252,455
400,000	41,440	82,880	124,320	165,760	207,200	248,640	290,080
450,000	46,815	93,630	140,445	187,260	234,075	280,890	327,705
500,000	52,190	104,380	156,570	208,760	260,950	313,140	365,330
550,000	57,565	115,130	172,695	230,260	287,825	345,390	402,955
600,000	62,940	125,880	188,820	251,760	314,700	377,640	440,580
650,000	68,315	136,630	204,945	273,260	341,575	409,890	478,205

</TABLE>

Remuneration covered by the defined benefit plan includes the amounts shown in the "Salary" and "Bonus" columns of the Summary Compensation Table, except that bonuses are recognized for plan remuneration purposes in the year paid instead of the year accrued. The years of service credited for each of the Named Executives are: Mr. Platten, 13; Mr. Gehrke, 39; Mr. Jones, 22; Mr. Mack, 6; and Mr. Miller, 16.

Benefits under the plan are payable as a straight life annuity. Such benefits are not subject to any deduction for social security or other offset amounts.

The maximum annual benefit currently allowable under the Code from a tax-qualified defined benefit plan on a life annuity basis to an individual age 65 is $118,800. To the extent that the benefits of an individual under the plan are reduced because of the Code limitation, the reduction is made up to the individual under a non-qualified and unfunded excess benefit plan. The qualified plan is not permitted to recognize compensation for a year in excess of the compensation limit determined by law ($150,000 in 1994). The excess plan also will make up any reduction caused by the application of the compensation ceiling. A participant's historic compensation for purposes of calculating the benefits available under the excess plan may include certain deferred compensation and awards of Valley Common Stock made to a participant during the relevant years pursuant to Valley's Management Recognition Plan. The benefits included in the table above represent the amounts that would be provided through the combination of the defined benefit plan and the excess benefit plan.

Pursuant to the Merger Agreement, at the effective time of the Merger participation in Valley's defined benefit plan and excess benefit plan shall be frozen and accruals for purposes of determining benefit and eligibility service under the plans shall cease. Service with M&I after the effective time of the Merger shall be credited, however, for purposes of determining vesting service under the plans.

Director Fees and Arrangements

Directors who are not full-time employees of Valley or its subsidiaries were paid an annual retainer at the rate of $6,000 and received $750 for each meeting of the Board and its committees attended in 1993. Such fees are unchanged for 1994. Directors may elect to defer such amounts in full but not in part. Interest is

credited on deferred amounts under a formula based upon current rates paid by Valley on six month certificates of deposit. Directors who are full-time employees of Valley or a subsidiary do not receive separate remuneration in connection with their service on the Board or Board committees.

In connection with Mr. Zuehlke's retirement as Chief Executive Officer of Valley in January 1989, Valley entered into an oral arrangement with Mr. Zuehlke whereby, for his continuing services as an officer of Valley, he would be paid an annual sum of $50,000. Pursuant to this arrangement, Mr. Zuehlke received $50,000 for his services as Chairman in fiscal 1993.

Outside Directors' Stock Option Plan

The Valley 1992 Outside Directors' Stock Option Plan (the "Directors' Plan") was adopted by shareholders on April 21, 1992 to provide an incentive for directors of Valley who are not active full-time employees of Valley or a subsidiary ("Outside Directors") to improve corporate performance on a long-term basis. The Directors' Plan has 180,000 shares of Valley Common Stock reserved for issuance, provides for the granting of non-qualified stock options and expires on December 31, 1995.

The Directors' Plan is administered by the Compensation Committee of the Board of Directors, but the Committee has no discretion as to the amount, price or timing of any option to be granted, which are fixed by the terms of the Directors' Plan. Each year during the term of the Directors' Plan, upon the first meeting of Valley's Board of Directors following the annual meeting of shareholders, each person then serving Valley as an Outside Director is automatically granted an option to purchase the number of shares designated by the Directors' Plan. The exercise price at which shares may be purchased under each option is 100% of the fair market value of Valley Common Stock on the date the option is granted. On April 27, 1993, the Outside Directors were each granted an option for 3,000 shares of Valley Common Stock at an exercise price of $26.46 per share.

The Directors' Plan provides that options granted thereunder will become exercisable six months from the date of grant. All rights to exercise an option will terminate upon the earlier of ten years from the date of grant or two years from the date the grantee ceases to be a director of Valley.

At February 25, 1994, options for 4,500 shares had been exercised under the Directors' Plan, options for a total of 109,500 shares were outstanding and 66,000 shares were available for future grants under the Directors' Plan. However, under the Merger Agreement with M&I, Valley has agreed not to grant any additional stock options under the Directors' Plan, or otherwise, from the September 19, 1993 date of the Merger Agreement to the effective time of the Merger.

Pursuant to the terms of the Merger Agreement, M&I will assume the Directors' Plan and Valley's obligations thereunder. At the effective time of the Merger, each outstanding option issued pursuant to the Directors' Plan shall be deemed to constitute an option to acquire, on the same terms and conditions as were applicable under such option, a number of shares of M&I Common Stock equal to the product of the Exchange Rate and the number of shares subject to such option, at a price per share equal to the aggregate exercise price for the shares subject to such option divided by the number of shares of M&I Common Stock purchasable pursuant to such option.

Compensation Committee Interlocks and Insider Participation

Mr. Zuehlke, who serves as a member of the Compensation Committee of Valley's Board of Directors with Messrs. Boldt, Meyer and Reigle, was the Chief Executive Officer of Valley prior to January 1989 and continues to serve as the Chairman of Valley and one of its subsidiaries, Valley Bank, Appleton.

Valley leases its principal executive office space from a partnership with which Oscar C. Boldt is affiliated. The current lease relates to approximately 20,000 square feet of office space in Appleton and calls for minimum rent payments totalling approximately $849,160, plus operating expense increases, over the remaining three-year term ending April 30, 1997. Rent paid in 1993 totalled $282,000. Valley has three leases for approximately 17,000 square feet of office space with an entity of which Valley and a corporation affiliated with Mr. Boldt are shareholders. Messrs. Platten, Boldt and two other persons associated with Mr. Boldt, who are also directors of Valley Bank, Appleton, are currently serving as directors of such entity. The total amount of rent paid under the three leases in 1993 was approximately $109,000, plus operating expenses. In the opinion of management, the terms of such leases and transactions are as favorable to Valley as those obtainable from other unrelated firms.

Since January 1, 1993, three members of Valley's Compensation Committee, or their associates or firms for which they serve as officers or directors, have been indebted to subsidiary banks of Valley for loans made in the ordinary course of business. Such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Rule 13d-3 under the Exchange Act provides that a beneficial owner of a security includes any person who directly or indirectly has or shares voting or investment power over such security. A beneficial owner under this definition need not enjoy the economic benefit of such security. The following table sets forth information as of February 25, 1994 with respect to any person known to Valley to be the beneficial owner of more than 5% of the outstanding shares of Valley Common Stock.

Name and Address	Number of Shares and Nature of Beneficial Ownership(1)	Percent of Class
Marshall & Ilsley Corporation 770 North Water Street Milwaukee, WI 53202	4,072,045(2)	16.428%(2)

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(1) The specified person has sole voting and dispositive power as to the shares indicated.
(2) Of such shares, 4,045,795 are shares which M&I would have the right to acquire under the Stock Option Agreement entered into by Valley with M&I in connection with the Merger Agreement. M&I disclaims beneficial ownership of the shares subject to the Option until the events allowing exercise of the Option occur. See Item 1 "Business--Pending Merger With Marshall & Ilsley Corporation." The Stock Option Agreement provides that the number of shares subject to the Option shall be adjusted to reflect the issuance of any additional shares of Valley Common Stock after the date of the Stock Option Agreement so that the Option equals 19.9% of the number of shares then issued and outstanding.

At February 25, 1994, Valley Trust Company ("Valley Trust"), a subsidiary of Valley, acted in a fiduciary capacity with respect to 3,473,369 shares of Valley Common Stock. Of such shares, 2,483,747 were held in its capacity as trustee of Valley's Thrift and Sharing Plan, 18,321 were held in its capacity as trustee of Valley's Management Recognition Plan and 971,301 were held in its capacity as trustee, co-trustee or custodian of 231 other trusts and custodial accounts. Because shares of Valley Common Stock held in the Plans are allocated to the individual accounts of participants, and since Valley Trust is instructed by such participants as to the voting of such shares and is limited as to the disposition of Valley Common Stock by the terms of the Plans, Valley Trust disclaims beneficial ownership of Valley Common Stock held by the Plans. With respect to Valley Common Stock held in the other trusts and custodial accounts administered by Valley Trust, since Valley Trust does not vote any such shares without written direction from the beneficiary, and because Valley Trust's policy is to acquire, hold and dispose of Valley Common Stock only upon the direction of the account beneficiary, Valley Trust disclaims beneficial ownership of the majority of Valley shares held by such trusts and custodial accounts. The mailing address of Valley Trust Company is Valley Bank Plaza, P.O. Box 1056, Appleton, Wisconsin 54911.

For information with respect to the beneficial ownership of Valley Common Stock by its directors, see "Item 10. Directors and Officers of the Registrant--Directors" which is incorporated herein by reference. The following table sets forth certain information at February 25, 1994 regarding the beneficial ownership of Valley Common Stock by Mr. Miller, the only Named Executive who is not also a director of Valley.

Name of Executive Officer	Number of Shares and Nature of Beneficial Ownership(1)	Percent of Class
Mark L. Miller	71,841(2)(3)	.345%

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(1) As reported to Valley by the executive officer as of the date stated. The beneficial ownership information is not necessarily to be construed as an admission of beneficial ownership for other purposes.
(2) Includes 63,000 shares which Mr. Miller has the right to acquire pursuant to stock options exercisable at or within 60 days of the date stated.
(3) Includes 8,382 shares, as of December 31, 1993, for which Mr. Miller has an indirect beneficial interest as a participant in Valley's Thrift and Sharing Plan. Such interests have subsequently increased by amounts which are not material.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Customers of Valley's subsidiary banks include the directors and officers of Valley and its subsidiaries, as well as their associates and firms for which they serve as officers or directors. Since January 1, 1993, certain of such persons and firms have been indebted to the subsidiary banks for loans made in the ordinary course of business. Such loans were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with others and did not involve more than the normal risk of collectibility or present other unfavorable features.

See "Item 11. Executive Compensation--Compensation Committee Interlocks and Insider Participation," incorporated by reference herein, for information concerning certain other relationships and transactions.

Valley has a $50 million line of credit with M&I Marshall & Ilsley Bank, a subsidiary of M&I. In connection with such line of credit, Valley has made a promissory note, payable on demand, to M&I Marshall & Ilsley Bank in the amount of up to $50 million at the prime rate of interest. In the opinion of management, the terms of such line of credit are as favorable to Valley as those obtainable from other unrelated financial institutions. Valley, M&I and their subsidiaries have certain other relationships in the ordinary course of their businesses.

PART IV

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

(a) Documents Filed:

1 and 2. Financial Statements and Financial Statement Schedules. The following financial statements of Valley Bancorporation and subsidiaries are filed as a part of this report under Item 8. "Financial Statements and Supplementary Data."

Report of Independent Public Accountants

Consolidated Statements of Financial Position as of December 31, 1993 and 1992

Consolidated Statements of Income for the years ended December 31, 1993, 1992 and 1991

Consolidated Statements of Shareholders' Equity for the years ended December 31, 1993, 1992 and 1991

Consolidated Statements of Cash Flows for the years ended December 31, 1993, 1992 and 1991

Notes to Consolidated Financial Statements

All financial statement schedules have been omitted as not applicable or because the information is included in the financial statements or notes thereto.

3. Exhibits. See Exhibit Index as last part of this report, which is incorporated herein by reference. Each management contract or compensatory plan or arrangement required to be filed as an exhibit to this report is identified in the Exhibit Index by an asterisk following its exhibit number.

(b) Reports on Form 8-K:

No reports on Form 8-K were filed during the last quarter of the period covered by this report.

SIGNATURES

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

VALLEY BANCORPORATION
(Registrant)

By: GARY A. LICHTENBERG March 30, 1994

Gary A. Lichtenberg, Senior Vice President/
Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Peter M. Platten, III and Gary A. Lichtenberg, and each of them, his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and any other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or any of them, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.*

PETER M. PLATTEN, III Peter M. Platten, III, President Chief Executive Officer and Director	THOMAS L. LYON Thomas L. Lyon, Director
GARY A. LICHTENBERG Gary A. Lichtenberg, Senior Vice President/Chief Financial Officer (also principal accounting officer)	JOHN F. MACK John F. Mack, Director
GUS A. ZUEHLKE Gus A. Zuehlke, Director (Chairman of the Board)	NEAL E. MADISEN Neal E. Madisen, Director
OSCAR C. BOLDT Oscar C. Boldt, Director	ROWLAND J. McCLELLAN Rowland J. McClellan, Director
ALFRED P. DIOTTE Alfred P. Diotte, Director	Edward L. Meyer, Jr., Director
CARL FARAH Carl Farah, Director	ROBERT C. O'MALLEY Robert C. O'Malley, Director
EDWARD J. FELTEN Edward J. Felten, Director	JOHN PETERSEN, III John Petersen, III, Director
WILLIAM F. GEHRKE William F. Gehrke, Director	HENRY PREDOLIN Henry Predolin, Director
REYNOLDS K. HONOLD Reynolds K. Honold, Director	JAMES D. REIGLE James D. Reigle, Director
JOHN W. JOHNSON John W. Johnson, Director	DONALD P. RYAN Donald P. Ryan, Director
RICHARD H. JONES Richard H. Jones, Director	

*Each of the above signatures is affixed as of March 30, 1994.

VALLEY BANCORPORATION
(the "Registrant")
(Commission File No. 0-2453)

EXHIBIT INDEX
TO
1993 ANNUAL REPORT ON FORM 10-K

Exhibit Number		Description	Incorporated Herein by Reference to	Filed Herewith
2.1	(a)	Agreement and Plan of Merger, dated as of September 19, 1993, between Valley Bancorporation and Marshall & Ilsley Corporation (1)	Exhibit 2.1(a) to Registrant's Current Report on Form 8-K dated September 19, 1993 ("9/19/93 8-K")	
2.1	(b)	Stock Option Agreement, dated as of September 19, 1993, between Valley Bancorporation and Marshall	Exhibit 2.1(b) to 9/19/93 8-K	

& Ilsley Corporation

3.1	(a)	Composite Amended and Restated Articles of Incorporation, as last amended April 21, 1989 (excluding Certificate of Designations in respect to Series A Preferred Stock)	Exhibit 19.1(b) to Registrant's 10-Q for quarter ended 3/31/89	
	(b)	Certificate of Designations in respect of Series A Preferred Stock, dated October 28, 1988, and related resolution of Board of Directors (constituting an amendment to the Amended and Restated Articles of Incorporation)	Exhibit 3.1 and 4.1 to Registrant's 10-Q for quarter ended 9/30/88	
3.2		Bylaws (as last amended January 22, 1991)	Exhibit 3.2 to Registrant's 10-K for year ended 12/31/90 ("1990 10-K")	

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(1) The Registrant agrees to furnish supplementally any omitted schedule to the Commission upon request.

Exhibit Number		Description	Incorporated Herein by Reference to	Filed Herewith
4(2)				
4.1	(a)	Note Agreement, dated August 30, 1985, relating to $25,000,000 of 11.25% Senior Notes due August 31, 1995	Exhibit 4.1 to Registrant's 10-Q for quarter ended 9/30/85	
	(b)	July 1990 Amendment	Exhibit 19.2 to Registrant's 10-Q for quarter ended 9/30/90	
4.2	(a)	Articles III, IV, and VI of Registrant's Amended and Restated Articles of Incorporation	See Exhibit 3.1(a) above	
	(b)	Certificate of Designations in respect of Series A Preferred Stock	See Exhibit 3.1(b) above	
4.3	(a)	Amended and Restated Credit Agreement, dated as of September 30, 1989, between Registrants and Continental Bank, N.A. (the "Credit Agreement")	Exhibit 4.1 to Registrant's 10-Q for quarter ended 9/30/89	
	(b)	August 13, 1991 letter agreement amending the Credit Agreement	Exhibit 19.1 to Registrant's 10-Q for quarter ended 9/30/91 ("9/30/91 10-Q")	
	(c)	December 15, 1993 letter agreement extending "Revolving Termination Date" under Credit Agreement to March 31, 1994		X

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(2) Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, the Registrant agrees to furnish to the Commission upon request a copy of any unfiled instruments defining the rights of security holders.

Exhibit Number		Description	Incorporated Herein by Reference to	Filed Herewith
4.4	(a)	Rights Agreement, dated as	Exhibit 1 to	

	of October 21, 1988, between Valley Bancorporation and The First National Bank of Boston, as Rights Agent (the "Rights Agreement"), and Exhibit A (Form of Certificate of Designations specifying the terms of the Series A Preferred Stock), Exhibit B (Form of Right Certificate) and Exhibit C (Summary of Rights) thereto	Registrant's 8-K dated October 21, 1988 and to Registrant's Registration Statement on Form 8-A filed on November 8, 1988	
	(b) Amendment No. 1, dated as of September 19, 1993, to Rights Agreement	Exhibit 4.4(b) to 9/19/93 8-K	
4.5	Note Agreement, dated December 19, 1990, relating to $23,000,000 9.86% Senior Notes due December 20, 1994 and $30,000,000 9.97% Senior Notes due December 20, 1995	Exhibit 4.5 to 1990 10-K	
10.1*	1993 Incentive Pay Plan and Management Incentive Plan B	Exhibit 10.1 to Registrant's 10-K for year ended 12/31/92 ("1992 10-K")	
10.2*	1992 Incentive Pay Plan and Management Incentive Plan B	Exhibit 10.2 to Registrant's 10-K for year ended 12/31/91 ("1991 10-K")	
10.3*	(a) 1984 Incentive Stock Option Plan (approved by shareholders 4/24/84)	Exhibit 10.07 to Registrant's 10-K for year ended 12/31/83	

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* Management contracts and executive compensation plans or arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
	(b) Amendment adopted by Board of Directors on October 23, 1990	Exhibit 10.4(b) to 1990 10-K	
10.4	*Employment Agreements, dated as of July 31, 1992, between Valley Bancorporation and each of the following executive officers: (a) Peter M. Platten, III (b) Richard H. Jones (c) John F. Mack (d) Gary A. Lichtenberg (e) Charles H. Sauter (f) John W. Johnson (g) Mark L. Miller	Exhibits 19.2(a)-(g) to Registrant's 10-Q for quarter ended 9/30/92 ("9/30/92 10-Q")	
10.5*	Valley Bancorporation Executive Life Insurance Plan	Exhibit 10.5 to 1992 10-K	
10.6*	Deferred Compensation Agreement between BANCWIS Corporation and Rowland J. McClellan, dated July 10, 1979	Exhibit 10B to BANCWIS Corporation 10-K for year ended 12/31/83	
10.7*	Modification of Employment and Benefit Arrangements for Robert C. O'Malley, effective as of December 31, 1987, among Mr. O'Malley, Registrant and Valley Bank, Madison, amending and reinstating, as so amended, Salary Continuation Plan Agreement dated August 12, 1985 between Mr. O'Malley and Valley Bank, Madison	Exhibit 10.15 to Registrant's 10-K for year ended 12/31/87	

10.8*	Valley Bancorporation 1986 Amended and Restated Stock Option Plan (approved by shareholders 4/28/87)	Exhibit A to Registrant's 1987 Annual Meeting Proxy Statement dated 3/30/87	

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* Management contracts and executive compensation plans or arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
10.9*	(a) Valley Bancorporation Assumption of Stock Options, dated August 28, 1987, assuming obligations under the stock options outstanding under the following stock option plans of Community Banks, Inc.:	Exhibit 19.3(a) to Registrant's 10-Q for quarter ended 9/30/87 ("9/30/87 10-Q")	
	(i) 1983 Incentive Stock Option Plan (ii) 1984 Incentive Stock Option Plan (iii) 1986 Incentive Stock Option		
	(b) July 31, 1987 Amendment to Plans	Exhibit 19.3(b) to 9/30/87 10-Q	
10.10*	Valley Bancorporation 1988 Nonqualified Stock Option Plan (approved by shareholders on 4/19/88)	Exhibit A to Registrant's 1988 Annual Meeting Proxy Statement dated 3/22/88	
10.11*	(a) Valley Bancorporation Excess Benefits Pension Plan (effective January 1, 1989 and restated as of September 12, 1989)	Exhibit 10.16 to Registrant's 10-K for year ended 12/31/89 ("1989 10-K")	
	(b) Amendment adopted by Board of Directors on January 21, 1992	Exhibit 10.12(b) to 1991 10-K	
10.12*	Valley Bancorporation Non-Qualified Thrift and Sharing Plan (effective January 1, 1987)	Exhibit 10.19 to 1989 10-K	
10.13*	Valley Bancorporation 1992 Incentive Stock Plan (approved by shareholders on 4/21/92)	Exhibit A to Registrant's 1992 Annual Meeting Proxy Statement dated 3/25/92	

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* Management contracts and executive compensation plans or arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
10.14*	Valley Bancorporation 1992 Outside Directors' Stock Option Plan (approved by shareholders on 4/21/92)	Exhibit B to Registrant's 1992 Annual Meeting Proxy Statement dated 3/25/92	
10.15	(a) Lease of Office Space between Valley BankService Corporation and NAC Corp. dated January 15, 1992	Exhibit 10.17(a) to 1991 10-K	
	(b) Lease of Office Space between Valley Securities,	Exhibit 10.17(b) to 1991 10-K	

	Inc. and NAC Corp. dated January 15, 1992		
	(c) Lease of Retail Space between Valley Bank, [Appleton] and NAC Corp. dated January 15, 1992	Exhibit 10.17(c) to 1991 10-K	
10.16	Office Lease, commencing May 1, 1989 (as amended by First Amendment thereto), between Registrant and Appleton Center Associates replacing previous Office Leases	Exhibit 10.13(c) to Registrant's 10-K for year ended 12/31/88	
10.17*	Employment Agreement, dated as of July 1, 1992, between Valley United Bank, S.S.B., Valley Bancorporation and William F. Gehrke	Exhibit 10.17 to 1992 10-K (3)	
10.18*	Consulting and Non-Competition Agreement, dated as of July 1, 1992, between Valley United Bank, S.S.B., Valley Bancorporation and William F. Gehrke	Exhibit 10.18 to 1992 10-K (3)	
10.19*	Valley Bancorporation Management Recognition Plan dated June 1, 1992	Exhibit 10.19 to 1992 10-K (3)	

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* Management contracts and executive compensation plans or arrangements required to be filed as exhibits pursuant to Item 14(c) of Form 10-K.

(3) Filed with Amendment No. 1 to 1992 10-K.

Exhibit Number	Description	Incorporated Herein by Reference to	Filed Herewith
11.1	Computation of Net Income per Common Share		X
21.1	List of Subsidiaries of Registrant		X
23.1	Consent of Arthur Andersen & Co.		X
24.1	Powers of Attorney		Signature Page of this Report

Exhibit 4.3(c)
(1993 10-K)

[Continental Bank Letterhead]

231 South LaSalle Street
Chicago, Illinois 60697
312 828 4682
FAX: 312 967 6982

Continental Bank

Jennings F. Werner
Vice President
Financial Institutions

December 15, 1993

Mr. Gary A. Lichtenberg
SVP & CFO
Valley Bancorporation
100 W. Lawrence Street
Appleton, WI 54912

RE: Credit Agreement dated September 30, 1989 between VALLEY BANCORPORATION and CONTINENTAL BANK, N.A.

Dear Gary:

Pursuant to the terms of the above captioned Credit Agreement, the undersigned hereby approves and agrees to an extension of the "REVOLVING TERMINATION DATE" from December 31, 1993, to March 31, 1994.

Please acknowledge your Agreement of the new "REVOLVING TERMINATION DATE" by signing and returning a copy of this letter.

Regards,

/s/ Jennings F. Werner

APPROVED & AGREED

BY: /s/ GARY A. LICHTENBERG

PRINT: GARY A. LICHTENBERG

TITLE: SVP - CFO

DATE: 12/15/93

Exhibit 11.1
(1993 10-K)

VALLEY BANCORPORATION
COMPUTATION OF NET INCOME PER COMMON SHARE

	Year ended December 31,		
	1993	1992	1991
PRIMARY:			
Weighted average common shares outstanding during each period	20,325,524	19,243,509	18,335,847
Incremental shares relating to:			
Dilutive stock options outstanding at end of each period (1)	387,000	236,717	170,531
	20,712,524	19,480,226	18,506,378
FULLY DILUTED:			
Weighted average common shares outstanding during each period	20,325,524	19,243,509	18,335,847
Incremental shares relating to:			
Dilutive stock options outstanding at end of each period (2)	556,408	372,103	300,248
	20,881,932	19,615,612	18,636,095
NET INCOME FOR EACH PERIOD	$45,902,766	$39,779,425	$30,666,063
PER COMMON SHARE AMOUNTS:			
Primary	$2.21	$2.04	$1.66
Fully diluted	$2.19	$2.03	$1.65
As presented in statement of income based on weighted average common shares outstanding	$2.26	$2.07	$1.67

Notes:
(1) Based on treasury stock method using average market price.
(2) Based on treasury stock method using period-end market price, if higher than average market price.

The effect of stock options on primary earnings per share and on fully diluted earnings per share for each of the years is less than 3%, and therefore, is not considered materially dilutive in computing earnings per share as presented in the Consolidated Statements of Income.

Exhibit 21.1
(1993 10-K)

SUBSIDIARIES OF VALLEY BANCORPORATION*

Subsidiary Banks(1)	Jurisdiction of Incorporation

Valley Bank [Madison]	Wisconsin
Valley Bank [Appleton]	Wisconsin
Valley Bank, Northeast [Green Bay]	Wisconsin
Valley Bank [Milwaukee]	Wisconsin
Valley Bank, Janesville	Wisconsin
Valley United Bank, S.S.B. [Sheboygan]	Wisconsin
Valley Bank Southwest [Spring Green]	Wisconsin
Valley Bank [Chippewa]	Wisconsin
Valley Bank East Central [Kewaskum]	Wisconsin
Valley Bank (National Association) [Watertown]	U.S.A.
Valley Bank of Oshkosh	Wisconsin
Valley Bank of Shawano, N.A.	U.S.A.
Valley First National Bank [Rhinelander]	U.S.A.
Pierce County Bank and Trust Company [Ellsworth]	Wisconsin
Valley Bank Western, FSB [Sparta]	U.S.A.
Valley First National Bank [Ripon]	U.S.A.
Valley Bank [La Crosse]	Wisconsin

Financial Service Subsidiaries

Valley Trust Company	Wisconsin
Insurance Services, Inc.	Wisconsin
Valley Bancard, Inc.	Wisconsin
Valley Securities, Inc.	Wisconsin
Community Life Insurance Company	Arizona
Valley BankService Corporation	Wisconsin
Valley Real Estate Services Corporation	Wisconsin

____

* Includes directly and indirectly owned significant subsidiaries; omits certain insignificant non-bank subsidiaries

(1) Generally, each commercial bank has a related 100% owned investment subsidiary incorporated in Nevada.

Exhibit 23.1
(1993 10-K)

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report, included in this Form 10-K, into the registrant's previously filed Registration Statements on Form S-8, File Nos. 33-1201, 33-11458, 33-13883, 33-18147, 33-23066, 33-53504 and 33-53506.

ARTHUR ANDERSEN & CO.

Milwaukee, Wisconsin,
March 30, 1994.

<TABLE>
<CAPTION>

PRO FORMA COMBINED CONDENSED BALANCE SHEETS
MARCH 31, 1994
(In thousands)

Exhibit 99.1

ASSETS	M&I	Valley	Combined	Pro Forma Adjustments Ref	Pro Forma Adjustments Amount	Pro Forma Combined
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Cash & cash equivalents:						
Cash and due from banks	$445,106	$143,617	$588,723			$588,723
Other cash equivalents	269,426	7,885	277,311	(4)(5)	(54,769)	222,542
Cash & cash equivalents	714,532	151,502	866,034		(54,769)	811,265
Other short-term investments	51,101	765	51,866	(5)	50	51,916
Investment securities held to maturity	157,076	206,779	363,855			363,855
Investment securities available for sale	1,452,898	758,398	2,211,296	(5)	(30,281)	2,181,015
Loans:						
Commercial loans and leases	2,191,680	723,062	2,914,742	(4)	(14,000)	2,900,742
Real estate	2,517,526	1,801,994	4,319,520			4,319,520
Personal	717,754	644,105	1,361,859			1,361,859
	5,426,960	3,169,161	8,596,121		(14,000)	8,582,121
Less: Allowance for loan losses	94,871	42,303	137,174			137,174
Net loans	5,332,089	3,126,858	8,458,947		(14,000)	8,444,947
Premises and equipment, net	197,512	101,232	298,744			298,744
Accrued interest and other assets	200,778	98,036	298,814	(3)	1,108	299,922
Total Assets	$8,105,986	$4,443,570	$12,549,556		($97,892)	$12,451,664
LIABILITIES AND SHAREHOLDERS' EQUITY						
Deposits:						
Noninterest bearing	$1,558,428	$497,662	$2,056,090			$2,056,090
Interest bearing	4,420,907	3,280,344	7,701,251			7,701,251
Total deposits	5,979,335	3,778,006	9,757,341		0	9,757,341
Short-term borrowings	1,013,919	182,973	1,196,892	(4)(5)	(76,000)	1,120,892
Long-term borrowings	197,534	53,236	250,770	(5)	(23,000)	227,770
Accrued expenses and other liabilities	163,801	64,172	227,973	(2)(3)	50,855	278,828
Total Liabilities	7,354,589	4,078,387	11,432,976		(48,145)	11,384,831
Shareholders' Equity						
Preferred stock	185	-	185			185
Common stock	66,425	10,377	76,802	(1)	25,319	102,121
Additional paid-in capital	49,190	213,812	263,002	(1)	(25,319)	237,683
Retained Earnings	775,997	147,675	923,672	(2)(3)	(49,747)	873,925
Less:						
Treasury common stock, at cost	136,379	-	136,379			136,379
Deferred Compensation	1,690	-	1,690			1,690
Net unrealized losses on securities available for sale, net of taxes	2,331	6,681	9,012			9,012
Total Shareholders' Equity	751,397	365,183	1,116,580		(49,747)	1,066,833
Total Liabilities and Shareholders' Equity	$8,105,986	$4,443,570	$12,549,556		($97,892)	$12,451,664

</TABLE>

SEE NOTES TO PRO FORMA COMBINED CONDENSED BALANCE SHEETS

NOTES TO PRO FORMA COMBINED CONDENSED BALANCE SHEETS
MARCH 31, 1994

(In thousands)

The unaudited Pro Forma Combined Condensed Balance Sheets for M&I and its consolidated subsidiaries and Valley and its consolidated subsidiaries as of March 31, 1994 assumes the Merger had been consummated on March 31, 1994 and accounted for as a pooling-of-interests. No adjustment for divestitures which are required in connection with the Merger have been included in the unaudited Pro Forma Combined Condensed Balance Sheets.

The Pro Forma Combined Condensed Balance Sheets should be read in conjunction with and is qualified in its entirety by the consolidated financial statements and accompanying notes of M&I and Valley in their respective Annual Reports on Form 10-K.

The Pro Forma Combined Condensed Balance Sheets are intended for informational purposes and are not necessarily indicative of the future financial position or of the financial position that would have actually occurred had the Merger been in effect as of the date presented.

(1) The Pro Forma Combined Condensed Balance Sheets reflect the issuance of 1.72 common shares of Marshall & Ilsley Corporation's (M&I) common stock for each outstanding common share of Valley Bancorporation (Valley).

(2) Pro forma shareholders' equity includes the effect of the estimated one-time merger related and restructuring charge of approximately $80 million, $48 million net of tax effect.

(3) Pro forma shareholders' equity includes the estimated effect of conforming Valley's transition methodology in adopting Financial Accounting Standard No. 106, "Employers Accounting for Postretirement Benefits Other Than Pensions"(FAS 106) with that elected by M&I. M&I elected immediate recognition of the accumulated postretirement benefit obligation at January 1, 1992, through a one-time charge to earnings. During the first quarter of 1993 Valley adopted FAS 106 on a prospective basis and elected to amortize the unfunded accumulated postretirement obligation over twenty years.

(4) For purposes of the Pro Forma Combined Condensed Balance Sheets, significant transactions and balances between M&I and Valley have been eliminated.

(5) Certain balances in Valley's consolidated balance sheet have been reclassified to conform with M&I's presentation.

<TABLE>
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PRO FORMA COMBINED CONDENSED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1994
(In thousands, except per share data)

Exhibit 99.2

	M&I	Valley	Combined	Pro Forma Adjustments Ref	Pro Forma Adjustments Amount	Pro Forma Combined
Interest income:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans....................................	$96,746	$63,874	$160,620	(2)(4)	($1,061)	$159,559
Investment securities:....................						
Taxable................................	17,152	9,467	26,619	(4)	(128)	26,491
Exempt from Federal income taxes........	2,214	2,444	4,658		0	4,658
Trading securities........................	39	0	39	(4)	5	44
Short-term investments....................	1,599	56	1,655	(4)	(390)	1,265
Total interest income......................	117,750	75,841	193,591		(1,574)	192,017
Interest expense:						
Deposits..................................	32,607	28,915	61,522		0	61,522
Short-term borrowings.....................	6,464	1,460	7,924	(2)(4)	(778)	7,146
Long-term borrowings......................	4,383	1,354	5,737		0	5,737
Total interest expense.....................	43,454	31,729	75,183		(778)	74,405
Net interest income........................	74,296	44,112	118,408		(796)	117,612
Provision for loan losses..................	1,771	2,181	3,952		0	3,952
Net interest income after provision for loan losses..........................	72,525	41,931	114,456		(796)	113,660
Other income:						
Data processing services..................	38,308	0	38,308	(2)(4)	(671)	37,637
Trust services............................	12,477	3,093	15,570		0	15,570
Other customer services...................	19,962	7,222	27,184	(4)	1,710	28,894
Net securities gains......................	839	(22)	817		0	817
Other.....................................	4,981	5,336	10,317	(4)	(1,087)	9,230
Total other income.........................	76,567	15,629	92,196		(48)	92,148
Other expense:						
Salaries and employee benefits............	61,076	24,036	85,112	(4)	(997)	84,115
Net occupancy.............................	6,488	3,612	10,100		0	10,100
Equipment.................................	11,915	4,257	16,172	(4)	27	16,199
Other.....................................	24,867	10,390	35,257	(2)(4)	126	35,383
Total other expense........................	104,346	42,295	146,641		(844)	145,797
Income before income taxes.................	44,746	15,265	60,011		0	60,011
Provision for income taxes.................	16,572	4,926	21,498		0	21,498
Net income.................................	$28,174	$10,339	$38,513		$0	$38,513
Per Common Share(1)(3):						
Primary...................................	$0.44	$0.50				$0.39
Fully diluted.............................	0.42	0.50				0.37
Dividends Paid............................	0.14	0.24				0.14
Average common shares outstanding(1)(3):						
Primary...................................	63,514	20,740				99,682
Fully diluted.............................	69,228	20,740				105,398

</TABLE>

SEE NOTES TO PRO FORMA COMBINED CONDENSED INCOME STATEMENTS

<TABLE>
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PRO FORMA COMBINED CONDENSED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1993
(In thousands, except per share data)

Exhibit 99.2

Pro Forma Adjustments

	M&I	Valley	Combined	Ref	Amount	Pro Forma Combined
Interest income:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans......................................	$93,979	$64,984	$158,963	(2)(4)	($422)	$158,541
Investment securities:....................						
Taxable	23,135	10,033	33,168	(4)	(101)	33,067
Exempt from Federal income taxes	3,864	2,626	6,490		0	6,490
Trading securities........................	39	0	39	(4)	4	43
Short-term investments....................	1,823	128	1,951	(4)	(67)	1,884
Total interest income.......................	122,840	77,771	200,611		(586)	200,025
Interest expense:						
Deposits..................................	38,313	32,630	70,943		0	70,943
Short-term borrowings.....................	4,489	705	5,194	(2)(4)	(169)	5,025
Long-term borrowings......................	3,464	1,780	5,244		0	5,244
Total interest expense......................	46,266	35,115	81,381		(169)	81,212
Net interest income.........................	76,574	42,656	119,230		(417)	118,813
Provision for loan losses...................	2,146	2,165	4,311		0	4,311
Net interest income after provision for loan losses...........................	74,428	40,491	114,919		(417)	114,502
Other income:						
Data processing services..................	30,971	0	30,971	(2)(4)	(163)	30,808
Trust services............................	12,137	3,346	15,483		0	15,483
Other customer services...................	19,579	6,998	26,577	(4)	1,187	27,764
Net securities gains......................	1,861	148	2,009		0	2,009
Other.....................................	5,972	5,263	11,235	(4)	(978)	10,257
Total other income..........................	70,520	15,755	86,275		46	86,321
Other expense:						
Salaries and employee benefits............	56,107	22,952	79,059	(4)	(1,172)	77,887
Net occupancy.............................	6,168	3,326	9,494		0	9,494
Equipment.................................	10,199	4,170	14,369	(4)	35	14,404
Other.....................................	24,905	10,002	34,907	(2)(4)	766	35,673
Total other expense.........................	97,379	40,450	137,829		(371)	137,458
Income before income taxes..................	47,569	15,796	63,365		0	63,365
Provision for income taxes..................	16,534	4,902	21,436		0	21,436
Net income..................................	$31,035	$10,894	$41,929		$0	$41,929
Per Common Share(1)(3):						
Primary...................................	$0.46	$0.54				$0.41
Fully diluted.............................	0.43	0.54				0.39
Dividends Paid............................	0.12	0.23				0.12
Average common shares outstanding(1)(3):						
Primary...................................	68,128	20,161				103,260
Fully diluted.............................	74,101	20,161				109,426

</TABLE>

SEE NOTES TO PRO FORMA COMBINED CONDENSED INCOME STATEMENTS

<TABLE>
<CAPTION>

PRO FORMA COMBINED CONDENSED INCOME STATEMENTS
FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1993
(In thousands, except per share data)

Exhibit 99.2

	M&I	Valley	Combined	Pro Forma Adjustments Ref	Pro Forma Adjustments Amount	Pro Forma Combined
Interest income:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Loans......................................	$383,560	$262,263	$645,823	(2)(4)	($4,518)	$641,305
Investment securities:....................						
Taxable	85,201	38,525	123,726	(4)	(395)	123,331
Exempt from Federal income taxes	12,851	10,211	23,062		0	23,062
Trading securities........................	167	0	167	(4)	19	186

Short-term investments	5,757	258	6,015	(4)	(413)	5,602
Total interest income	487,536	311,257	798,793		(5,307)	793,486
Interest expense:						
Deposits	145,717	126,027	271,744		0	271,744
Short-term borrowings	16,714	3,097	19,811	(2)(4)	(1,232)	18,579
Long-term borrowings	15,927	6,723	22,650		0	22,650
Total interest expense	178,358	135,847	314,205		(1,232)	312,973
Net interest income	309,178	175,410	484,588		(4,075)	480,513
Provision for loan losses	9,065	8,969	18,034		0	18,034
Net interest income after provision for loan losses	300,113	166,441	466,554		(4,075)	462,479
Other income:						
Data processing services	136,044	0	136,044	(2)(4)	(849)	135,195
Trust services	48,595	12,631	61,226		0	61,226
Other customer services	82,415	29,006	111,421	(4)	8,393	119,814
Net securities gains	7,837	497	8,334		0	8,334
Other	24,981	23,927	48,908	(4)	(5,246)	43,662
Total other income	299,872	66,061	365,933		2,298	368,231
Other expense:						
Salaries and employee benefits	233,564	92,606	326,170	(4)	(5,191)	320,979
Net occupancy	23,560	12,816	36,376		0	36,376
Equipment	42,538	16,615	59,153	(4)	150	59,303
Other	103,760	42,444	146,204	(2)(4)	3,264	149,468
Total other expense	403,422	164,481	567,903		(1,777)	566,126
Income before income taxes	196,563	68,021	264,584		0	264,584
Provision for income taxes	71,072	22,118	93,190		0	93,190
Net income	$125,491	$45,903	$171,394		$0	$171,394
Per Common Share(1)(3):						
Primary	$1.87	$2.26				$1.67
Fully diluted	1.76	2.26				1.60
Dividends Paid	0.54	0.94				0.54
Average common shares outstanding(1)(3):						
Primary	67,047	20,326				102,672
Fully diluted	72,958	20,326				108,875

</TABLE>

SEE NOTES TO PRO FORMA COMBINED CONDENSED INCOME STATEMENTS

NOTES TO PRO FORMA COMBINED CONDENSED INCOME STATEMENTS
FOR THE THREE MONTHS ENDED MARCH 31, 1994 AND 1993
AND THE TWELVE MONTHS ENDED DECEMBER 31, 1993
(In thousands)

The unaudited Pro Forma Combined Condensed Income Statements for M&I and its consolidated subsidiaries and Valley and its consolidated subsidiaries for the three months ended March 31, 1994 and 1993 and for the year ended December 31, 1993, give effect to the Merger as if it had been consummated on January 1, 1993 and accounted for as a pooling-of-interests. No adjustment for divestitures which are required in connection with the Merger have been included in the unaudited Pro Forma Combined Condensed Income Statements.

The Pro Forma Combined Condensed Income Statements should be read in conjunction with and is qualified in its entirety by the consolidated financial statements and accompanying notes of M&I and Valley in their respective Annual Reports on Form 10-K.

The Pro Forma Combined Condensed Income Statements are intended for informational purposes and are not necessarily indicative of the future results of operations of the combined company or the results of operstions of the combined company that would have actually occurred had the Merger been in effect for the periods presented.

(1) The Pro Forma Combined Condensed Income Statements reflect the issuance of 1.72 common shares of Marshall & Ilsley Corporation's (M&I) common stock for each outstanding common share of Valley Bancorporation (Valley).

(2) For purposes of the Pro Forma Combined Condensed Income Statements, significant transactions and balances between M&I and Valley have been eliminated.

(3) As permitted by accounting standards, Valley's historical average shares outstanding used in the computation of earnings per share did not include the dilutive effect of stock options outstanding as such effect was not material. The computation of pro forma primary and fully dilutive earnings per share includes the effects of Valley's stock options outstanding.

(4) Certain balances in Valley's consolidated income statement have been reclassified to conform with M&I's presentation.

(5) The Pro Forma Combined Condensed Income Statements do not include the effect of the estimated one-time merger related and restructuring charges of approximately $80 million, $48 million net of tax effect, since the estimated charge is non-recurring.

Potential loan loss provisions may be recorded at or near the consummation of the Merger. While the amounts have not been quantified, an additional provision may be necessary to conform Valley's loan valuation policies with those of M&I. M&I does not anticipate that the amount of such provision will be material to the combined entity.