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MARSHALL & ILSLEY CORP/WI/  
Form 10-Q  
August 13, 2002

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2002

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 1-15403

MARSHALL & ILSLEY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
Incorporation or organization)

39-0968604  
(I.R.S. Employer  
Identification No.)

770 North Water Street  
Milwaukee, Wisconsin  
(Address of principal executive offices)

53202  
(Zip Code)

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

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  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 July 31, 2002
-----	-----
Common Stock, \$1.00 Par Value	210,241,302

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2002	December 31, 2001	Ju
	-----	-----	-----
<b>Assets</b>			
-----			
Cash and cash equivalents:			
Cash and due from banks	\$ 818,715	\$ 617,183	\$
Federal funds sold and security resale agreements	49,370	119,561	
Money market funds	483,211	827,021	
	-----	-----	-----
Total cash and cash equivalents	1,351,296	1,563,765	1,
Investment securities:			
Trading securities, at market value	12,475	6,119	
Short-term investments, at cost			
which approximates market value	46,642	41,668	
Available for sale at market value	3,736,684	3,383,632	4,
Held to maturity at amortized cost, market value \$1,028,904			
(\$1,049,952 December 31, and \$1,101,702 June 30, 2001)	986,684	1,032,093	1,
	-----	-----	-----
Total investment securities	4,782,485	4,463,512	5,
Loans and leases			
Less: Allowance for loan and lease losses	20,918,707	19,295,372	17,
	292,512	268,198	
	-----	-----	-----
Net loans and leases	20,626,195	19,027,174	17,
Premises and equipment			
Goodwill	414,462	393,030	
Other intangibles	649,731	524,748	
Accrued interest and other assets	82,222	63,337	
	1,219,280	1,218,168	1,
	-----	-----	-----
Total Assets	\$ 29,125,671	\$ 27,253,734	\$ 25,
	=====	=====	=====
<b>Liabilities and Shareholders' Equity</b>			
-----			
Deposits:			
Noninterest bearing	\$ 3,649,761	\$ 3,558,571	\$ 2,
Interest bearing	14,498,279	12,934,476	13,
	-----	-----	-----
Total deposits	18,148,040	16,493,047	16,
Funds purchased and security repurchase agreements			
Other short-term borrowings	1,480,425	1,111,412	1,
Accrued expenses and other liabilities	4,221,738	4,745,830	4,
Long-term borrowings	893,400	850,300	
	1,675,098	1,560,177	1,
	-----	-----	-----
Total liabilities	26,418,701	24,760,766	23,
Shareholders' equity:			

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Series A convertible preferred stock, \$1.00 par value; 336,370 shares issued	336	336	
Common stock, \$1.00 par value; 240,832,522 shares issued (117,301,755 December 31, and 112,757,546 June 30, 2001)	240,833	117,302	
Additional paid-in capital	752,885	698,289	
Retained earnings	2,501,735	2,331,776	2,
Accumulated other comprehensive income, net of related taxes	32,272	40,600	
Less: Treasury common stock, at cost: 30,608,636 shares (13,352,817 December 31, and 9,475,724 June 30, 2001)	799,725	673,494	
Deferred compensation	21,366	21,841	
	-----	-----	-----
Total shareholders' equity	2,706,970	2,492,968	2,
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$ 29,125,671	\$ 27,253,734	\$ 25,
	=====	=====	=====

See notes to financial statements.

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

	Three Months Ended June	
	2002	2001
	-----	-----
Interest income		
-----		
Loans and leases	\$ 321,574	\$ 341,6
Investment securities:		
Taxable	49,617	70,0
Exempt from federal income taxes	15,377	15,5
Trading securities	123	3
Short-term investments	3,452	3,9
	-----	-----
Total interest income	390,143	431,4
Interest expense		
-----		
Deposits	73,403	155,9
Short-term borrowings	37,806	49,2
Long-term borrowings	28,936	24,9
	-----	-----
Total interest expense	140,145	230,2
Net interest income	249,998	201,2
Provision for loan and lease losses	16,980	10,7
	-----	-----
Net interest income after provision for loan and lease losses	233,018	190,4
Other income		
-----		
Data processing services:		
e-Finance solutions	33,967	27,9

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Financial technology solutions	112,328	108,9
Other	--	1,2
	-----	-----
Total data processing services	146,295	138,1
Item processing	9,070	12,0
Trust services	31,358	30,5
Service charges on deposits	25,224	20,4
Mortgage banking	7,365	12,3
Net investment securities losses	(121)	(13,0)
Life insurance revenue	7,407	6,6
Other	37,556	30,3
	-----	-----
Total other income	264,154	237,4
Other expense		
-----		
Salaries and employee benefits	185,294	178,0
Net occupancy	18,802	15,3
Equipment	29,170	28,9
Software expenses	10,030	9,2
Processing charges	8,921	11,8
Supplies and printing	4,937	5,4
Professional services	8,790	6,6
Shipping and handling	10,842	10,9
Amortization of intangibles	4,931	8,6
Other	36,296	67,1
	-----	-----
Total other expense	318,013	342,1
	-----	-----
Income before income taxes	179,159	85,8
Provision for income taxes	58,732	26,1
	-----	-----
Net income	\$ 120,427	\$ 59,6
	=====	=====
Net income per common share		
Basic	\$ 0.56	\$ 0.
Diluted	0.54	0.
Dividends paid per common share	\$ 0.160	\$ 0.1
Weighted average common shares outstanding:		
Basic	211,417	205,8
Diluted	221,333	215,4

See notes to financial statements.

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

	Six Months Ended June 3	
	2002	2001
	-----	-----
Interest income		

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-----		
Loans and leases	\$ 631,556	\$ 695,6
Investment securities:		
Taxable	100,384	147,9
Exempt from federal income taxes	30,533	31,4
Trading securities	182	6
Short-term investments	7,895	8,1
	-----	-----
Total interest income	770,550	883,8
Interest expense		
-----		
Deposits	144,318	343,1
Short-term borrowings	76,659	103,3
Long-term borrowings	59,298	50,3
	-----	-----
Total interest expense	280,275	496,8
Net interest income	490,275	387,0
Provision for loan and lease losses	32,176	21,8
	-----	-----
Net interest income after provision for loan and lease losses	458,099	365,2
Other income		
-----		
Data processing services:		
e-Finance solutions	67,774	54,1
Financial technology solutions	223,538	213,0
Other	2	3,9
	-----	-----
Total data processing services	291,314	271,1
Item processing	19,406	24,5
Trust services	62,337	60,6
Service charges on deposits	50,798	41,2
Mortgage banking	16,741	20,1
Net investment securities losses	(866)	(6,9
Life insurance revenue	14,738	13,2
Other	68,688	60,1
	-----	-----
Total other income	523,156	484,0
Other expense		
Salaries and employee benefits	364,780	345,9
Net occupancy	35,892	31,2
Equipment	57,657	57,6
Software expenses	22,621	17,2
Processing charges	18,507	20,7
Supplies and printing	9,650	10,3
Professional services	18,585	13,8
Shipping and handling	22,896	22,2
Amortization of intangibles	9,230	16,2
Other	71,802	96,9
	-----	-----
Total other expense	631,620	632,5
Income before income taxes and cumulative effect of changes in accounting principle	349,635	216,7
Provision for income taxes	113,579	70,4
	-----	-----
Income before cumulative effect of changes in accounting principle	236,056	146,2
Cumulative effect of changes in accounting principle, net of income taxes	--	(4
	-----	-----

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Net income	\$	236,056	\$	145,8
=====				
Net income per common share				
Basic:				
Income before cumulative effect of changes in accounting principle	\$	1.11	\$	0.
Cumulative effect of changes in accounting principle, net of income taxes		--		
-----				
Net income	\$	1.11	\$	0.
=====				
Diluted:				
Income before cumulative effect of changes in accounting principle	\$	1.07	\$	0.
Cumulative effect of changes in accounting principle, net of income taxes		--		
-----				
Net income	\$	1.07	\$	0.
=====				
Dividends paid per common share	\$	0.305	\$	0.2
=====				
Weighted average common shares outstanding:				
Basic		210,527		205,7
Diluted		220,436		215,5

See notes to financial statements.

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

	Six Months Ended June 3	
	2002	2001
	-----	-----
Net Cash Provided by Operating Activities	\$ 606,105	\$ 206,7
Cash Flows From Investing Activities:		
-----		
Proceeds from sales of securities available for sale	1,909	21,3
Proceeds from maturities of securities available for sale	843,104	803,2
Proceeds from maturities of securities held to maturity	44,053	36,0
Purchases of securities available for sale	(991,256)	(216,3
Purchases of securities held to maturity	(631)	
Net increase in loans	(1,335,757)	(327,8
Purchases of assets to be leased	(88,561)	(267,8
Principal payments on lease receivables	221,805	360,3
Fixed asset purchases, net	(20,525)	(18,4
Purchase acquisitions, net of cash equivalents acquired	(10,338)	(24,8
Other	5,148	12,4
-----		
Net cash (used)/provided in investing activities	(1,331,049)	378,1
Cash Flows From Financing Activities:		
-----		
Net increase/(decrease) in deposits	839,524	(3,001,6
Proceeds from issuance of commercial paper	3,210,992	1,252,7
Payments for maturity of commercial paper	(3,152,189)	(1,258,6
Net (decrease)/increase in other short-term borrowings	(243,804)	2,144,5
Proceeds from issuance of long-term debt	318,818	627,0

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Payments of long-term debt	(271,756)	(87,7
Dividends paid	(66,096)	(59,1
Purchases of treasury stock	(139,806)	(15,5
Other	16,792	16,5
	-----	-----
Net cash provided/(used) by financing activities	512,475	(381,7
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(212,469)	203,1
	-----	-----
Cash and cash equivalents, beginning of year	1,563,765	864,6
	-----	-----
Cash and cash equivalents, end of period	\$ 1,351,296	\$ 1,067,8
	=====	=====
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 262,315	\$ 521,8
Income taxes	105,209	66,9

See notes to financial statements.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements  
June 30, 2002 & 2001 (Unaudited)

- The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's ("M&I" or "Corporation") 2001 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 and six months ended June 30, 2002 and 2001. The results of operations for the three and six months ended June 30, 2002 and 2001 are not necessarily indicative of results to be expected for the entire year. Certain amounts in the 2001 consolidated financial statements and analyses have been reclassified to conform with the 2002 presentation.

Common stock per share and average share information for years prior to 2002 have been restated for the 2-for-1 stock split effected in the form of a 100% stock dividend which was effective June 17, 2002.

- Change in Method of Accounting

On January 1, 2002, the Corporation adopted SFAS No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB Opinion No. 17, INTANGIBLE ASSETS. SFAS 142 prescribes the accounting and reporting for intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) upon their acquisition. SFAS 142 also prescribes how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

SFAS 142 adopts an aggregate view of goodwill and bases the accounting for goodwill on the units of the combined entity into which an acquired entity is integrated (those units are referred to as Reporting Units). A Reporting Unit is an operating segment as defined in SFAS 131 or one level below an operating segment.

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Goodwill and intangible assets that have indefinite useful lives will not be amortized under the new standard but rather will be tested annually for impairment. Intangible assets with finite lives will continue to be amortized over their useful lives, but without the constraint of the prescribed ceilings required under APB Opinion 17.

SFAS 142 provides specific guidance for testing goodwill and intangible assets that will not be amortized for impairment. Goodwill will be tested for impairment at least annually using a two-step process that begins with an estimation of the fair value of a Reporting Unit. The first step is a screen for potential impairment and the second step measures the amount of impairment, if any. Intangible assets that will not be amortized, will be tested annually by comparing the fair values of the assets with their recorded amounts.

The provisions of SFAS 142 are now being applied by the Corporation. Goodwill and intangible assets acquired after June 30, 2001, are subject immediately to the nonamortization and amortization provisions of the statement.

During the second quarter of 2002, the Corporation completed the first step of the transitional goodwill impairment test on its five identified reporting units based on amounts as of January 1, 2002. With the assistance of a nationally recognized independent appraisal firm, the Corporation concluded that there were no impairment losses for goodwill due to the initial application of SFAS 142.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

Income before cumulative effect of changes in accounting principles and related earnings per share after giving effect to the nonamortization provision of SFAS 142 are as follows (dollars and shares in thousands, except per share data):

	Three Months Ended June	
	2002	2001
Income before cumulative effect of changes in accounting principle	\$ 120,427	\$ 59,6
Adjustments:		
Goodwill amortization, net of taxes	--	3,7
Income before cumulative effect of changes in accounting principle	\$ 120,427	\$ 63,3
Income before cumulative effect of changes in accounting principle:		
Basic:		
Reported income before cumulative		
effect of changes in accounting principle	\$ 0.56	\$ 0.
Goodwill amortization	--	0.
	\$ 0.56	\$ 0.
Diluted:		
Reported income before cumulative		
effect of changes in accounting	\$ 0.54	\$ 0.



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Goodwill amortization		--	0.
		-----	-----
	\$	0.54	\$ 0.
		=====	=====
Six Months Ended June 3			
		2002	2001
		-----	-----
Income before cumulative effect of changes in accounting principle	\$	236,056	\$ 146,2
Adjustments:			
Goodwill amortization, net of taxes		--	7,2
		-----	-----
Income before cumulative effect of changes in accounting principle	\$	236,056	\$ 153,5
		=====	=====
Income before cumulative effect of changes in accounting principle:			
Basic:			
Reported income before cumulative			
effect of changes in accounting principle	\$	1.11	\$ 0.
Goodwill amortization		--	0.
		-----	-----
	\$	1.11	\$ 0.
		=====	=====
Diluted:			
Reported income before cumulative			
effect of changes in accounting principle	\$	1.07	\$ 0.
Goodwill amortization		--	0.
		-----	-----
	\$	1.07	\$ 0.
		=====	=====

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

The changes in the carrying amount of goodwill for the six months ended June 30, 2002 are as follows (dollars in thousands):

	Banking	Metavante	Others	Total
	-----	-----	-----	-----
Goodwill balance as of January 1, 2002	\$ 367,612	\$ 125,587	\$ 31,549	\$ 524,748
Goodwill acquired during the period	125,955	--	2,087	128,042
Purchase accounting adjustments	--	(2,265)	--	(2,265)
Goodwill amortization	(794)	--	--	(794)
	-----	-----	-----	-----
Goodwill balance as of June 30, 2002	\$ 492,773	\$ 123,322	\$ 33,636	\$ 649,731
	=====	=====	=====	=====

At June 30, 2002, the Corporation's intangible assets consisted of the following (dollars in thousands):

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Amortized intangible assets:	
Core deposit intangible	\$ 50,966
Data processing contract rights/customer lists	19,561
Loan servicing rights	10,970
Trust customers	725
	-----
Total amortized intangible assets	\$ 82,222
	=====
Goodwill:	
Amortized (SFAS 72)	\$ 2,592
Unamortized	647,139
	-----
Total goodwill	\$ 649,731
	=====

### 3. Business Combinations

The following acquisitions, which were not considered material business combinations, were completed during the first quarter of 2002.

On March 1, 2002 the Corporation acquired all of the common stock of Richfield State Agency, Inc. ("Richfield"), a Minnesota bank holding company. Richfield had consolidated total assets of approximately \$0.8 billion at completion of the merger. The Corporation issued 2.5 million common shares and paid cash of approximately \$10.0 million in a tax-free exchange for the outstanding common stock of Richfield using the purchase method of accounting. The core deposit intangible and other identifiable intangible assets recorded in this transaction amounted to \$19.3 million and \$0.8 million, respectively. Initial goodwill subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$94.3 million.

Also, on March 1, 2002 the Corporation acquired all of the common stock of Century Bancshares, Inc. ("Century"), a Minnesota bank holding company. Century had consolidated total assets of approximately \$0.3 billion at completion of the merger. The Corporation issued 0.6 million common shares and paid cash of approximately \$19.9 million in a tax-free exchange for the outstanding common stock of Century using the purchase method of accounting. The core deposit intangible recorded in this transaction amounted to \$6.1 million. Initial goodwill subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$33.7 million.

The results of operations of the acquired entities have been included in the consolidated results since the dates the transactions were closed.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

The following acquisitions were recently announced:

On June 17, 2002, the Corporation announced it had signed a definitive agreement to acquire Mississippi Valley Bancshares, Inc. ("Mississippi Valley"). Mississippi Valley with eight offices located in St. Louis, Missouri; Belleville, Illinois; and Phoenix, Arizona had consolidated total assets of \$2.1 billion as of June 30, 2002. The merger

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consideration consists in the aggregate \$26.25 per share in cash and shares of M&I stock. The stock component of the transaction is variable, based on the price of M&I's stock prior to closing. Based on the closing price of M&I's stock as of June 14, the stock component would have been 0.8486 shares of M&I stock. The transaction is expected to be completed by the fourth quarter of 2002, subject to shareholder and regulatory approvals.

On July 2, 2002, the Corporation's Metavante subsidiary announced it had signed a definitive agreement to acquire substantially all the assets of Paytrust, Inc., a privately held online bill management company based in Lawrenceville, New Jersey. The transaction closed in July 2002. Through the acquisition, Metavante plans to consolidate its consumer service provider operations onto one technology platform. Integration costs, primarily related to operating duplicate platforms for a limited period on time, are anticipated to be approximately \$6 million after-tax, and will be incurred over approximately nine months following the transaction.

On July 29, 2002, the Corporation's Metavante subsidiary announced it had signed a definitive agreement to acquire the assets of Spectrum EPB, LLC, an open, interoperable switch for exchanging online bills and payments. Spectrum is a privately held, Atlanta-based company that was founded in 1999 by subsidiaries of J.P. Morgan Chase & Co., Wachovia Corporation and Wells Fargo & Company. The transaction is expected to close in August, 2002, subject to regulatory approval.

4. A reconciliation of the numerators and denominators of the basic and diluted per share computations are as follows (dollars and shares in thousands, except per share data):

	Three Months Ended June 30, 2002		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Net Income	\$ 120,427		
Convertible Preferred Dividends	(1,230)		
-----			
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 119,197	211,417	\$ 0.5
=====			
Effect of Dilutive Securities			
Convertible Preferred Stock	1,230	7,688	
Stock Options and Restricted Stock Plans	--	2,228	
-----			
Diluted Earnings Per Share			
Income Available to Common Shareholders Plus Assumed Conversions	\$ 120,427	221,333	\$ 0.5
=====			

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

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	Three Months Ended June 30, 2001		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Net Income	\$ 59,683		
Convertible Preferred Dividends	(1,115)		
<b>Basic Earnings Per Share</b>			
Income Available to Common Shareholders	\$ 58,568	205,811	\$ 0.2
<b>Effect of Dilutive Securities</b>			
Convertible Preferred Stock	1,115	7,688	
Stock Options and Restricted Stock Plans	--	1,977	
<b>Diluted Earnings Per Share</b>			
Income Available to Common Shareholders Plus Assumed Conversions	\$ 59,683	215,476	\$ 0.2

	Six Months Ended June 30, 2002		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Net Income	\$ 236,056		
Convertible Preferred Dividends	(2,345)		
<b>Basic Earnings Per Share</b>			
Income Available to Common Shareholders	\$ 233,711	210,527	\$ 1.1
<b>Effect of Dilutive Securities</b>			
Convertible Preferred Stock	2,345	7,688	
Stock Options and Restricted Stock Plans	--	2,221	
<b>Diluted Earnings Per Share</b>			
Income Available to Common Shareholders Plus Assumed Conversions	\$ 236,056	220,436	\$ 1.0

	Six Months Ended June 30, 2001		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Net Income	\$ 145,849		
Convertible Preferred Dividends	(2,133)		
<b>Basic Earnings Per Share</b>			
Income Available to Common Shareholders	\$ 143,716	205,745	\$ 0.7
<b>Effect of Dilutive Securities</b>			
Convertible Preferred Stock	2,133	7,688	
Stock Options and Restricted Stock Plans	--	2,111	

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Diluted Earnings Per Share

Income Available to Common Shareholders  
Plus Assumed Conversions

\$ 145,849 215,544 \$ 0.6

Options to purchase shares of common stock not included in the computation of diluted net income per share because the options' exercise price was greater than the average market price of the common shares is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Shares	3,793,400	7,231,862	3,833,400	7,093,862
Price Range	\$31.0980 - \$33.9375	\$25.4650 - \$35.0313	\$31.0450 - \$33.9375	\$25.9000 - \$35.0313

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

5. Selected investment securities, by type, held by the Corporation are as follows (\$000's):

	June 30, 2002	December 31, 2001	June 30, 2001
Investment securities available for sale:			
U.S. treasury and government agencies	\$ 2,704,736	\$ 2,346,566	\$ 2,346,566
State and political subdivisions	234,709	176,167	176,167
Mortgage backed securities	157,188	175,471	175,471
Other	640,051	685,428	685,428
Total	\$ 3,736,684	\$ 3,383,632	\$ 3,383,632
Investment securities held to maturity:			
State and political subdivisions	\$ 983,048	\$ 1,028,555	\$ 1,028,555
Other	3,636	3,538	3,538
Total	\$ 986,684	\$ 1,032,093	\$ 1,032,093

6. The Corporation's loan and lease portfolio consists of the following (\$000's):

	June 30, 2002	December 31, 2001	June 30, 2001
Commercial, financial & agricultural	\$ 6,138,083	\$ 5,716,061	\$ 5,716,061

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Real estate:			
Construction	937,648	730,864	
Residential mortgage	5,939,553	5,563,975	4,
Commercial mortgage	5,544,479	5,099,093	4,
Total real estate	12,421,680	11,393,932	10,
Personal	1,490,252	1,210,808	1,
Lease financing	860,936	962,356	1,
Cash flow hedging instruments at fair value	7,756	12,215	
Total	\$ 20,918,707	\$ 19,295,372	\$ 17,

7. Sale of Receivables

During the second quarter of 2002, \$106.3 million of automobile loans were sold in securitization transactions. Gains and trading income of \$5.4 million were recognized. Other income associated with auto securitizations in the current quarter amounted to \$0.7 million.

Key economic assumptions used in measuring the retained interests at the date of securitization resulting from securitizations completed during the second quarter were as follows (rate per annum):

Prepayment speed	25.0 %
Weighted average life (in months)	20.9
Expected credit losses	0.12 %
Residual cash flow discount rate	12.0 %
Variable returns to transferees	Forward one month LIBOR yield

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

At June 30, 2002, securitized automobile loans and other automobile loans managed together with them along with delinquency and credit loss information consisted of the following:

	Securitized	Portfolio	M
Loan balances	\$ 520,645	\$ 211,144	\$
Principal amounts of loans 60 days or more past due	475	964	
Net credit losses year to date	604	400	

8. The Corporation's deposit liabilities consists of the following (\$000's):

	June 30, 2002	December 31, 2001	Ju
--	------------------	----------------------	----

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Noninterest bearing demand	\$ 3,649,761	\$ 3,558,571	\$ 2,
Savings and NOW	7,976,263	7,867,106	7,
CD's \$100,000 and over	2,279,449	1,321,746	2,
Other time deposits	2,843,677	2,962,724	3,
Foreign deposits	1,398,890	782,900	
	-----	-----	-----
	\$ 18,148,040	\$ 16,493,047	\$ 16,
	=====	=====	=====

9. Comprehensive Income

The following tables present the Corporation's comprehensive income (\$000's):

	Three Months Ended June 30,		
	Before-Tax Amount	Tax (Expense) Benefit	Net A
	-----	-----	-----
Net income			\$
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 26,755	\$ (9,526)	
Reclassification for securities transactions included in net income	--	--	
Unrealized gains (losses)	----- 26,755	----- (9,526)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	(54,493)	19,072	
Reclassification adjustments for hedging activities included in net income	13,338	(4,667)	
Net gains (losses)	----- \$ (41,155)	----- \$ 14,405	
Other comprehensive income			-----
Total comprehensive income			\$ =====

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

	Three Months Ended June 30,		
	Before-Tax Amount	Tax (Expense) Benefit	Net A
	-----	-----	-----
Net income			\$

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Other comprehensive income:		
Unrealized gains (losses) on securities:		
Arising during the period	\$ 3,206	\$ (353)
Reclassification for securities transactions included in net income	(3,072)	1,075
Unrealized gains (losses)	134	722
Net gains (losses) on derivatives hedging variability of cash flows:		
Arising during the period	5,082	(1,780)
Reclassification adjustments for hedging activities included in net income	1,871	(654)
Net gains (losses)	\$ 6,953	\$ (2,434)
Other comprehensive income		
Total comprehensive income		\$

	Six Months Ended June 30, 200		
	Before-Tax Amount	Tax (Expense) Benefit	Net A
Net income			\$
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 12,384	\$ (4,680)	
Reclassification for securities transactions included in net income	--	--	
Unrealized gains (losses)	12,384	(4,680)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	(47,927)	16,774	
Reclassification adjustments for hedging activities included in net income	23,262	(8,141)	
Net gains (losses)	\$ (24,665)	\$ 8,633	
Other comprehensive income			
Total comprehensive income			\$

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)



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	Six Months Ended June 30, 2002		
	Before-Tax Amount	Tax (Expense) Benefit	Net A
Net income			\$
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 57,576	\$ (20,359)	
Reclassification for securities transactions included in net income	(3,072)	1,075	
Unrealized gains (losses)	54,504	(19,284)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Adoption of SFAS 133	(15,665)	5,483	
Arising during the period	(213)	74	
Reclassification adjustments for hedging activities included in net income	2,918	(1,021)	
Net gains (losses)	\$ (12,960)	\$ 4,536	
Other comprehensive income			
Total comprehensive income			\$

10. Derivative Financial Instruments and Hedging Activities

Trading Instruments

The Corporation enters into interest rate swaps as part of its trading activities which enable its customers to manage their exposures to interest rate risk. The Corporation's market risk from unfavorable movements in interest rates for customer activity is generally minimized by concurrently entering into offsetting positions with nearly identical notional values, terms and indices.

At June 30, 2002, interest rate swaps designated as trading consisted of \$1,130.6 million in notional amount of receive fixed/pay floating with an aggregate positive fair value of \$8.8 million and \$801.9 million in notional amount of pay fixed/receive floating with an aggregate negative fair value of \$3.0 million.

Interest rate swaps designated as trading are recorded at fair value. Gains and losses arising from changes in fair value are recorded in other income.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

Fair Value Hedges

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The following table presents information with respect to the Corporation's fair value hedges.

### Fair Value Hedges June 30, 2002

Hedged Item	Hedging Instrument	Notional Amount (\$ in mil)	Fair Value (\$ in mil)	Weighted Average Remaining Term (Yrs)
Callable CDs	Receive Fixed Swap	\$ 126.5	\$ 0.5	6.8
Medium Term Notes	Receive Fixed Swap	196.4	6.7	4.4
Long-term Borrowings	Receive Fixed Swap	200.0	22.7	24.4

For the three and six months ended June 30, 2002, the impact from fair value hedges to net interest income was a positive \$4.5 million and a positive \$9.8 million, respectively.

### Cash Flow Hedges

The following table presents information with respect to the Corporation's cash flow hedges.

### Cash Flow Hedges June 30, 2002

Hedged Item	Hedging Instrument	Notional Amount (\$ in mil)	Fair Value (\$ in mil)	Weighted Average Remaining Term (Yrs)
Variable Rate Loans	Receive Fixed Swap	\$ 300.0	\$ 7.8	0.8
Institutional CDs	Pay Fixed Swap	320.0	(4.8)	2.9
Commercial Paper	Pay Fixed Swap	200.0	(23.9)	4.4
Fed Funds Purchased	Pay Fixed Swap	860.0	(21.7)	2.8
FHLB Advances	Pay Fixed Swap	610.0	(17.2)	4.6

For the three and six months ended June 30, 2002, the impact from cash flow hedges to net interest income was a negative \$13.3 million and a negative \$23.3 million, respectively.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

### 11. Segments

Generally, the Corporation organizes its segments based on legal entities. Each entity offers a variety of products and services to meet the needs of its customers and the particular market served. Each entity has its own president and is separately managed subject to adherence to

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Corporate policies. Discrete financial information is reviewed by senior management to assess performance on a monthly basis. Certain segments are combined and consolidated for purposes of assessing financial performance.

The Corporation evaluates the profit or loss performance of its segments based on operating income. Operating income is after-tax income excluding nonrecurring charges and charges for services from the holding company. The accounting policies of the Corporation's segments are the same as those described in Note 1 to the Corporation's Annual Report on Form 10-K, Item 8. Intersegment revenues may be based on cost, current market prices or negotiated prices between the providers and receivers of services.

Based on the way the Corporation organizes its segments and the requirements of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information", the Corporation has determined that it has two reportable segments. Information with respect to M&I's segments is as follows:

### Banking

-----

Banking consists of two banks headquartered in Wisconsin, with branches in Wisconsin, Arizona, Nevada, Florida and Minnesota, one federally chartered thrift headquartered in Nevada, an asset-based lending subsidiary and an operational support subsidiary which includes item processing. Banking consists of accepting deposits, making loans and providing other services such as cash management, foreign exchange and correspondent banking to a variety of commercial and retail customers. Products and services are provided through a variety of delivery channels including traditional branches, supermarket branches, telephone centers, ATMs and the Internet.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

### Data Services

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Data Services consists of Metavante and its nonbank subsidiaries. Metavante provides data processing services, develops and sells software and provides consulting services to M&I affiliates as well as banks, thrifts, credit unions, trust companies and other financial services companies throughout the world although its activities are primarily domestic. In addition, Metavante derives revenue from the Corporation's credit card merchant operations. The majority of Metavante revenue is derived from internal and external processing. Intrasegment revenues, expenses and assets have been eliminated.

### All Others

-----

M&I's primary other operating segments includes Trust Services, Mortgage Banking (residential and commercial), Capital Markets Group, Brokerage and Insurance Services and Commercial Leasing. Trust Services provides investment management and advisory services as well as personal, commercial and corporate trust services in Wisconsin, Florida, Arizona, North Carolina, Minnesota, Nevada and Illinois. Capital Markets Group provide venture capital and advisory services. Intrasegment revenues, expenses and assets for the entities that comprise Trust Services and

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Capital Markets Group have been eliminated in the following information.  
(\$ in millions):

Total Revenues by type in All Others consist of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
Trust Services	\$ 31.1	\$ 31.0	\$ 62.0	\$ 61.3
Residential Mortgage Banking	8.5	11.4	17.7	19.1
Capital Markets	0.2	3.8	(0.3)	10.9
Brokerage and Insurance	6.6	5.0	13.1	10.5
Commercial Leasing	3.7	3.5	7.6	6.4
Commercial Mortgage Banking	1.3	0.7	2.2	1.3
Others	0.9	1.2	2.0	3.4
<b>Total revenue</b>	<b>\$ 52.3</b>	<b>\$ 56.6</b>	<b>\$ 104.3</b>	<b>\$ 112.9</b>

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

The following represents the Corporation's operating segments as of and for the three and six months ended June 30, 2002 and 2001. Intersegment expenses and assets have been eliminated. (\$ in millions):

	Three Months Ended June 30, 2002					
	Banking	Metavante	Others	Corporate Overhead	Reclass- ifications & Elim- inations	Consol- idated Operatin Income
<b>Revenue:</b>						
Net interest income	\$ 249.6	\$ (1.0)	\$ 6.7	\$ (5.3)	\$ --	\$ 250.
Fees - Unaffiliated customers	76.5	146.3	40.1	1.3	(0.1)	264.
Fees - Affiliated customers	11.8	16.5	5.5	--	(33.8)	-
<b>Total revenues</b>	<b>337.9</b>	<b>161.8</b>	<b>52.3</b>	<b>(4.0)</b>	<b>(33.9)</b>	<b>514.</b>
<b>Expenses:</b>						
Expenses - Unaffiliated customers	134.2	137.7	25.0	23.2	(2.1)	318.
Expenses - Affiliated customers	18.8	5.9	8.7	(1.6)	(31.8)	-
<b>Total expenses</b>	<b>153.0</b>	<b>143.6</b>	<b>33.7</b>	<b>21.6</b>	<b>(33.9)</b>	<b>318.</b>

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Provision for loan and lease losses	16.7	--	0.3	--	--	17.
Operating income before taxes	168.2	18.2	18.3	(25.6)	--	179.
Income tax expense	53.8	7.5	7.1	(9.7)	--	58.
Operating income	\$ 114.4	\$ 10.7	\$ 11.2	\$ (15.9)	\$ --	\$ 120.
Identifiable assets	\$ 28,089.2	\$ 700.8	\$ 588.1	\$ 389.1	\$ (641.5)	\$ 29,125.
Return on average tangible equity	23.4%	24.2%	20.4%			24.
Return on average equity	18.0%	14.4%	20.1%			17.

Three Months Ended June 30, 2001

	Banking	Metavante	Others	Corporate Overhead	Reclassifications & Eliminations	Consolidated Operating Income
Revenue:						
Net interest income	\$ 200.8	\$ (0.9)	\$ 7.0	\$ (5.7)	\$ --	\$ 201.
Fees - Unaffiliated customers	71.7	137.3	43.5	1.4	(0.4)	253.
Fees - Affiliated customers	6.7	15.7	6.1	--	(28.5)	--
Total revenues	279.2	152.1	56.6	(4.3)	(28.9)	454.
Expenses:						
Expenses - Unaffiliated customers	111.8	126.1	27.2	25.3	1.8	292.
Expenses - Affiliated customers	20.2	5.0	7.1	(1.6)	(30.7)	--
Total expenses	132.0	131.1	34.3	23.7	(28.9)	292.
Provision for loan and lease losses	10.5	--	0.2	--	--	10.
Operating income before taxes	136.7	21.0	22.1	(28.0)	--	151.
Income tax expense	43.2	8.6	8.8	(10.6)	--	50.
Operating income	\$ 93.5	\$ 12.4	\$ 13.3	\$ (17.4)	\$ --	\$ 101.
Identifiable assets	\$ 24,923.8	\$ 687.8	\$ 750.6	\$ 241.5	\$ (708.0)	\$ 25,895.
Return on average tangible equity	19.4%	20.6%	21.4%			20.
Return on average equity	17.1%	17.2%	21.3%			17.

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MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
June 30, 2002 & 2001 (Unaudited)

Six Months Ended June 30, 2002

	Banking	Metavante	Others	Corporate Overhead	Reclass- ifications & Elim- inations	Consol- idated Operatin Income
<b>Revenue:</b>						
Net interest income	\$ 489.4	\$ (2.0)	\$ 13.4	\$ (10.5)	\$ --	\$ 490.
Fees - Unaffiliated customers	149.8	291.4	79.8	2.6	(0.4)	523.
Fees - Affiliated customers	22.0	32.4	11.1	--	(65.5)	--
<b>Total revenues</b>	<b>661.2</b>	<b>321.8</b>	<b>104.3</b>	<b>(7.9)</b>	<b>(65.9)</b>	<b>1,013.</b>
<b>Expenses:</b>						
Expenses - Unaffiliated customers	258.9	275.4	52.2	47.7	(2.6)	631.
Expenses - Affiliated customers	36.4	11.3	17.3	(1.7)	(63.3)	--
<b>Total expenses</b>	<b>295.3</b>	<b>286.7</b>	<b>69.5</b>	<b>46.0</b>	<b>(65.9)</b>	<b>631.</b>
Provision for loan and lease losses	31.6	--	0.6	--	--	32.
<b>Operating income before taxes</b>	<b>334.3</b>	<b>35.1</b>	<b>34.2</b>	<b>(53.9)</b>	<b>--</b>	<b>349.</b>
Income tax expense	105.8	14.5	13.6	(20.3)	--	113.
<b>Operating income</b>	<b>\$ 228.5</b>	<b>\$ 20.6</b>	<b>\$ 20.6</b>	<b>\$ (33.6)</b>	<b>\$ --</b>	<b>\$ 236.</b>
<b>Identifiable assets</b>	<b>\$ 28,089.2</b>	<b>\$ 700.8</b>	<b>\$ 588.1</b>	<b>\$ 389.1</b>	<b>\$ (641.5)</b>	<b>\$ 29,125.</b>
Return on average tangible equity	23.9%	24.6%	18.9%			23.
Return on average equity	18.7 %	14.3%	18.6%			17.

Six Months Ended June 30, 2001

Reclass-  
ifications  
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	Banking	Metavante	Others	Corporate Overhead	& Elim- nations	Operatin Income
	-----	-----	-----	-----	-----	-----
<b>Revenue:</b>						
Net interest income	\$ 388.3	\$ (1.5)	\$ 12.5	\$ (12.3)	\$ --	\$ 387.
Fees - Unaffiliated customers	139.9	268.8	90.7	1.1	(0.4)	500.
Fees - Affiliated customers	14.7	31.7	9.7	0.1	(56.2)	-
<b>Total revenues</b>	<b>542.9</b>	<b>299.0</b>	<b>112.9</b>	<b>(11.1)</b>	<b>(56.6)</b>	<b>887.</b>
<b>Expenses:</b>						
Expenses - Unaffiliated customers	222.7	254.2	56.1	39.4	0.2	572.
Expenses - Affiliated customers	35.9	8.2	14.5	(1.8)	(56.8)	-
<b>Total expenses</b>	<b>258.6</b>	<b>262.4</b>	<b>70.6</b>	<b>37.6</b>	<b>(56.6)</b>	<b>572.</b>
Provision for loan and lease losses	21.4	--	0.4	--	--	21.
<b>Operating income before taxes</b>	<b>262.9</b>	<b>36.6</b>	<b>41.9</b>	<b>(48.7)</b>	<b>--</b>	<b>292.</b>
Income tax expense	83.2	15.1	16.7	(18.8)	--	96.
<b>Operating income</b>	<b>\$ 179.7</b>	<b>\$ 21.5</b>	<b>\$ 25.2</b>	<b>\$ (29.9)</b>	<b>\$ --</b>	<b>\$ 196.</b>
<b>Identifiable assets</b>	<b>\$ 24,923.8</b>	<b>\$ 687.8</b>	<b>\$ 750.6</b>	<b>\$ 241.5</b>	<b>\$ (708.0)</b>	<b>\$ 25,895.</b>
<b>Return on average tangible equity</b>	<b>19.1%</b>	<b>18.0%</b>	<b>21.0%</b>			<b>19.</b>
<b>Return on average equity</b>	<b>16.8%</b>	<b>15.0%</b>	<b>20.8%</b>			<b>17.</b>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION  
AND RESULTS OF OPERATIONS

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

	Three Months Ended June 30,	
	2002	2001
	-----	-----
<b>Assets</b>		
-----		
Cash and due from banks	\$ 698,182	\$ 602,661
Investment securities:		
Trading securities	12,932	30,272
Short-term investments	907,098	402,889
Other investment securities:		

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Taxable	3,160,500	4,095,798
Tax-exempt	1,236,252	1,267,049
	-----	-----
Total investment securities	5,316,782	5,796,008
Total loans and leases	20,392,703	17,868,564
Less: Allowance for loan and lease losses	291,919	245,020
	-----	-----
Net loans and leases	20,100,784	17,623,544
Premises and equipment, net	415,940	385,000
Accrued interest and other assets	1,952,720	1,580,144
	-----	-----
Total Assets	\$ 28,484,408	\$ 25,987,357
	=====	=====
Liabilities and Shareholders' Equity		
-----		
Deposits:		
Noninterest bearing	\$ 3,360,327	\$ 2,727,725
Interest bearing	15,235,115	14,471,737
	-----	-----
Total deposits	18,595,442	17,199,462
Funds purchased and security repurchase agreements	2,285,523	2,343,424
Other short-term borrowings	1,577,361	1,591,153
Long-term borrowings	2,414,191	1,697,154
Accrued expenses and other liabilities	883,472	814,578
	-----	-----
Total liabilities	25,755,989	23,645,771
Shareholders' equity	2,728,419	2,341,586
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 28,484,408	\$ 25,987,357
	=====	=====

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

	Six Months Ended June 30,	
	2002	2001
	-----	-----
Assets		
-----		
Cash and due from banks	\$ 674,003	\$ 607,625
Investment securities:		
Trading securities	11,278	30,097
Short-term investments	996,036	360,716
Other investment securities:		
Taxable	3,047,285	4,291,126
Tax-exempt	1,232,808	1,280,329
	-----	-----



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Total investment securities	5,287,407	5,962,268
Total loans and leases	19,924,364	17,743,695
Less: Allowance for loan and lease losses	285,961	241,425
Net loans and leases	19,638,403	17,502,270
Premises and equipment, net	407,841	385,706
Accrued interest and other assets	1,909,170	1,552,615
Total Assets	\$ 27,916,824	\$ 26,010,484
-----		
Liabilities and Shareholders' Equity		
-----		
Deposits:		
Noninterest bearing	\$ 3,272,763	\$ 2,692,949
Interest bearing	14,545,517	14,744,553
Total deposits	17,818,280	17,437,502
Funds purchased and security repurchase agreements	2,323,701	2,131,319
Other short-term borrowings	1,843,189	1,675,081
Long-term borrowings	2,420,926	1,654,637
Accrued expenses and other liabilities	846,692	799,996
Total liabilities	25,252,788	23,698,535
Shareholders' equity	2,664,036	2,311,949
Total Liabilities and Shareholders' Equity	\$ 27,916,824	\$ 26,010,484
=====		

THREE MONTHS ENDED JUNE 30, 2002 and 2001

Net income for the second quarter of 2002 amounted to \$120.4 million compared to \$59.7 million for the same period in the prior year. Basic and diluted earnings per share were \$0.56 and \$0.54 respectively for the three months ended June 30, 2002, compared with \$.28 for both basic and diluted earnings per share for the three months ended June 30, 2001. The return on average assets and average equity was 1.70% and 17.70% for the quarter ended June 30, 2002 and 0.92% and 10.22% for the quarter ended June 30, 2001.

The results of operations and financial position as of and for the three months ended June 30, 2002, include the effects of Metavante's four acquisitions in the second, third and fourth quarters of 2001, the Corporation's acquisitions of National City Bancorporation ("National City") and certain Arizona branches in the third quarter of 2001 and the acquisitions of Richfield State Agency, Inc. ("Richfield") and Century Bancshares, Inc. ("Century") which both closed on March 1, 2002. All acquisitions were accounted for using the purchase method of accounting and accordingly the results of operations and financial position are included from the dates the transactions were closed.

Net income for the prior year quarter includes certain losses and expenses associated with organizational changes and acquisitions at the Corporation's Metavante subsidiary, auto lease residual value write-downs, the final charges for the charter consolidation initiative and certain goodwill amortization which ceased on January 1, 2002 as a result of adopting Statement of Financial

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Accounting Standards No. 142, GOODWILL AND OTHER INTANGIBLE ASSETS. The impact of these items is shown in the following table (\$000's):

	Three Months ended June 30,	
	Pre-tax Effect	----- 2002                      2001 -----
Income as Reported	\$	120,427      \$                      59,6
Nonrecurring Losses and Expenses:		
Metavante Subsidiary		--
Reduction in force and realignment	\$                      11,028	
Investment losses	16,057	
Acquisition related	3,843	
	-----	
Total Metavante Subsidiary	30,928	--                      18,5
Auto Lease Residual Value Write-downs	25,000	--                      15,8
Charter Consolidation	5,972	--                      3,9
Goodwill Amortization	4,086	--                      3,7
	-----	
Total Adjustments	\$                      65,986	--                      42,0
	=====	
Operating Income	\$	120,427      \$                      101,7
		=====

The following tables present a summary of each of the major elements of the consolidated operating income statement, certain financial statistics and a summary of the major operating income statement elements stated as a percent of average consolidated assets converted to a fully taxable equivalent basis (FTE) where appropriate for the current quarter and previous four quarters. Operating income for the third and fourth quarters of 2001 excludes certain expenses incurred in connection with acquisitions at the Corporation's Metavante subsidiary. Such expenses amounted to \$37.6 million (\$22.8 million after-tax) in the third quarter of 2001 and \$3.5 million (\$2.0 million after-tax) in the fourth quarter of 2001. Operating income for the second quarter of 2001 excludes those items previously discussed. In addition, operating income for the third and fourth quarters of 2001 exclude certain goodwill amortization which ceased on January 1, 2002 as a result of adopting the new accounting standard on goodwill and other intangible assets. Return on tangible equity is based on operating income before amortization of intangibles. Amortization includes amortization of goodwill and core deposit premiums and is net of the income tax expense or benefit, if any, related to each component. This calculation was specifically formulated by the Corporation and may not be comparable to similarly titled measures reported by other companies.

### Summary Consolidated Operating Income Statements and Financial Statistics

-----  
(\$000's except per share data)  
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2002		2001	
----- Second Quarter -----	First Quarter	Fourth Quarter	Third Quarter -----

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Interest income	\$ 390,143	\$ 380,407	\$ 401,974	\$ 423,248	\$
Interest expense	(140,145)	(140,130)	(164,686)	(204,746)	
Net interest income	249,998	240,277	237,288	218,502	
Provision for loan and lease losses	(16,980)	(15,196)	(20,109)	(12,206)	
Net investment securities gains (losses)	(121)	(745)	(572)	774	
Other income	264,275	259,747	262,492	254,497	
Other expense	(318,013)	(313,607)	(308,611)	(297,057)	
Income before taxes	179,159	170,476	170,488	164,510	
Income tax provision	(58,732)	(54,847)	(56,274)	(54,223)	
Operating income	\$ 120,427	\$ 115,629	\$ 114,214	\$ 110,287	\$
Per Common Share					
Operating income					
Basic	\$ 0.56	\$ 0.55	\$ 0.54	\$ 0.52	\$
Diluted	0.54	0.53	0.52	0.50	
Dividends	0.160	0.145	0.145	0.145	
Return on Average Equity					
Operating income	17.70 %	18.04 %	17.84 %	17.16 %	
Return on Average Tangible Equity	23.99	23.64	22.83	20.93	

Summary Consolidated Operating Income Statement Components

as a Percent of Average Total Assets

	2002		2001	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Interest income (FTE)	5.60 %	5.76 %	6.02 %	6.48 %
Interest expense	(1.97)	(2.08)	(2.42)	(3.08)
Net interest income	3.63	3.68	3.60	3.40
Provision for loan and lease losses	(0.24)	(0.23)	(0.30)	(0.18)
Net investment securities gains (losses)	--	(0.01)	(0.01)	0.01
Other income	3.72	3.85	3.85	3.82
Other expense	(4.47)	(4.64)	(4.52)	(4.46)
Income before taxes	2.64	2.65	2.62	2.59
Income tax provision	(0.94)	(0.93)	(0.94)	(0.93)
Return on average assets based on operating income	1.70 %	1.72 %	1.68 %	1.66 %

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Return on tangible average assets  
based on tangible operating income

	1.77 %	1.78 %	1.73 %	1.71 %
	=====	=====	=====	=====

### NET INTEREST INCOME

Net interest income for the second quarter of 2002 amounted to \$250.0 million compared to \$201.2 million reported for the second quarter of 2001. Loan growth and increased spreads on loan products, the impact of the banking purchase acquisitions and the downward re-pricing of retail deposit funding sources all contributed to the \$48.8 million increase in net interest income. Factors negatively affecting net interest income included the ongoing process of lengthening liabilities in order to reduce future volatility in net interest income due to interest rate movements, the cost of treasury share repurchases and the cash expenditures for acquisitions.

Average earning assets in the second quarter of 2002 increased \$2.0 billion or 8.6% compared to the same period a year ago. Average loans accounted for \$2.5 billion of the growth in earning assets compared to the second quarter of last year, while average investment securities and other short-term investments declined \$0.5 billion. The Corporation estimates that approximately \$2.3 billion of average earning asset growth was attributable to the banking related purchase acquisitions.

Average interest bearing liabilities increased \$1.4 billion or 7.0% in the second quarter of 2002 compared to the same period in 2001. Since the second quarter of 2001, total average interest bearing deposits decreased \$0.8 billion. Average total short-term borrowings were relatively unchanged while average long-term borrowings increased \$0.7 billion. The Corporation estimates that approximately \$1.8 billion of the growth in average interest bearing liabilities in the three months ended June 30, 2002, was attributable to the banking related purchase acquisitions.

Average noninterest bearing deposits increased \$0.6 billion or 23.2% compared to the same period last year. Approximately \$0.4 billion of average noninterest bearing deposits in the three months ended June 30, 2002 are attributable to the banking related purchase acquisitions.

The growth and composition of the Corporation's quarterly average loan portfolio for the current quarter and previous four quarters are reflected in the following table. (\$ in millions):

### Consolidated Average Loans and Leases

	2002		2001			Growth
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	Annual
Commercial						
Commercial	\$ 6,087	\$ 5,848	\$ 5,680	\$ 5,640	\$ 5,328	14.2 %
Commercial real estate						
Commercial mortgages	5,491	5,228	5,071	4,831	4,625	18.7
Construction	697	625	534	520	538	29.6

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Total commercial real estate	6,188	5,853	5,605	5,351	5,163	19.9
Commercial lease financing	391	410	399	394	382	2.3
Total Commercial	12,666	12,111	11,684	11,385	10,873	16.5
Personal						
Residential real estate						
Residential mortgages	2,371	2,346	2,444	2,303	2,384	(0.5)
Construction	137	131	142	120	122	12.6
Total residential real estate	2,508	2,477	2,586	2,423	2,506	0.1
Personal loans						
Student	116	117	105	94	133	(12.3)
Credit card	163	164	161	174	184	(11.4)
Home equity loans and lines	3,518	3,176	2,944	2,723	2,641	33.2
Other	934	876	912	927	864	8.1
Total personal loans	4,731	4,333	4,122	3,918	3,822	23.8
Personal lease financing	488	530	572	612	668	(27.0)
Total personal	7,727	7,340	7,280	6,953	6,996	10.5
Total Consolidated Average						
Loans and Leases	\$ 20,393	\$ 19,451	\$ 18,964	\$ 18,338	\$ 17,869	14.1 %

Compared with the second quarter of 2001, total consolidated average loans and leases increased \$2.5 billion or 14.1%. Approximately \$1.9 billion of average total consolidated loan and lease growth in the second quarter of 2002 is attributable to acquisitions of which, approximately \$0.7 billion is the estimated impact on average loans resulting from the Richfield and Century acquisitions which closed March 1, 2002. Excluding the impact of acquisitions, average commercial loans declined \$0.2 billion while average commercial real estate loans grew approximately \$0.7 billion. Portfolio decreases in indirect

auto loans and leases and student loans, tighter spread products, were offset by growth in consumer and home equity portfolios, both wider spread products. Approximately \$0.1 billion of indirect auto loan production was securitized and sold in the current quarter. Excluding the impact of acquisitions, average consumer loans grew approximately \$0.4 billion. The decline in average residential real estate loans, excluding acquisitions, reflects the continued strategy of selling residential real estate loan production in the secondary market although recently, selected loans with wider spreads and adjustable rate characteristics have been retained in the portfolio and serve as a potential source of liquidity in the future. From a production standpoint, loan applications increased approximately 20% and loan closings increased approximately 8% compared to the first quarter of this year. Residential real estate loans sold to investors amounted to \$0.4 billion in the second quarter of 2002 compared to \$0.7 billion in the second quarter of the prior year.

Commercial loan growth came from new business relationship activities. The Corporation's commercial lending activities have historically fared well as the economy strengthens and it anticipates loan demand will slowly strengthen reflecting the condition of its markets in future quarters. Home equity loans

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and lines, which includes M&I's wholesale activity, continue to be the primary core consumer loan product and demand for these loans continues to be strong across the entire organization. The Corporation anticipates these products will continue to drive growth to the consumer side of its banking activities.

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

Consolidated Average Deposits						
	2002		2001		Growth	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter		Second Quarter
Bank issued deposits						
Noninterest bearing deposits						
Commercial	\$ 2,275	\$ 2,160	\$ 2,225	\$ 1,968	\$ 1,779	27.9 %
Personal	729	678	634	608	601	21.2
Other	357	346	388	365	347	2.6
Total noninterest bearing deposits	3,361	3,184	3,247	2,941	2,727	23.2
Interest bearing deposits						
Savings & NOW	2,252	1,994	1,877	1,784	1,719	31.0
Money market	5,727	5,844	5,825	5,563	5,368	6.7
Foreign activity	686	694	704	640	532	29.0
Total interest bearing deposits	8,665	8,532	8,406	7,987	7,619	13.7
Time deposits						
Other CDs & time deposits	2,868	2,881	3,097	3,167	3,203	(10.4)
CDs greater than \$100,000	657	651	721	751	749	(12.4)
Total time deposits	3,525	3,532	3,818	3,918	3,952	(10.8)
Total bank issued deposits	15,551	15,248	15,471	14,846	14,298	8.8
Wholesale deposits						
Money market	75	83	78	--	222	(66.3)
Brokered CDs	1,621	1,043	872	1,517	1,740	(6.8)
Foreign time	1,348	658	487	624	939	43.5
Total wholesale deposits	3,044	1,784	1,437	2,141	2,901	5.0
Total consolidated average deposits	\$ 18,595	\$ 17,032	\$ 16,908	\$ 16,987	\$ 17,199	8.1 %

Average bank issued deposits increased \$1.3 billion or 8.1% in the second quarter of 2002 compared to the second quarter of 2001. Average bank issued deposits associated with the acquisitions were approximately \$1.7 billion of which approximately \$0.8 billion is the estimated impact on average bank issued deposits resulting from the Richfield and Century acquisitions. Excluding the effect of the acquisitions, noninterest bearing deposits increased \$0.2 billion while interest bearing activity accounts increased \$0.4 billion. The growth

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in transaction deposits reflects the successful sales focus on certain activity accounts particularly in the Arizona marketplace. Excluding acquisitions, average CDs and time deposits declined \$1.1 billion. M&I's markets have

experienced some irrational pricing on single service time deposit relationships to the extent of pricing time deposits above comparable wholesale levels which the Corporation has elected not to pursue. Recently the Corporation introduced two longer-term step-up CD products that provide consumers with an increasing rate over the term of the CD. Consumer reaction to these products has been favorable and consumers have shown some willingness to lengthen the terms of insured deposits as demonstrated by the slowing of bank-issued time deposit run-off from the first to second quarter of this year.

The growth in bank issued deposits includes both commercial and retail banking. In commercial banking, the focus remains on developing deeper relationships through the sale of treasury management products and services along with revised incentive plans focused on growing deposits. The retail banking strategy continues to focus on aggressively selling the right products to meet the needs of customers and enhance the Corporation's profitability. Specific retail deposit initiatives include bank-at-work, single service calling, and retention calling programs as well as an aggressive checking promotion in the Arizona market.

Compared with the second quarter of 2001, average wholesale deposits were relatively unchanged. The Corporation has made greater use of wholesale funding alternatives especially institutional CDs during the first half of 2002. Average wholesale deposits were \$1.6 billion greater in the current quarter compared with the fourth quarter of 2001.

The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the current quarter and prior year second quarter are presented in the following table (\$ in millions):

	Three Months Ended June 30, 2002			Three Months Ended June 30, 2001		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield Cost
Loans and leases: (a)						
Commercial	\$ 6,478.2	\$ 86.3	5.35 %	\$ 5,710.7	\$ 102.4	7.
Commercial real estate	6,187.6	103.1	6.68	5,162.4	102.0	7.
Residential real estate	2,508.2	44.3	7.08	2,505.9	46.5	7.
Personal	5,218.7	88.4	6.80	4,489.6	91.3	8.
<b>Total loans and leases</b>	<b>20,392.7</b>	<b>322.1</b>	<b>6.34</b>	<b>17,868.6</b>	<b>342.2</b>	<b>7.</b>
Investment securities: (a)						
Taxable	3,160.5	49.6	6.47	4,095.8	70.0	7.
Tax Exempt (a)	1,236.3	22.9	7.50	1,267.0	23.1	7.
<b>Total investment securities</b>	<b>4,396.8</b>	<b>72.5</b>	<b>6.76</b>	<b>5,362.8</b>	<b>93.1</b>	<b>7.</b>
Other short-term investments (a)	920.0	3.5	1.56	433.2	4.3	3.

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Total interest earning assets	\$ 25,709.5	\$ 398.1	6.24 %	\$ 23,664.6	\$ 439.6	7.0 %
Interest bearing deposits:						
Bank issued deposits:						
Interest bearing activity	\$ 8,665.4	\$ 26.8	1.24 %	\$ 7,618.9	\$ 62.2	3.0 %
Time deposits	3,525.0	28.8	3.27	3,952.0	56.3	5.0
Total bank issued deposits	12,190.4	55.6	1.83	11,570.9	118.5	4.0
Wholesale deposits	3,044.7	17.8	2.34	2,900.8	37.5	5.0
Total interest bearing deposits	15,235.1	73.4	1.93	14,471.7	156.0	4.0
Short-term borrowings	3,862.9	37.8	3.93	3,934.6	49.3	5.0
Long-term borrowings	2,414.2	28.9	4.81	1,697.2	24.9	5.0
Total interest bearing liabilities	\$ 21,512.2	\$ 140.1	2.61 %	\$ 20,103.5	\$ 230.2	4.0 %
Net interest margin (FTE) as a percent of average earning assets		\$ 258.0	4.04 %		\$ 209.4	3.0 %
Net interest spread (FTE)			3.63 %			2.0 %

(a) Fully taxable equivalent basis (FTE), assuming a Federal income tax rate of 35%, and excluding disallowed interest expense.

(b) Based on average balances excluding fair value adjustments for available for sale securities.

The yield on average earning assets decreased 124 basis points since the second quarter of 2001, which had a negative impact on interest income (FTE) of approximately \$77.5 million. The increase in the volume of earning assets, primarily loans and short term investments, increased interest income by approximately \$36.1 million compared with the second quarter of 2001. The cost of interest bearing deposits decreased 239 basis points from the same quarter of the previous year which reflects rate declines. The favorable shift in the bank issued deposit mix also provided a benefit to the interest margin. Both short-term and long-term borrowing costs decreased 109 basis points compared with the second quarter of 2001. The overall decrease in the cost of interest bearing liabilities of 198 basis points decreased interest expense by approximately \$107.9 million while the increase in the volume of interest bearing liabilities increased interest expense by approximately \$17.8 million.

The Corporation anticipates the net interest margin will decline a few basis points in the third quarter, with net interest income growing with internal growth and the acquisitions. The Corporation intends to continue to manage its interest rate risk sensitivity by extending liabilities. The net interest margin can vary depending on loan and deposit growth, lending spreads and future interest rate changes.

PROVISION FOR LOAN AND LEASE LOSSES AND CREDIT QUALITY

The following tables present comparative consolidated credit quality information as of June 30, 2002 and the prior four quarters.

NONPERFORMING ASSETS

(\$000's)



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	2002		2001		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quan
Nonaccrual	\$ 160,250	\$ 164,444	\$ 166,434	\$ 163,946	\$ 137,
Renegotiated	314	366	378	389	
Past due 90 days or more	6,560	5,520	6,982	7,185	7,
Total nonperforming loans and leases	167,124	170,330	173,794	171,520	144,
Other real estate owned	6,296	6,736	6,796	5,842	3,
Total nonperforming assets	\$ 173,420	\$ 177,066	\$ 180,590	\$ 177,362	\$ 148,
Allowance for loan and lease losses	\$ 292,512	\$ 284,179	\$ 268,198	\$ 264,736	\$ 244,

CONSOLIDATED STATISTICS

	2002		2001		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quan
Net Charge-offs to average loans and leases annualized	0.17 %	0.23 %	0.35 %	0.24 %	0
Total nonperforming loans and leases to total loans and leases	0.80	0.84	0.90	0.90	0
Total nonperforming assets to total loans and leases and other real estate owned	0.83	0.87	0.94	0.93	0
Allowance for loan and lease losses to total loans and leases	1.40	1.40	1.39	1.39	1
Allowance for loan and lease losses to nonperforming loans and leases	175	167	154	154	

NONACCRUAL LOANS AND LEASES BY TYPE

(\$000's)

	2002		2001		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quan
Commercial					
Commercial, financial & agricultural	\$ 62,349	\$ 65,513	\$ 70,256	\$ 78,623	\$ 54,
Lease financing receivables	3,993	4,876	12,041	2,022	1,

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Total commercial	66,342	70,389	82,297	80,645	56,
Real estate					
Construction & land development	1,399	533	720	1,063	2,
Commercial mortgage	40,933	39,436	34,546	38,117	38,
Residential mortgage	50,079	52,504	47,783	42,147	38,
Total real estate	92,411	92,473	83,049	81,327	79,
Personal	1,497	1,582	1,088	1,974	1,
Total nonaccrual loans and leases	\$ 160,250	\$ 164,444	\$ 166,434	\$ 163,946	\$ 137,

RECONCILIATION OF ALLOWANCE FOR LOAN AND LEASE LOSSES

(\$000's)

	2002		2001		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quar
Beginning balance	\$ 284,179	\$ 268,198	\$ 264,736	\$ 244,486	\$ 240,
Provision for loan and lease losses	16,980	15,196	20,109	12,206	10,
Allowance of banks and loans acquired	--	11,965	--	19,151	
Loans and leases charged-off					
Commercial	3,740	4,505	11,323	5,266	3,
Real estate	2,580	3,008	4,404	3,768	1,
Personal	3,086	2,939	3,253	2,768	2,
Leases	1,767	2,930	1,174	450	
Total charge-offs	11,173	13,382	20,154	12,252	8,
Recoveries on loans and leases					
Commercial	542	682	2,216	362	1,
Real estate	770	474	292	357	
Personal	840	733	954	354	
Leases	374	313	45	72	
Total recoveries	2,526	2,202	3,507	1,145	2,
Net loans and leases charge-offs	8,647	11,180	16,647	11,107	6,
Ending balance	\$ 292,512	\$ 284,179	\$ 268,198	\$ 264,736	\$ 244,

Nonperforming assets consist of nonperforming loans and leases and other real estate owned (OREO).

OREO is comprised of commercial and residential properties acquired in partial or total satisfaction of problem loans and branch premises held for sale. At June 30, 2002, OREO acquired in satisfaction of debts amounted to \$5.6 million and branch premises held for sale amounted to \$0.7 million.

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Nonperforming loans and leases consist of nonaccrual, renegotiated or restructured loans, and loans and leases that are delinquent 90 days or more and still accruing interest. The balance of nonperforming loans and leases can fluctuate widely based on the timing of cash collections, renegotiations and renewals.

Maintaining nonperforming assets at an acceptable level is important to the ongoing success of a financial services institution. The Corporation's comprehensive credit review and approval process is critical to ensuring that the amount of nonperforming assets on a long-term basis is minimized within the overall framework of acceptable levels of credit risk. In addition to the negative impact on net interest income and credit losses, nonperforming assets also increase operating costs due to the expense associated with collection efforts.

At June 30, 2002, nonperforming loans and leases amounted to \$167.1 million or 0.80% of consolidated loans and leases of \$20.9 billion, a decrease of \$3.2 million or 1.9% since March 31, 2002. Nonaccrual loans and leases accounted for \$4.2 million of the decline. Since the first quarter, nonaccrual commercial loans and leases declined \$4.0 million while nonaccrual commercial real estate and nonaccrual construction and land development increased \$1.5 million and \$0.9 million, respectively. Nonaccrual residential real estate loans declined \$2.4 million while nonaccrual consumer loans were relatively unchanged. At June 30, 2002, approximately \$34.9 million of nonperforming loans are related to the National City, Richfield and Century acquisitions.

Net charge-offs amounted to \$8.6 million or 0.17% of average loans in the second quarter of 2002 compared with net charge-offs of \$11.2 million or 0.23% of average loans in the first quarter of 2002 and \$6.6 million or 0.15% of average loans in the second quarter of the prior year.

Net charge-offs in the second quarter moved closer to the Corporation's historical levels. Compared to the first quarter, M&I's customers appear somewhat more pessimistic that signs of strengthening in the economy are evident. The Corporation believes that the communities it serves will continue to experience stress in the near term and until the economy demonstrates clear strengthening, some degree of uncertainty exists although it is considered very manageable at the present time.

### OTHER INCOME

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Total other income in the second quarter of 2002 amounted to \$264.2 million compared to \$237.5 million in the same period last year, an increase of \$26.7 million or 11.2%.

Total data processing services revenue amounted to \$146.3 million in the second quarter of 2002 compared to \$138.1 million in the second quarter of 2001 an increase of \$8.2 million or 5.9%. e-Finance solutions revenue increased \$6.0 million or 21.6% compared to the second quarter of 2001, but was relatively unchanged when compared with the first quarter of 2002. The purging activity of one large customer in the fourth quarter of last year and first quarter of this year along with the transition to one technology platform built on the Brokat technology, is expected to result in only modest linked revenue growth in electronic banking through year-end. With respect to the transition to one platform technology, the consumer product is now generally available with migrations ongoing and business migrations are expected to begin in the fall. The bill presentment and payment component of e-Finance continued to show strong linked quarter and year over year growth in active customers and transactions processed. Financial technology solutions revenue, the

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traditional outsourcing business, increased \$3.4 million or 3.1% led by electronic funds transfer and the card solutions group. In general, growth in this source of data processing services revenue has slowed due to continued bank consolidation and a weaker economy. Other revenue declined primarily due to lower professional services revenue.

Item processing revenue amounted to \$9.1 million in the second quarter of 2002 compared to \$12.0 million in the second quarter of 2001. During the latter part of 2001, the Corporation sold certain item processing relationships and also sold four Midwest item processing centers.

Trust services revenue amounted to \$31.4 million in the second quarter of 2002, an increase of \$0.8 million or 2.6% compared to \$30.6 million in the second quarter of 2001 and \$31.0 million in the first quarter of 2002. Acquisitions accounted for the majority of revenue growth. Assets under management were approximately \$12.9 billion at June 30, 2002 compared to \$13.0 billion at March 31, 2002, despite the poor performance of both the S&P 500 and NASDAQ in the current quarter.

Service charges on deposits increased \$4.8 million or 23.4% and amounted to \$25.2 million in the second quarter of 2002. Acquisitions accounted for approximately \$1.7 million of the revenue in the second quarter of 2002. The remainder of the increase was primarily attributable to service charges on commercial demand accounts.

Mortgage banking revenue decreased \$4.9 million in the second quarter of 2002 compared to the second quarter of 2001. Gains on the sale of mortgage loans accounted for the majority of the decrease which reflects the decreased sale activity as previously discussed.

Net investment securities losses in the second quarter of 2001 amounted to \$13.1 million. Net securities gains, recognized primarily by the Corporation's Capital Markets Group which vary from period to period, were approximately \$3.0 million. Securities losses of approximately \$16.0 million were recognized by the Corporation's Metavante subsidiary and related to equity investments held relating to the mortgage origination business as well as an equity investment whose technology was replaced by the technology acquired as a result of Metavante's acquisitions of Derivion and Cyberbills.

Life insurance revenue in the second quarter of 2002 includes approximately \$0.2 million from the banking related acquisitions.

Other income in the second quarter of 2002 amounted to \$37.6 million compared to \$30.3 million in the second quarter of 2001, an increase of \$7.3 million or 23.8%. Approximately \$2.2 million of the increase was attributable to the acquisitions. Other commissions and fees increased approximately \$2.9 million. Auto securitization income increased \$3.3 million of which \$3.9 million was due to a mark-to-market on trading assets associated with auto loans sold to the revolving conduit. The Corporation is planning a term securitization in the third quarter which is expected to eliminate the volatility associated with the trading asset. During the second quarter of 2001, the Corporation sold approximately \$46 million of student loans and recognized a gain of \$1.7 million.

### OTHER EXPENSE

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Total other expense for the three months ended June 30, 2002, amounted to \$318.0 million compared to \$342.2 million for the three months ended June 30, 2001.

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Nonrecurring expenses in the second quarter of 2001 consisted of the following:

Single charter related expenses which are included in other expenses in the Consolidated Statement of Income amounted to \$6.0 million. As previously discussed, this initiative was completed during the second quarter of 2001.

Included in amortization of intangibles for the three months ended June 30, 2001, is \$4.1 million of goodwill amortization which ceased to be amortized under the new accounting standard for goodwill and intangibles which was adopted on January 1, 2002.

During the second quarter of 2001, the Corporation's Metavante subsidiary implemented a reduction in force and realignment which included closing selected regional offices as well as a general reduction in force across all classes of employees in the Milwaukee metropolitan area. Approximately 400 positions were eliminated. Total costs were approximately \$11.0 million consisting primarily of severance of \$9.6 million, lease termination and other occupancy related exit costs of \$0.7 million and professional fees, including outplacement services of \$0.4 million. This initiative is complete.

Expenses and write-downs incurred in conjunction with the second quarter 2001 acquisitions of Derivion and Cyberbills and the loss from the sale of assets of a subsidiary amounted to \$3.8 million. Acquisition related costs of approximately \$2.8 million consisted of prepaid maintenance fees and capitalized software costs that were replaced by the acquired bill presentment and payment technology.

During the second quarter of 2001, a \$25.0 million charge was taken to write-down residual values of the Corporation's indirect auto lease portfolio.

Excluding these nonrecurring expenses, total other operating expense amounted to \$318.0 million in the second quarter of 2002 compared to \$292.2 million in the second quarter of 2001, an increase of \$25.8 million or 8.8%.

Approximately \$8.7 million of operating expenses, excluding salaries and benefits, in the second quarter of 2002 were attributable to the National City, Richfield, Century and Metavante's four purchase acquisitions which were included in M&I's operating expenses since their merger dates.

The Corporation's nonbanking businesses, especially its Data Services segment ("Metavante"), continue to be the primary contributors to operating expense growth. Excluding salaries and benefits expense, Metavante operating expense growth represents almost 60% of all of the consolidated operating expense growth and reflects the cost of its acquisitions as well as ongoing investments in software, technology research and development and infrastructure in potentially high-growth areas.

Expense control is sometimes measured in the financial services industry by the efficiency ratio statistic. The efficiency ratio is calculated by taking total other expense (excluding nonrecurring charges) divided by the sum of total other income (including Capital Markets revenue but excluding investment securities gains or losses) and net interest income on a fully taxable equivalent basis. The Corporation's efficiency ratios for the three months ended June 30, 2002 and 2001 and December 31, 2001 are:

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	Three Months Ended June 30, 2002	Three Months Ended March 31, 2002	Three Months Ended December 31, 2001
	-----	-----	-----
Consolidated Corporation	60.9 %	61.8 %	60.7 %
Consolidated Corporation Excluding Metavante			
Including Intangible Amortization	50.1 %	50.7 %	51.6 %
Excluding Intangible Amortization	49.1 %	49.9 %	50.3 %

Salaries and employee benefits expense amounted to \$185.3 million in the second quarter of 2002 compared to \$178.1 million in the second quarter of 2001, an increase of \$7.2 million. Excluding the severance charge of \$9.6 million in the second quarter of 2001 as previously discussed, operating salaries and benefits expense increased \$16.8 million or 10.0%. Operating salaries and employee benefits expense associated with the National City, Richfield and Century banking acquisitions and Metavante's four acquisitions was approximately \$15.6 million.

Occupancy and equipment expense in the second quarter of 2002 amounted to \$48.0 million. Approximately \$3.4 million of the expense in the current quarter was attributable to the banking and Metavante acquisitions.

Metavante's operating expense growth accounted for approximately \$1.0 million of the increase in software expenses in the second quarter of 2002 compared to the second quarter of 2001. Approximately \$0.5 million of the increase is due to its acquisitions.

Included in processing charges in the second quarter of 2001, are Metavante's nonrecurring charges of approximately \$1.9 million associated with prepaid maintenance as previously discussed.

Metavante and its acquisitions accounted for approximately \$1.2 million of the increase in professional services expense in the current quarter compared to same period last year. Banking including its related acquisitions contributed an additional \$1.0 million of expense in the second quarter of 2002 compared to the second quarter of 2001.

Excluding the effect of the new accounting standard on accounting for goodwill and intangibles, amortization expense increased \$0.4 million and was primarily attributable to increased core deposit intangible amortization in the current quarter offset, in part, by accelerated mortgage servicing rights amortization recognized in the second quarter of last year.

Other expense amounted to \$36.3 million in the second quarter of 2002 compared to \$67.1 million in the second quarter of 2001. Included in this category in the prior year quarter were nonrecurring charges aggregating \$33.2 million consisting of the single charter charges of \$6.0 million, the lease residual value write-down of \$25.0 million, Metavante acquisition related software write-downs of \$0.9 million, the loss on the sale of assets of a subsidiary of \$1.0 million and other miscellaneous charges related to Metavante's reduction in force and realignment all as previously discussed. Excluding these charges, other expense amounted to \$36.3 million in the current quarter compared to

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\$33.9 million in the second quarter of last year, an increase of \$2.4 million or 7.0%. An increase in litigation, environmental clean-up charges and other losses amounted to approximately \$3.8 million.

Other expense is affected by the capitalization of costs, net of amortization and write-downs associated with software development and customer data processing conversions. Net software and conversion capitalization was \$4.7 million in the second quarter of 2001 and in the current quarter amounted to \$6.0 million resulting in a decrease of \$1.3 million in other expense in the second quarter of 2002 compared to the second quarter of 2001.

### INCOME TAXES

-----

The provision for income taxes for the three months ended June 30, 2002 amounted to \$58.7 million or 32.8% of pre-tax income compared to \$26.1 million or 30.5% of pre-tax income for the three months ended June 30, 2001. The difference in the effective tax rates was primarily due to the relative proportion of tax-exempt income to total income before taxes. The relative proportion of tax-exempt income to total income before taxes was greater in the second quarter of 2001 due to the effect of the nonrecurring charges that were previously discussed.

### SIX MONTHS ENDED JUNE 30, 2002 AND 2001

-----

Net income for the six months ended June 30, 2002 amounted to \$236.1 million compared to \$145.8 million in the same period of 2001. Basic and diluted earnings per share were \$1.11 and \$1.07, respectively for the six months ended June 30, 2002 compared to \$0.70 and \$0.68, respectively for the same period last year. The year to date return on average equity was 17.87% in the current period and 12.72% for the six months ended June 30, 2001.

Net income for the first six months of 2001, includes certain losses and expenses incurred in connection with the previously announced structural changes and acquisitions at the Corporation's Metavante subsidiary, auto lease residual value write-downs, the final charge for the charter consolidation, the cumulative effect of the change in accounting for derivatives and hedging activities and certain goodwill amortization which ceased on January 1, 2002 as a result of adopting the new accounting standard for accounting for goodwill and other intangible assets. The impact of these items is shown in the following table (\$000's):

	Pre-tax Effect	Six Months ended June 30,	
		2002	2001
	-----	-----	-----
Income as Reported		\$ 236,056	\$ 145,84
Nonrecurring Losses and Expenses:			
Metavante Subsidiary			
Reduction in force and realignment	\$ 11,028		
Investment losses	16,057		
Acquisition related	3,843		
	-----	-----	-----
Total Metavante Subsidiary	30,928	--	18,58
Auto Lease Residual Value Write-downs	25,000		15,84
Charter Consolidations	11,952		8,46
Change in Accounting:			

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Derivatives and Hedging Activities	671	43
Goodwill Amortization	8,040	7,29
	-----	-----
Total Nonrecurring Losses and Expenses	--	50,62
	-----	-----
Operating Income	\$ 236,056	\$ 196,47
	=====	=====

The following tables present a summary of each of the major elements of the consolidated operating income statement, certain financial statistics and a summary of the major operating income statement elements stated as a percent of average consolidated assets converted to a fully taxable equivalent basis (FTE) where appropriate for the six months ended June 30, 2002 and 2001, respectively. Operating income for the six months ended June 30, 2001 excludes the nonrecurring items previously discussed. Return on tangible equity is based on operating income before amortization of intangibles. Amortization includes amortization of goodwill and core deposit premiums and is net of the income tax expense or benefit, if any, related to each component. These calculations were specifically formulated by the Corporation and may not be comparable to similarly titled measures reported by other companies.

Summary Consolidated Operating Income Statements and Financial Statistics

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(\$000's except per share data)

	Six Months Ended June 30,	
	2002	2001
	-----	-----
Interest income	\$ 770,550	\$ 883,881
Interest expense	(280,275)	(496,868)
Net interest income	490,275	387,013
Provision for loan and lease losses	(32,176)	(21,800)
Net investment securities (losses)	(866)	9,096
Other income	524,022	491,020
Other expense	(631,620)	(572,691)
Income before taxes	349,635	292,638
Income tax provision	(113,579)	(96,163)
Operating income	\$ 236,056	\$ 196,475
	=====	=====
Per Common Share		
Operating income		
Basic	\$ 1.11	\$ 0.94
Diluted	1.07	0.91
Dividends	0.305	0.278
Return on Average Equity		
Operating income	17.87 %	17.14 %



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Return on Average Tangible Equity                      23.83                      19.88

Summary Consolidated Operating Income Statement Components

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as a Percent of Average Total Assets  
-----

	Six Months Ended June 30,	
	2002	2001
	-----	-----
Interest income (FTE)	5.68 %	6.97 %
Interest expense	(2.02)	(3.85)
	-----	-----
Net interest income	3.66	3.12
Provision for loan and lease losses	(0.23)	(0.17)
Net investment securities (losses)	(0.01)	0.07
Other income	3.79	3.81
Other expense	(4.56)	(4.45)
	-----	-----
Income before taxes	2.65	2.38
Income tax provision	(0.94)	(0.86)
	-----	-----
Return on average assets based on operating income	1.71 %	1.52 %
	=====	=====
Return on tangible average assets based on tangible operating income	1.77 %	1.56 %
	=====	=====

The increase in operating income was primarily due to growth in net interest income of \$103.3 million or 26.7% and was driven by the same factors enumerated in the previous discussion of quarterly results. Noninterest operating income increased 4.6% and was driven by data processing services revenue. The provision for loan and lease losses increased \$10.4 million and other operating expenses increased \$58.9 million. As previously discussed, the results of operations and financial position for the six months ended June 30, 2002 includes the impact of both the banking and Metavante related acquisitions closed since June 30, 2001.

The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the current six months and prior year six months are presented in the following table (\$ in millions):

Six Months Ended  
June 30, 2002

Six Months Ended  
June 30, 2001

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	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield Cost
Loans and leases (a)						
Commercial	\$ 6,368.6	\$ 169.7	5.37 %	\$ 5,677.4	\$ 214.1	7
Commercial real estate	6,021.2	201.9	6.76	5,043.7	201.8	8
Residential real estate	2,492.5	88.3	7.14	2,520.3	94.5	7
Personal	5,042.1	172.7	6.91	4,502.3	186.3	8
Total loans and leases	\$ 19,924.4	\$ 632.6	6.40 %	\$ 17,743.7	\$ 696.7	7
Investment securities:						
Taxable	3,047.3	100.4	6.83	4,291.1	148.0	7
Tax Exempt (a)	1,232.8	45.5	7.51	1,280.4	45.7	7
Other short-term investments (a)	1,007.3	8.1	1.62	390.8	8.8	4
Total interest earning assets	\$ 25,211.8	\$ 786.6	6.31 %	\$ 23,706.0	\$ 899.2	7
Interest bearing deposits:						
Bank issued deposits:						
Interest bearing activity	\$ 8,598.9	\$ 54.2	1.27 %	\$ 7,463.5	\$ 136.8	3
Time deposits	3,528.7	61.3	3.50	4,084.0	117.8	5
Total bank issued deposits	12,127.6	115.5	1.92	11,547.5	254.6	4
Wholesale deposits	2,417.9	28.8	2.40	3,197.1	88.5	5
Total interest bearing deposits	14,545.5	144.3	2.00	14,744.6	343.1	4
Short-term borrowings	4,166.9	76.7	3.71	3,806.4	103.4	5
Long-term borrowings	2,420.9	59.3	4.94	1,654.6	50.4	6
Total interest bearing liabilities	\$ 21,133.3	\$ 280.3	2.67 %	\$ 20,205.6	\$ 496.9	4
Net interest margin (FTE) as a percent of average earning assets		\$ 506.3	4.07 %		\$ 402.3	3
Net interest spread (FTE)			3.64 %			2

(a) Fully taxable equivalent basis (FTE), assuming a Federal income tax rate of 35%, and excluding disallowed interest expense.

(b) Based on average balances excluding fair value adjustments for available for sale securities.

LIQUIDITY AND CAPITAL RESOURCES

Shareholders' equity was \$2.71 billion at June 30, 2002 compared to \$2.49 billion at December 31, 2001 and \$2.36 billion at June 30, 2001.

During the first quarter of 2002, the Corporation issued 6.2 million shares of its common stock, adjusted for the two-for-one stock split, with an aggregate value of \$186.6 million in the purchase acquisitions of Richfield and Century. During the second quarter of 2002, the Corporation issued 0.3 million shares of treasury common stock to fund its qualified employee stock purchase plan.

The Corporation acquired 3.3 million shares of its common stock during the second quarter of 2002 at an aggregate cost of \$102.0 million and has purchased a total of 4.8 million shares, adjusted for the two-for-one stock split, at an

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aggregate cost of \$150.5 million in the six months ended June 30, 2002.

The Corporation continues to have a strong capital base and its regulatory capital ratios are significantly above the minimum requirements as shown in the following tables.

RISK-BASED CAPITAL RATIOS

(\$ in millions)

	June 30, 2002		December 31, 2001	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital	\$ 2,165	9.19 %	\$ 2,091	9.70 %
Tier 1 Capital Minimum Requirement	943	4.00	862	4.00
Excess	\$ 1,222	5.19 %	\$ 1,229	5.70 %
Total Capital	\$ 2,874	12.20 %	\$ 2,775	12.88 %
Total Capital Minimum Requirement	1,884	8.00	1,724	8.00
Excess	\$ 990	4.20 %	\$ 1,051	4.88 %
Risk-Adjusted Assets	\$ 23,554		\$ 21,555	

LEVERAGE RATIOS

(\$ in millions)

	June 30, 2002		December 31, 2001	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital	\$ 2,165	7.82 %	\$ 2,091	7.93 %
Minimum Leverage Requirement	831 - 1,384	3.00 - 5.00	791 - 1,318	3.00 - 5.00
Excess	\$ 1,334 - 781	4.82 - 2.82 %	\$ 1,300 - 773	4.93 - 2.93 %
Adjusted Average Total Assets	\$ 27,680		\$ 26,371	

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

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The Corporation's most readily available source of liquidity is its investment portfolio. Investment securities available for sale, which totaled \$3.7 billion at June 30, 2002, represent a highly accessible source of liquidity. The Corporation's portfolio of held-to-maturity investment securities, which totaled \$1.0 billion at June 30, 2002, provides liquidity from maturities and amortization payments. The Corporation's mortgages held-for-sale provide additional liquidity. These loans represent recently funded home mortgage loans that are prepared for delivery to investors, which generally occurs within thirty to ninety days after the loan has been funded.

Depositors within M&I's defined markets are another source of liquidity. Core deposits (demand, savings, money market and consumer time deposits) averaged \$15.4 billion for the six months ended June 30, 2002. The Corporation's banking affiliates may also access the federal funds markets or utilize collateralized borrowings such as treasury demand notes or FHLB advances. Additionally, the banking affiliates may use brokered deposits and limited off-balance sheet structures such as those discussed in Note 9 to the Consolidated Financial Statements contained in Item 8 of the Corporation's Form 10-K and updated in Note 7 herein.

The Corporation's lead bank ("Bank") has a bank note program which permits it to issue up to \$5.0 billion of short-term and medium-term notes which are offered and sold only to institutional investors. This program is intended to enhance liquidity by enabling the Bank to sell its debt instruments in private markets in the future without the delays which would otherwise be incurred. No bank notes were issued during the six months ended June 30, 2002. In addition, the Corporation's thrift issues commercial paper which is offered and sold only to institutional investors.

The national capital markets represent a further source of liquidity to M&I. M&I has filed a shelf registration which is intended to permit M&I to raise funds through sales of Corporate medium-term notes with a relatively short lead time. Under the shelf registration, the Corporation may issue up to \$0.5 billion of medium-term Series E notes with maturities ranging from 9 months to 30 years and at fixed or floating rates. No Series E notes were issued during the six months ended June 30, 2002. In May 2002, the Corporation began offering MiNotes which are medium-term notes with maturities ranging from 9 months to 30 years and at fixed or floating rates. Up to \$0.5 billion aggregate principal amount of MiNotes may be offered from time to time on terms determined at the time of sale. The minimum denomination of the notes will be one thousand dollars and integral multiples of one thousand dollars. As of June 30, 2002, \$17.3 million of MiNotes have been issued. Additionally, the Corporation has a commercial paper program. At June 30, 2002, commercial paper outstanding amounted to \$0.3 billion.

Short-term borrowings represent contractual debt obligations with maturities of one year or less and amounted to \$5.7 billion at June 30, 2002. Other obligations include maturities of longer-term borrowings, future minimum lease payments on facilities and equipment and commitments to extend credit and letters of credit all as described in the Notes to Consolidated Financial Statements contained in Item 8 of the Corporations Annual Report on Form 10-K. Under Federal Reserve Board policy, the Corporation is expected to act as a source of financial strength to each subsidiary bank in circumstances when it might not do so absent such policy.

Long-term borrowings amounted to \$1.7 billion at June 30, 2002. Scheduled maturities are: \$125.7 million, \$6.0 million, \$10.6 million and \$787.1 million for the fiscal twelve months ended June 30, 2004, 2005, 2006 and 2007,

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respectively. Scheduled maturities through June 30, 2003, of \$785.6 million are included in other short-term borrowings in the consolidated balance sheet as of June 30, 2002.

At June 30, 2002, unused commitments to extend credit in the form of loans amounted to \$9.8 billion. At June 30, 2002, standby letters of credit amounted to \$977.1 million and commercial letters of credit amounted to \$68.1 million. Since many commitments to extend credit expire without being drawn upon and letters of credit are contingent commitments, the amounts outstanding at any time do not necessarily represent future cash requirements.

### CRITICAL ACCOUNTING POLICIES

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

#### Allowance for Loan and Lease Losses

-----

The allowance for loan and lease losses is determined using a methodology which reserves currently for those loans and leases in which it is determined that a loss is probable based on characteristics of the individual loan, historical loss patterns of similar "homogeneous" loans and environmental factors unique to each measurement date. This reserving methodology has the following components:

##### Specific Reserve.

-----

The amount of specific reserves is determined through a loan-by-loan analysis of problem loans over a minimum size that considers expected future cash flows, the value of collateral and other factors that may impact the borrower's ability to make payments when due. Included in this group are those nonaccrual or renegotiated loans, which meet the criteria as being "impaired" under the definition in SFAS 114. A loan is impaired when, based on current information and events, it is probable that a creditor will be unable to collect all amounts due according to the contractual terms of the loan agreement. Problem loans also include those credits that have been internally classified as credits requiring management's attention due to underlying problems in the borrower's business or collateral concerns. Ranges of loss are determined based on best-and worst-case scenarios for each loan.

##### Collective Loan Impairment.

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This component of the of the allowance for loan and lease losses is based

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on the following:

The Corporation makes a significant number of loans and leases, which due to their underlying similar characteristics, are assessed for loss as "homogeneous" pools. Included in the homogeneous pools are loans and leases from the retail sector and commercial loans under a certain size, which have been excluded from the specific reserve allocation previously discussed. The Corporation segments the pools by type of loan or lease and using historical loss information estimates a loss reserve for each pool.

The Corporation's senior lending management also allocates reserves for environmental conditions which are unique to the measurement period. These include environmental factors, such as economic conditions in certain geographical or industry segments of the portfolio, economic trends in the retail lending sector and peer-group loss history. Reserves allocated are based on estimates of loss that senior lending management has isolated based on these economic trends or conditions. At June 30, 2002, special reserves continue to be carried for exposures to the airline and travel industries, manufacturing, paper and allied products and production agriculture which includes the dairy industry and cropping operations. While most loans in these categories are still performing, the Corporation continues to believe that these sectors were more adversely affected by the economic slowdown and deteriorating operating results and the potential for reduced collateral values, especially in a liquidation, have not exhibited a significant improvement since year end.

Based on the above loss estimates, senior lending and financial management determine their best estimate of the required reserve. Management's evaluation of the factors described above resulted in an allowance for loan and lease losses of \$292.5 million at June 30, 2002 compared to \$284.2 million at March 31, 2002 and \$268.2 million at December 31, 2001. The resulting provisions for loan and lease losses are the amounts required to establish the allowance for loan and lease losses to the required level after considering charge-offs and recoveries. Management recognizes there are significant estimates in the process and the ultimate losses could be significantly different from those currently estimated.

### Capitalized Software and Conversion Costs

-----

Direct costs associated with the production of computer software that will be marketed or used in data processing operations are capitalized. Capitalization of such costs is subject to strict accounting policy criteria however, the appropriate time to initiate capitalization requires management judgment. Once the specific capitalized project is put into production, the software cost is amortized over its estimated useful life, generally four years. Each quarter, the Corporation performs net realizable value tests to ensure the assets are recoverable. Such tests require management judgment as to the future sales and profitability of a particular product which involves, in some cases, multi year projections. Technology changes and changes in customer requirements can have a significant impact on the recoverability of these assets and can be difficult to predict. Should significant adverse changes occur, estimates of useful life may have to be revised or write-offs would be required to recognize impairment. The amount of software capitalized in the second quarter of 2002 and 2001 amounted to \$16.1 million and \$10.6 million, respectively. Amortization

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expense amounted to \$8.6 million and \$5.8 million in the second quarter of 2002 and 2001, respectively.

Direct costs associated with customer system conversions to the data processing operations are capitalized and amortized on a straight line basis over the terms, generally five to seven years, of the related servicing contract. Capitalization only occurs when management is satisfied that such costs are recoverable through future operations or penalties in case of early termination. The amount of conversion expenses capitalized in the second quarter of 2002 and 2001 amounted to \$2.8 million and \$4.7 million, respectively. Amortization expense amounted to \$4.4 million and \$4.8 million in the second quarter of 2002 and 2001, respectively.

Net unamortized costs were (\$ in millions):

	June 30, 2002	June 30, 2001
	-----	-----
Software	\$ 124.8	\$ 112.7
Conversions	39.0	50.9
	-----	-----
	\$ 163.8	\$ 163.6
	=====	=====

### Asset Sales

-----

The Corporation sells assets to unconsolidated entities that securitize the assets. The Corporation retains interests in the securitized assets in the form of servicing rights, interest-only strips, interest rate swaps and cash reserve accounts. Gain or loss on the sale of the assets depends in part on the carrying amount assigned to the assets sold and the retained interests. The value of the retained interests, both initially and on an on-going basis, are based on the present value of future cash flows. Future expected cash flows represent management's best estimates of the key assumptions - credit losses, prepayment speeds, forward yield curves and discount rates - commensurate with the risks involved. The Corporation reviews the carrying values of the retained interests monthly to determine if there is a decline in value that is other than temporary and periodically reviews the propriety of the assumptions used based on current historical experience as well as the sensitivities of the carrying values of the retained interests to adverse changes in the key assumptions. The Corporation believes that its estimates result in a reasonable carrying value of the retained interests.

The Corporation regularly sells indirect automobile loans to an unconsolidated multi-seller asset backed commercial paper conduit in securitization transactions in which servicing responsibilities and subordinated interests are retained. The Corporation also sells, from time to time, highly rated available for sale investment securities and/or short-term commercial loans to an unconsolidated bankruptcy remote qualifying special purpose entity whose activities are limited to issuing highly rated asset-backed commercial paper with maturities up to 180 days which is used to finance the purchase of the investment securities and/or loans. Liquidity back-up and credit enhancement facilities are provided by the Corporation's lead bank. Under certain circumstances, these facilities would require the Bank to purchase sufficient investment securities or commercial loans from the entity to accommodate maturing commercial paper, which could result in a loss to the Bank. However, based on the quality of the assets that were sold at no gain or loss, the Corporation believes that the probability of a purchase and recognition of

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loss is remote.

The outstanding balances of assets sold in securitization transactions consisted of the following (\$ in millions):

	June 30, 2002	June 30, 2001
Consumer - automobile loans	\$ 520.6	\$ 302.2
Investment securities	290.8	231.9
Commercial loans	50.7	--
	\$ 862.1	\$ 534.1

At June 30, 2002 and 2001, the carrying amount of retained interests amounted to \$36.0 million and \$26.7 million, respectively.

### FORWARD-LOOKING STATEMENTS

Items 2 and 3 of this Form 10-Q, "Management's Discussion and Analysis of Financial Position and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk," respectively, contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, statements regarding operating activities and results. Such statements are subject to important factors that could cause the Corporation's actual results to differ materially than those anticipated by the forward-looking statements. These factors include those referenced in the Corporation's Annual Report on Form 10-K for the period ending December 31, 2001 or as may be described from time to time in the Corporation's subsequent SEC filings, and such factors are incorporated herein by reference.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following updated information should be read in conjunction with the Corporation's 2001 Annual Report on Form 10-K. Updated information regarding the Corporation's use of derivative financial instruments is contained in Note 10, Notes to Financial Statements contained in Item 1 herein.

Market risk arises from exposure to changes in interest rates, exchange rates, commodity prices, and other relevant market rate or price risk. The Corporation faces market risk through trading and other than trading activities. While market risk that arises from trading activities in the form of foreign exchange and interest rate risk is immaterial to the Corporation, market risk from other than trading activities in the form of interest rate risk is measured and managed through a number of methods.

#### Interest Rate Risk

The Corporation uses financial modeling techniques to identify potential changes in income under a variety of possible interest rate scenarios. Financial institutions, by their nature, bear interest rate and liquidity risk as a necessary part of the business of managing financial assets and liabilities. The Corporation has designed strategies to limit these risks within prudent parameters and identify appropriate risk/reward tradeoffs in the financial structure of the balance sheet.



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The financial models identify the specific cash flows, repricing timing and embedded option characteristics of the assets and liabilities held by the Corporation. Policies are in place to assure that neither earnings nor fair value at risk exceed appropriate limits. The use of a limited array of derivative financial instruments has allowed the Corporation to achieve the desired balance sheet repricing structure while simultaneously meeting the desired objectives of both its borrowing and depositing customers.

The models used include measures of the expected repricing characteristics of administered rate (NOW, savings and money market accounts) and non-rate related products (demand deposit accounts, other assets and other liabilities). These measures recognize the relative insensitivity of these accounts to changes in market interest rates, as demonstrated through current and historical experiences. In addition to contractual payment information for most other assets and liabilities, the models also include estimates of expected prepayment characteristics for those items that are likely to materially change their payment structures in different rate environments, including residential mortgage products, certain commercial and commercial real estate loans and certain mortgage-related securities. Estimates for these sensitivities are based on industry assessments and are substantially driven by the differential between the contractual coupon of the item and current market rates for similar products.

This information is incorporated into a model that allows the projection of future income levels in several different interest rate environments. Earnings at risk is calculated by modeling income in an environment where rates remain constant, and comparing this result to income in a different rate environment, and then dividing this difference by the Corporation's budgeted operating income before taxes for the calendar year. Since future interest rate moves are difficult to predict, the following table presents two potential scenarios - a gradual increase of 100bp across the entire yield curve over the course of a year (+25bp per quarter), and a gradual decrease of 100bp across the entire yield curve over the course of a year (-25bp per quarter) for the balance sheet as of the indicated dates:

Hypothetical Change in Interest Rate	Impact to Annual Pretax Income as of	
	June 30, 2002	March 31, 2002
100 basis point gradual:		
Rise in rates	(0.5)%	(0.9)%
Decline in rates	(0.3)%	0.2 %

These results are based solely on the modeled parallel changes in market rates, and do not reflect the earnings sensitivity that may arise from other factors such as changes in the shape of the yield curve, the changes in spread between key market rates, or accounting recognition for impairment of certain intangibles. These results are also considered to be conservative estimates due to the fact that they do not include any management action to mitigate potential income variances within the simulation process. Such action could potentially include, but would not be limited to, adjustments to the repricing characteristics of any on- or off-balance sheet item with regard to short-term rate projections and current market value assessments.

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

Another component of interest rate risk is measuring the fair value at risk for a given change in market interest rates. The Corporation also uses computer modeling techniques to determine the present value of all asset and liability cash flows (both on- and off-balance sheet), adjusted for prepayment expectations, using a market discount rate. The net change in the present value of the assets and liability cash flows in different market rate environments is the amount of fair value at risk from those rate movements. As of June 30, 2002 the fair value of equity at risk for a gradual 100bp shift in rates was less than 2.0% of the market value of the Corporation.

Equity Risk

In addition to interest rate risk, the Corporation incurs market risk in the form of equity risk. M&I's Capital Markets Group invests in private, medium-sized companies to help establish new businesses or recapitalize existing ones. Exposure to the change in equity values for the companies that are held in their portfolio exist, however, fair values are difficult to determine until an actual sale or liquidation transaction actually occurs.

As of June 30, 2002, M&I Trust Services administered \$57.4 billion in assets and directly managed a portfolio of \$12.9 billion. Exposure exists to changes in equity values due to the fact that fee income is partially based on equity balances. While this exposure is present, quantification remains difficult due to the number of other variables affecting fee income. Interest rate changes can also have an effect on fee income for the above stated reasons.

PART II - OTHER INFORMATION

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

- A. The Corporation held its Annual Meeting of Shareholders on April 23, 2002.
- B. Votes cast for the election of six directors to serve until the 2005 Annual Meeting of Shareholders are as follows:

Director	For	Withheld	Abstentions	Non-Vote
David L. Andreas	83,939,358	1,592,667	--	--
Timothy E. Hoeksema	83,949,418	1,582,607	--	--
John A. Mellowes	83,861,704	1,670,321	--	--
Robert J. O'Toole	83,859,501	1,672,524	--	--
Robert A. Schaefer	83,932,028	1,599,997	--	--
John S. Shiely	83,940,788	1,591,237	--	--

The continuing directors of the Corporation are as follows:

Richard A. Abdo	Jon F. Chait
Wendell F. Bueche	Bruce E. Jacobs
Ted D. Kellner	Donald R. Johnson
Katharine C. Lyall	Dennis J. Kuester
Peter M. Platten, III	Edward L. Meyer, Jr.
James A. Urdan	San W. Orr, Jr.
James B. Wigdale	George E. Wardeberg

Votes cast for approving the Corporation's Annual Executive Incentive

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Compensation Plan are as follows:

For	Against	Abstentions	Non-Vote
77,906,968	5,751,963	1,873,094	--

### Item 6 - Exhibits and Reports on Form 8-K

#### A. Exhibits:

Exhibit 10.1 - Change of Control Agreement dated as of May 20, 2002 between the Corporation and Nancy A. Maas.

Exhibit 10.2 - Change of Control Agreement dated as of May 31, 2002 between the Corporation and Randall J. Erickson.

Exhibit 11 - Statements - Computation of Earnings Per Share, Incorporated by Reference to NOTE 4 of Notes to Financial Statements contained in Item 1 - Financial Statements (unaudited) of Part 1 - Financial Information herein.

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

#### B. Reports on Form 8-K:

On May 3, 2002, the Corporation reported Items 5 and 7 in a Current Report on Form 8-K relating to the offering of \$1,500,000,000 of medium term notes.

On May 7, 2002, the Corporation reported Items 4 and 7 in a Current Report on Form 8-K in connection with the change to Deloitte & Touche LLP as its new independent accountants.

On June 17 and June 20, 2002 the Corporation reported Items 5 and 7 in Current Reports on Form 8-K in connection with the Corporation's agreement to acquire Mississippi Valley Bancshares, Inc.

#### 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/ Patricia R. Justiliano

Patricia R. Justiliano  
Senior Vice President and  
Corporate Controller

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(Chief Accounting Officer)

/s/ James E. Sandy

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James E. Sandy  
Vice President

August 13, 2002

EXHIBIT INDEX

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Exhibit Number	Description of Exhibit
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(10.1)	Change of Control Agreement dated as of May 20, 2002 between the Corporation and Nancy A. Maas.
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(11)	Statements - Computation of Earnings Per Share, Incorporated by Reference to NOTE 4 of Notes to Financial Statements contained in Item 1 - Financial Statements (unaudited) of Part 1 - Financial Information herein
(12)	Computation of Ratio of Earnings to Fixed Charges