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MARSHALL & ILSLEY CORP/WI/  
Form 10-Q  
November 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 September 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 is an accelerated filer  
(as defined by Rule 12b-2 of the Exchange Act). Yes  No

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 October 31, 2002 -----
Common Stock, \$1.00 Par Value	218,346,913

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2002	December 31, 2001	Septe
	-----	-----	-----
<b>Assets</b>			
-----			
Cash and cash equivalents:			
Cash and due from banks	\$ 886,035	\$ 617,183	\$
Federal funds sold and security resale agreements	15,964	119,561	
Money market funds	206,440	827,021	
	-----	-----	-----
Total cash and cash equivalents	1,108,439	1,563,765	1
Investment securities:			
Trading securities, at market value	27,484	6,119	
Short-term investments, at cost			
which approximates market	50,755	41,668	
Available for sale at market value	3,821,691	3,383,632	3
Held to maturity at amortized cost,			
market value \$1,296,782			
(\$1,049,952 December 31, and			
\$1,101,318 September 30, 2001)	1,230,989	1,032,093	1
	-----	-----	-----
Total investment securities	5,130,919	4,463,512	4
Loans and leases	21,436,901	19,295,372	18
Less: Allowance for loan and lease losses	300,628	268,198	
	-----	-----	-----
Net loans and leases	21,136,273	19,027,174	18
Premises and equipment	408,944	393,030	
Goodwill	667,467	524,748	
Other intangibles	79,972	63,337	
Accrued interest and other assets	1,546,768	1,218,168	1
	-----	-----	-----
Total Assets	\$ 30,078,782	\$ 27,253,734	\$ 27
	=====	=====	=====
<b>Liabilities and Shareholders' Equity</b>			
-----			
Deposits:			
Noninterest bearing	\$ 3,940,870	\$ 3,558,571	\$ 3
Interest bearing	13,728,288	12,934,476	13
	-----	-----	-----
Total deposits	17,669,158	16,493,047	16
Funds purchased and security repurchase agreements	1,013,256	1,111,412	1
Other short-term borrowings	5,579,981	4,745,830	4
Accrued expenses and other liabilities	920,086	850,300	
Long-term borrowings	2,174,739	1,560,177	1
	-----	-----	-----

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Total liabilities	27,357,220	24,760,766	24
Shareholders' equity:			
-----			
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 September 30, 2001)	240,833	117,302	
Additional paid-in capital	751,991	698,289	
Retained earnings	2,586,191	2,331,776	2
Accumulated other comprehensive income, net of related taxes	(30,404)	40,600	
Less: Treasury common stock, at cost: 30,815,860 shares (13,352,817 December 31, and 10,795,640 September 30, 2001)	806,014	673,494	
Deferred compensation	21,371	21,841	
	-----	-----	-----
Total shareholders' equity	2,721,562	2,492,968	2
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$ 30,078,782	\$ 27,253,734	\$ 27
	=====	=====	=====

See notes to financial statements.

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

	Three Months Ended September	
	2002	2001
	-----	-----
Interest income		
-----		
Loans and leases	\$ 325,954	\$ 339,22
Investment securities:		
Taxable	49,826	64,00
Exempt from federal income taxes	15,069	15,50
Trading securities	77	13
Short-term investments	1,847	4,38
	-----	-----
Total interest income	392,773	423,25
Interest expense		
Deposits	69,601	129,78
Short-term borrowings	39,711	46,29
Long-term borrowings	30,660	28,69
	-----	-----
Total interest expense	139,972	204,77
	-----	-----
Net interest income	252,801	218,47
Provision for loan and lease losses	18,842	12,20
	-----	-----
Net interest income after provision for loan and lease losses	233,959	206,27

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Other income

-----

Data processing services:		
e-Finance solutions	36,989	32,623
Financial technology solutions	116,932	111,723
Other	--	3
	-----	-----
Total data processing services	153,921	144,389
Item processing	9,792	11,743
Trust services	28,966	30,143
Service charges on deposits	24,921	21,153
Mortgage banking	14,343	10,643
Net investment securities losses	(4,282)	77
Life insurance revenue	7,463	6,843
Other	37,417	29,573
	-----	-----
Total other income	272,541	255,273

Other expense

-----

Salaries and employee benefits	187,173	179,543
Net occupancy	20,228	22,773
Equipment	29,205	29,173
Software expenses	10,514	9,603
Processing charges	11,085	9,273
Supplies and printing	5,085	4,913
Professional services	9,048	7,103
Shipping and handling	11,962	11,193
Amortization of intangibles	7,740	10,413
Other	34,534	55,383
	-----	-----
Total other expense	326,574	339,383
	-----	-----
Income before income taxes	179,926	122,153
Provision for income taxes	60,690	38,843
	-----	-----
Net income	\$ 119,236	\$ 83,313
	=====	=====
Net income per common share		
Basic	\$ 0.56	\$ 0.33
Diluted	0.54	0.33
Dividends paid per common share	\$ 0.160	\$ 0.143
Weighted average common shares outstanding:		
Basic	210,053	211,923
Diluted	219,578	221,833

See notes to financial statements.

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

Nine Months Ended September

-----

2002

2001

-----

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Interest income		
-----		
Loans and leases	\$ 957,510	\$ 1,034,88
Investment securities:		
Taxable	150,210	211,96
Exempt from federal income taxes	45,602	46,91
Trading securities	259	80
Short-term investments	9,742	12,54
	-----	-----
Total interest income	1,163,323	1,307,13
Interest expense		
-----		
Deposits	213,919	472,92
Short-term borrowings	116,370	149,68
Long-term borrowings	89,958	79,03
	-----	-----
Total interest expense	420,247	701,64
Net interest income	743,076	605,49
Provision for loan and lease losses	51,018	34,00
	-----	-----
Net interest income after provision for loan and lease losses	692,058	571,48
Other income		
-----		
Data processing services:		
e-Finance solutions	104,763	86,79
Financial technology solutions	340,470	324,76
Other	2	3,96
	-----	-----
Total data processing services	445,235	415,52
Item processing	29,198	36,24
Trust services	91,303	90,74
Service charges on deposits	75,719	62,42
Mortgage banking	31,084	30,74
Net investment securities losses	(5,148)	(6,18)
Life insurance revenue	22,201	20,06
Other	106,105	89,75
	-----	-----
Total other income	795,697	739,32
Other expense		
-----		
Salaries and employee benefits	551,953	525,53
Net occupancy	56,120	54,00
Equipment	86,862	86,77
Software expenses	33,135	26,89
Processing charges	29,592	30,05
Supplies and printing	14,735	15,30
Professional services	27,633	20,90
Shipping and handling	34,858	33,43
Amortization of intangibles	16,970	26,63
Other	106,336	152,37
	-----	-----
Total other expense	958,194	971,93
Income before income taxes and cumulative effect of changes in accounting principle	529,561	338,87
Provision for income taxes	174,269	109,27
	-----	-----

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Income before cumulative effect of changes in accounting principle	355,292	229,60
Cumulative effect of changes in accounting principle, net of income taxes	--	(43
Net income	\$ 355,292	\$ 229,16
Net income per common share		
Basic:		
Income before cumulative effect of changes in accounting principles	\$ 1.67	\$ 1.0
Cumulative effect of changes in accounting principle, net of income taxes	--	-
Net income	\$ 1.67	\$ 1.0
Diluted:		
Income before cumulative effect of changes in accounting principles	\$ 1.61	\$ 1.0
Cumulative effect of changes in accounting principle, net of income taxes	--	-
Net income	\$ 1.61	\$ 1.0
Dividends paid per common share	\$ 0.465	\$ 0.42
Weighted average common shares outstanding:		
Basic	210,367	207,82
Diluted	220,142	217,63
See notes to financial statements.		

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

	Nine Months Ended September	
	2002	2001
Net Cash Provided by Operating Activities	\$ 617,546	\$ 419,52
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	3,423	159,14
Proceeds from maturities of securities available for sale	1,285,798	1,375,35
Proceeds from maturities of securities held to maturity	61,023	51,43
Purchases of securities available for sale	(1,532,517)	(236,83
Purchases of securities held to maturity	(631)	(5
Net increase in loans	(1,758,189)	(570,05
Purchases of assets to be leased	(147,831)	(407,83
Principal payments on lease receivables	340,442	545,64
Fixed asset purchases, net	(31,381)	(34,21
Purchase acquisitions, net of cash equivalents acquired	(23,250)	(46,90
Cash deposited for Mississippi Valley		

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Bancshares, Inc. acquisition	(255,224)	-
Other	5,542	15,66
	-----	-----
Net cash (used)/provided in investing activities	(2,052,795)	851,33
Cash Flows From Financing Activities:		
Net increase/(decrease) in deposits	347,014	(3,613,55)
Proceeds from issuance of commercial paper	4,844,410	2,226,55
Payments for maturity of commercial paper	(4,770,385)	(2,279,04)
Net increase in other short-term borrowings	283,613	1,859,70
Proceeds from issuance of long-term debt	885,389	1,486,73
Payments of long-term debt	(368,684)	(168,26)
Dividends paid	(100,877)	(91,31)
Purchases of treasury stock	(159,405)	(101,19)
Other	18,848	23,38
	-----	-----
Net cash provided/(used) by financing activities	979,923	(656,98)
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(455,326)	613,87
Cash and cash equivalents, beginning of year	1,563,765	864,69
	-----	-----
Cash and cash equivalents, end of period	\$ 1,108,439	\$ 1,478,56
	=====	=====
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 403,239	\$ 744,64
Income taxes	159,369	108,60

See notes to financial statements.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements  
September 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 which are necessary for a fair statement of the financial position and results of operations as of and for the three and nine months ended September 30, 2002 and 2001. The results of operations for the three and nine months ended September 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

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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.

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.

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  
September 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 En September 30
	2002	
	-----	-----
Income before cumulative effect of changes in accounting principle	\$ 119,236	\$
Adjustments:		
Goodwill amortization, net of taxes	--	
	-----	-----
Income before cumulative effect of changes in accounting principle	\$ 119,236	\$
	=====	=====
Earnings per share:		
Basic:		
Reported income before cumulative effect		



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of changes in accounting principle	\$	0.56	\$
Goodwill amortization		--	
		-----	
	\$	0.56	\$
		=====	=====
Diluted:			
Reported income before cumulative effect			
of changes in accounting principle	\$	0.54	\$
Goodwill amortization		--	
		-----	
	\$	0.54	\$
		=====	=====
		-----	
		2002	
		-----	
Income before cumulative effect of changes in accounting principle	\$	355,292	\$
Adjustments:			
Goodwill amortization, net of taxes		--	
		-----	
Income before cumulative effect of changes in accounting principle	\$	355,292	\$
		=====	=====
Earnings per share:			
Basic:			
Reported income before cumulative effect			
of changes in accounting principle	\$	1.67	\$
Goodwill amortization		--	
		-----	
	\$	1.67	\$
		=====	=====
Diluted:			
Reported income before cumulative effect			
of changes in accounting principle	\$	1.61	\$
Goodwill amortization		--	
		-----	
	\$	1.61	\$
		=====	=====

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

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

	Banking	Metavante	Others
	-----	-----	-----
Goodwill balance as			
of January 1, 2002	\$ 396,561	\$ 125,587	\$ 2,600
Goodwill acquired during the period	127,782	14,303	2,087
Purchase accounting adjustments	2,579	(2,842)	--
Goodwill amortization	(1,190)	--	--
	-----	-----	-----

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Goodwill balance as of September 30, 2002	\$ 525,732	\$ 137,048	\$ 4,687	\$
	=====	=====	=====	=====

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

Amortized intangible assets:	
Core deposit intangible	\$ 46,384
Data processing contract rights/customer lists	24,902
Loan servicing rights	7,980
Trust customers	706
	-----
Total amortized intangible assets	\$ 79,972
	=====
Goodwill:	
Amortized (SFAS 72)	\$ 2,195
Unamortized	665,272
	-----
Total goodwill	\$ 667,467
	=====

In October 2002, the Financial Accounting Standards Board issued SFAS 147, Acquisitions of Certain Financial Institutions, an amendment of SFAS No. 72 and SFAS No. 144 and FASB Interpretation No. 9. This statement, which is effective October 1, 2002, removes acquisitions of financial institutions from the scope of both SFAS 72 and Interpretation 9 and requires that those transactions be accounted for in accordance with the recently issued standards on business combinations (SFAS 141) and goodwill and other intangible assets (SFAS 142). The statement clarifies that a branch acquisition that meets the definition of a business should be accounted for as a business combination, otherwise the transaction should be accounted for as an acquisition of net assets that does not result in the recognition of goodwill. The impact of this standard is not considered material to the Corporation.

### 3. Business Combinations

The following acquisitions, which were not considered material business combinations, were completed during the first nine months 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 \$94.9 million.

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

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

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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 \$34.9 million.

On July 29, 2002, the Corporation's Metavante subsidiary acquired substantially all the assets of Paytrust, Inc., a privately held online bill management company based in Lawrenceville, New Jersey for cash. Identifiable intangible assets and initial goodwill subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$18.3 million. Integration costs, primarily related to operating duplicate platforms for a limited period of time, are anticipated to be approximately \$6 million after-tax. During the third quarter, \$2.3 million (after-tax) of integration costs were incurred and the balance of these charges are expected to be incurred in the fourth quarter of 2002 and the first quarter of 2003.

On August 23, 2002, the Corporation's Metavante subsidiary acquired the assets of Spectrum EPB, LLC, an open, interoperable switch for exchanging online bills and payments for cash. Goodwill recorded in this transaction amounted to \$2.0 million. 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 results of operations of the acquired entities have been included in the consolidated results since the dates the transactions were closed.

The following acquisition was recently completed:

On October 1, 2002, the Corporation acquired 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. In conjunction with the merger the Corporation paid \$255.2 million in cash and issued 8.25 million shares of M&I common stock in exchange for Mississippi Valley's outstanding common stock.

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 September 30, 2002		
	Income (Numerator)	Average Shares (Denominator)	Per S Amo
Net Income	\$ 119,236		
Convertible Preferred Dividends	(1,230)		
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 118,006	210,053	\$
Effect of Dilutive Securities			
Convertible Preferred Stock	1,230	7,688	
Stock Options and Restricted Stock Plans	--	1,837	
Diluted Earnings Per Share			

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Income Available to Common Shareholders			
Plus Assumed Conversions	\$	119,236	219,578 \$

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

	Three Months Ended September 30, 2002		
	Income (Numerator)	Average Shares (Denominator)	Per S Amo
Net Income	\$ 83,315		
Convertible Preferred Dividends	(1,115)		
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 82,200	211,928	\$
Effect of Dilutive Securities			
Convertible Preferred Stock	1,115	7,688	
Stock Options and Restricted Stock Plans	--	2,216	
Diluted Earnings Per Share			
Income Available to Common Shareholders	\$ 83,315	221,832	\$
Plus Assumed Conversions			

	Nine Months Ended September 30, 2002		
	Income (Numerator)	Average Shares (Denominator)	Per S Amo
Net Income	\$ 355,292		
Convertible Preferred Dividends	(3,575)		
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 351,717	210,367	\$
Effect of Dilutive Securities			
Convertible Preferred Stock	3,575	7,688	
Stock Options and Restricted Stock Plans	--	2,087	
Diluted Earnings Per Share			
Income Available to Common Shareholders	\$ 355,292	220,142	\$
Plus Assumed Conversions			

	Nine Months Ended September 30, 2001		
	Income (Numerator)	Average Shares (Denominator)	Per S Amo

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Net Income	\$	229,164		
Convertible Preferred Dividends		(3,248)		
<hr/>				
Basic Earnings Per Share				
Income Available to Common Shareholders	\$	225,916	207,828	\$
Effect of Dilutive Securities				
Convertible Preferred Stock		3,248	7,688	
Stock Options and Restricted Stock Plans		--	2,116	
<hr/>				
Diluted Earnings Per Share				
Income Available to Common Shareholders				
Plus Assumed Conversions	\$	229,164	217,632	\$
<hr/>				

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

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 September 30,		Nine months ended September 30,	
	2002	2001	2002	2001
Shares	6,550,412	4,769,094	6,442,162	4,816,494
Price Range	\$29.4500 - \$33.93	\$28.5000 - \$35.0313	\$30.5850 - \$33.93	\$26.6950 - \$35.031

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

	September 30, 2002	December 31, 2001	September 2001
Investment securities available for sale:			
U.S. treasury and government agencies	\$ 2,812,461	\$ 2,346,566	\$ 2,681,
State and political subdivisions	242,747	176,167	182,
Mortgage backed securities	175,385	175,471	225,
Other	591,098	685,428	773,
Total	\$ 3,821,691	\$ 3,383,632	\$ 3,863,
Investment securities held to maturity:			
U.S. government agencies	\$ 239,605	\$ --	\$
State and political subdivisions	967,751	1,028,555	1,056,
Other	23,633	3,538	3,
Total	\$ 1,230,989	\$ 1,032,093	\$ 1,060,

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

	September 30, 2002	December 31, 2001	September 2001
	-----	-----	-----
Commercial, financial & agricultural	\$ 6,047,032	\$ 5,716,061	\$ 5,925,
Real estate:			
Construction	964,343	730,864	610,
Residential mortgage	6,421,572	5,563,975	5,233,
Commercial mortgage	5,718,998	5,099,093	5,013,
	-----	-----	-----
Total real estate	13,104,913	11,393,932	10,857,
Personal	1,464,412	1,210,808	1,210,
Lease financing	814,003	962,356	991,
Cash flow hedging instruments at fair value	6,541	12,215	11,
	-----	-----	-----
Total	\$ 21,436,901	\$ 19,295,372	\$ 18,997,
	=====	=====	=====

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

7. Sale of Receivables

During the third quarter of 2002, \$131.0 million of automobile loans were sold in securitization transactions. Gains and trading income of \$8.7 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 third 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 curve

At September 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	Total Managed
	-----	-----	-----
Loan balances	\$ 582,197	\$ 207,588	\$ 789,7
Principal amounts of loans			
60 days or more past due	709	1,029	1,7
Net credit losses year to date	882	647	1,5

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

	September 30, 2002	December 31, 2001	September 2001
	-----	-----	-----
Noninterest bearing demand	\$ 3,940,870	\$ 3,558,571	\$ 3,357,
Savings and NOW	7,986,521	7,867,106	7,515,
CD's \$100,000 and over	1,916,726	1,321,746	1,737,
Other time deposits	2,715,102	2,962,724	3,280,
Foreign deposits	1,109,939	782,900	786,
	-----	-----	-----
	\$ 17,669,158	\$ 16,493,047	\$ 16,677,
	=====	=====	=====

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

9. Comprehensive Income

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

	Three Months Ended September 30, 2002		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
	-----	-----	-----
Net income			\$ 119,236
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ (6,509)	\$ 2,611	(3,898)
Reclassification for securities transactions included in net income	--	--	--
Unrealized gains (losses)	(6,509)	2,611	(3,898)
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	(104,949)	36,732	(68,217)
Reclassification adjustments for hedging activities included in net income	14,521	(5,082)	9,439
Net gains (losses)	\$ (90,428)	\$ 31,650	(58,778)
Other comprehensive income (loss)			(62,676)
Total comprehensive income (loss)			\$ 56,560
			=====

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	Three Months Ended September 30, 2001		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			\$ 83,315
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 25,839	\$ (9,806)	16,033
Reclassification for securities transactions included in net income	(9,170)	3,210	(5,960)
Unrealized gains (losses)	16,669	(6,596)	10,073
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	(36,256)	12,690	(23,566)
Reclassification adjustments for hedging activities included in net income	3,113	(1,090)	2,023
Net gains (losses)	\$ (33,143)	\$ 11,600	(21,543)
Other comprehensive income (loss)			(11,470)
Total comprehensive income (loss)			\$ 71,845

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

	Nine Months Ended September 30, 2002		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			\$ 355,292
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 5,875	\$ (2,069)	3,806
Reclassification for securities transactions included in net income	--	--	--
Unrealized gains (losses)	5,875	(2,069)	3,806
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	(152,876)	53,506	(99,370)
Reclassification adjustments for hedging activities included in net income	37,783	(13,223)	24,560
Net gains (losses)	\$ (115,093)	\$ 40,283	(74,810)



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	Nine Months Ended September 30, 2001		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Other comprehensive income (loss)			(71,004)
Total comprehensive income (loss)			\$ 284,288
Net income			\$ 229,164
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 83,415	\$ (30,165)	53,250
Reclassification for securities transactions included in net income	(12,242)	4,285	(7,957)
Unrealized gains (losses)	71,173	(25,880)	45,293
Net gains (losses) on derivatives hedging variability of cash flows:			
Adoption of SFAS 133	(15,665)	5,483	(10,182)
Arising during the period	(36,469)	12,764	(23,705)
Reclassification adjustments for hedging activities included in net income	6,031	(2,111)	3,920
Net gains (losses)	\$ (46,103)	\$ 16,136	(29,967)
Other comprehensive income (loss)			15,326
Total comprehensive income (loss)			\$ 244,490

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

10. Derivative Financial Instruments and Hedging Activities

Trading Instruments

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

At September 30, 2002, interest rate swaps designated as trading consisted of \$583.3 million in notional amount of receive fixed/pay floating with an aggregate positive fair value of \$22.3 million and \$216.4 million in notional amount of pay fixed/receive floating with an aggregate negative fair value of \$9.3 million.

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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.

### Fair Value Hedges

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

#### Fair Value Hedges September 30, 2002

Hedged Item	Hedging Instrument	Notional Amount (\$ in mil)	Fair Value (\$ in mil)	Weighted Average Remaining Term (Yr)
Callable CDs	Receive Fixed Swap	\$ 141.5	\$ 1.7	7
Medium Term Notes	Receive Fixed Swap	196.4	17.0	4
Long-term Borrowings	Receive Fixed Swap	200.0	38.4	24

For the three and nine months ended September 30, 2002, the impact from fair value hedges to net interest income was a positive \$5.6 million and a positive \$16.7 million, respectively.

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

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

#### Cash Flow Hedges September 30, 2002

Hedged Item	Hedging Instrument	Notional Amount (\$ in mil)	Fair Value (\$ in mil)	Weighted Average Remaining Term (Yr)
Variable Rate Loans	Receive Fixed Swap	\$ 275.0	\$ 6.5	0
Institutional CDs	Pay Fixed Swap	320.0	(15.1)	2
Commercial Paper	Pay Fixed Swap	200.0	(35.2)	4
Fed Funds Purchased	Pay Fixed Swap	860.0	(52.5)	2
FHLB Advances	Pay Fixed Swap	610.0	(53.0)	4

During the third quarter of 2002, the Corporation entered into a forward starting interest rate swap for the forecasted issuance of Bank notes. Bank notes in the amount of \$0.5 billion were issued during the third quarter of 2002 and the interest rate swap was terminated. The negative \$1.3 million in accumulated other comprehensive income at termination is being amortized into interest expense over the term of the Bank notes using the effective interest method.

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For the three and nine months ended September 30, 2002, the impact from cash flow hedges to net interest income was a negative \$14.5 million and a negative \$37.8 million, respectively.

### 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 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.

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

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, and Minnesota, one federally chartered thrift headquartered in Nevada, with branches in Wisconsin and Florida, 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.

Data Services (or Metavante)  
-----

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

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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. Intra-segment revenues, expenses and assets for the entities that comprise Trust Services and Capital Markets Group have been eliminated in the following information. (\$ in millions):

Total Revenue by type in All Others consists of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Trust Services	\$ 29.0	\$ 29.7	\$ 91.0	\$ 91.0
Residential Mortgage Banking	12.9	10.1	30.6	29.2
Capital Markets	(4.2)	1.3	(4.5)	12.2
Brokerage and Insurance	5.5	5.2	18.6	15.7
Commercial Leasing	3.4	3.1	11.0	9.5
Commercial Mortgage Banking	1.2	0.7	3.4	2.0
Others	1.0	1.1	3.0	4.5
Total revenue	\$ 48.8	\$ 51.2	\$ 153.1	\$ 164.1

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

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

	Three Months Ended September 30, 2002					
	Banking	Metavante	Others	Corporate Overhead	Reclassifications & Eliminations	Con-ida Oper Inc
Revenues:						
Net interest income	\$ 251.6	\$ (1.0)	\$ 7.3	\$ (5.1)	\$ --	\$ --
Fees - Unaffiliated customers	82.2	153.9	35.1	1.3	--	--
Fees - Affiliated customers	11.4	16.1	6.4	--	(33.9)	--
Total revenues	345.2	169.0	48.8	(3.8)	(33.9)	--

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Expenses:						
Expenses - Unaffiliated customers	132.8	139.6	33.2	16.5	0.6	
Expenses - Affiliated customers	21.9	6.2	8.1	(1.7)	(34.5)	
Total expenses	154.7	145.8	41.3	14.8	(33.9)	
Provision for loan and lease losses	18.5	--	0.3	--	--	
Operating income before taxes	172.0	23.2	7.2	(18.6)	--	
Income tax expense	56.8	9.5	3.2	(7.2)	--	
Operating income	\$ 115.2	\$ 13.7	\$ 4.0	\$ (11.4)	\$ --	\$
Identifiable assets	\$ 28,743.7	\$ 766.2	\$ 732.1	\$ 588.8	\$ (752.0)	\$ 30,
Return on average tangible equity	24.6 %	30.5 %	7.6 %			
Return on average equity	18.7 %	17.7 %	7.4 %			

Three Months Ended September 30, 20

	Banking	Metavante	Others	Corporate Overhead	Reclassifications & Eliminations	Con ida Oper Inc
Revenues:						
Net interest income	\$ 218.8	\$ (0.9)	\$ 6.7	\$ (6.1)	\$ --	\$
Fees - Unaffiliated customers	70.6	144.4	39.1	1.4	(0.3)	
Fees - Affiliated customers	9.1	14.8	5.4	--	(29.3)	
Total revenues	298.5	158.3	51.2	(4.7)	(29.6)	
Expenses:						
Expenses - Unaffiliated customers	116.6	130.4	26.7	23.7	(0.4)	
Expenses - Affiliated customers	19.0	4.8	7.2	(1.8)	(29.2)	
Total expenses	135.6	135.2	33.9	21.9	(29.6)	
Provision for loan and lease losses	11.9	--	0.3	--	--	
Operating income before taxes	151.0	23.1	17.0	(26.6)	--	
Income tax expense	48.1	9.3	6.8	(10.0)	--	
Operating income	\$ 102.9	\$ 13.8	\$ 10.2	\$ (16.6)	\$ --	\$
Identifiable assets	\$ 26,255.0	\$ 678.4	\$ 726.4	\$ 609.2	\$ (942.4)	\$ 27,

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Return on average tangible equity	21.3 %	28.2 %	15.6 %
Return on average equity	18.5 %	19.1 %	15.5 %

Nine Months Ended September 30, 20

	Banking	Metavante	Others	Corporate Overhead	Reclassifications & Eliminations	Con-ida Oper Inc
<b>Revenues:</b>						
Net interest income	\$ 741.0	\$ (3.0)	\$ 20.7	\$ (15.6)	\$ --	\$
Fees - Unaffiliated customers	231.6	445.3	114.9	3.9	--	
Fees - Affiliated customers	33.8	48.5	17.5	--	(99.8)	
<b>Total revenues</b>	<b>1,006.4</b>	<b>490.8</b>	<b>153.1</b>	<b>(11.7)</b>	<b>(99.8)</b>	<b>1,</b>
<b>Expenses:</b>						
Expenses - Unaffiliated customers	392.6	415.0	84.8	63.9	(2.0)	
Expenses - Affiliated customers	57.5	17.5	25.9	(3.1)	(97.8)	
<b>Total expenses</b>	<b>450.1</b>	<b>432.5</b>	<b>110.7</b>	<b>60.8</b>	<b>(99.8)</b>	
Provision for loan and lease losses	50.2	--	0.8	--	--	
<b>Operating income before taxes</b>	<b>506.1</b>	<b>58.3</b>	<b>41.6</b>	<b>(72.5)</b>	<b>--</b>	
Income tax expense	162.5	24.1	16.8	(27.5)	--	
<b>Operating income</b>	<b>\$ 343.6</b>	<b>\$ 34.2</b>	<b>\$ 24.8</b>	<b>\$ (45.0)</b>	<b>\$ --</b>	<b>\$</b>
<b>Identifiable assets</b>	<b>\$ 28,743.7</b>	<b>\$ 766.2</b>	<b>\$ 732.1</b>	<b>\$ 588.8</b>	<b>\$ (752.0)</b>	<b>\$ 30,</b>
Return on average tangible equity	24.1 %	26.2 %	15.1 %			
Return on average equity	18.7 %	15.3 %	14.9 %			

Nine Months Ended September 30, 20

Reclassifications Con-ida

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	Banking	Metavante	Others	Corporate Overhead	& Eliminations	Open Inc
<b>Revenues:</b>						
Net interest income	\$ 607.2	\$ (2.5)	\$ 19.2	\$ (18.4)	\$ --	\$
Fees - Unaffiliated customers	210.5	413.3	129.8	2.5	(0.7)	
Fees - Affiliated customers	23.8	46.5	15.1	0.1	(85.5)	
<b>Total revenues</b>	<b>841.5</b>	<b>457.3</b>	<b>164.1</b>	<b>(15.8)</b>	<b>(86.2)</b>	<b>1,</b>
<b>Expenses:</b>						
Expenses - Unaffiliated customers	339.3	384.6	82.8	63.2	(0.2)	
Expenses - Affiliated customers	55.0	12.9	21.7	(3.6)	(86.0)	
<b>Total expenses</b>	<b>394.3</b>	<b>397.5</b>	<b>104.5</b>	<b>59.6</b>	<b>(86.2)</b>	
Provision for loan and lease losses	33.3	--	0.7	--	--	
<b>Operating income before taxes</b>	<b>413.9</b>	<b>59.8</b>	<b>58.9</b>	<b>(75.4)</b>	<b>--</b>	
Income tax expense	131.3	24.4	23.5	(28.8)	--	
<b>Operating income</b>	<b>\$ 282.6</b>	<b>\$ 35.4</b>	<b>\$ 35.4</b>	<b>\$ (46.6)</b>	<b>\$ --</b>	<b>\$</b>
<b>Identifiable assets</b>	<b>\$ 26,255.0</b>	<b>\$ 678.4</b>	<b>\$ 726.4</b>	<b>\$ 609.2</b>	<b>\$ (942.4)</b>	<b>\$ 27,</b>
<b>Return on average tangible equity</b>	<b>19.9 %</b>	<b>20.9 %</b>	<b>19.1 %</b>			
<b>Return on average equity</b>	<b>17.4 %</b>	<b>16.4 %</b>	<b>19.0 %</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 September 30,	
	2002	2001
<b>Assets</b>		
Cash and due from banks	\$ 705,880	\$ 680,451
<b>Investment securities:</b>		
Trading securities	21,098	13,910
Short-term investments	477,285	497,709
<b>Other investment securities:</b>		
Taxable	3,444,294	3,753,722
Tax-exempt	1,223,370	1,268,253

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Total investment securities	5,166,047	5,533,594
Total loans and leases	20,940,989	18,338,194
Less: Allowance for loan and lease losses	301,127	259,083
Net loans and leases	20,639,862	18,079,111
Premises and equipment, net	414,818	396,422
Accrued interest and other assets	1,999,721	1,721,717
Total Assets	\$ 28,926,328	\$ 26,411,295
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest bearing	\$ 3,505,620	\$ 2,940,571
Interest bearing	14,780,334	14,046,651
Total deposits	18,285,954	16,987,222
Funds purchased and security repurchase agreements	2,563,474	2,100,279
Other short-term borrowings	1,778,498	1,816,788
Long-term borrowings	2,633,620	2,079,704
Accrued expenses and other liabilities	938,839	877,323
Total liabilities	26,200,385	23,861,316
Shareholders' equity	2,725,943	2,549,979
Total Liabilities and Shareholders' Equity	\$ 28,926,328	\$ 26,411,295

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

	Nine Months Ended September 30,	
	2002	2001
Assets		
Cash and due from banks	\$ 684,745	\$ 632,168
Investment securities:		
Trading securities	14,587	24,642
Short-term investments	821,219	406,882
Other investment securities:		
Taxable	3,181,076	4,110,023
Tax-exempt	1,229,627	1,276,259
Total investment securities	5,246,509	5,817,806
Total loans and leases	20,266,963	17,944,039
Less: Allowance for loan and lease losses	291,072	247,376



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Net loans and leases	19,975,891	17,696,663
Premises and equipment, net	410,193	389,317
Accrued interest and other assets	1,939,685	1,609,602
	-----	-----
Total Assets	\$ 28,257,023	\$ 26,145,556
	=====	=====
Liabilities and Shareholders' Equity		
-----		
Deposits:		
Noninterest bearing	\$ 3,351,235	\$ 2,776,397
Interest bearing	14,624,650	14,509,362
	-----	-----
Total deposits	17,975,885	17,285,759
Funds purchased and security repurchase agreements	2,404,503	2,120,859
Other short-term borrowings	1,821,389	1,722,836
Long-term borrowings	2,492,603	1,797,883
Accrued expenses and other liabilities	877,745	826,055
	-----	-----
Total liabilities	25,572,125	23,753,392
Shareholders' equity	2,684,898	2,392,164
	-----	-----
Total Liabilities and Shareholders' Equity	\$ 28,257,023	\$ 26,145,556
	=====	=====

Net income for the third quarter of 2002 amounted to \$119.2 million compared to \$83.3 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 September 30, 2002, compared with \$0.39 and \$0.38 for the three months ended September 30, 2001. The return on average assets and average equity was 1.64% and 17.35% for the quarter ended September 30, 2002 and 1.25% and 12.96% for the quarter ended September 30, 2001.

The results of operations and financial position as of and for the three months ended September 30, 2002, include the effects of Metavante's two acquisitions in the current quarter, four acquisitions which occurred 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 in the current quarter and prior year quarter include charges related to Metavante's acquisitions. In addition, net income for the prior year quarter also includes certain goodwill amortization which ceased on January 1, 2002 as a result of adopting Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets. The impact of these items is shown in the following table (\$000's):

	Pre-tax Effect	Three Months ended September	
		2002	2001
	-----	-----	-----
Income as Reported		\$ 119,236	\$ 83,300

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Nonrecurring Losses and Expenses:

Metavante Subsidiary				
Acquisition related - 2002	\$	3,857	2,307	2
Acquisition related - 2001		37,661		
Goodwill Amortization		4,690	--	
			-----	-----
Total Adjustments			2,307	2
			-----	-----
Operating Income	\$	121,543	\$	11
			=====	=====

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 fourth quarter of 2001 excludes certain expenses incurred in connection with acquisitions at the Corporation's Metavante subsidiary. Such expenses amounted to \$3.5 million (\$2.0 million after-tax) in the fourth quarter of 2001. Operating income for the third quarters of 2002 and 2001 excludes those items previously discussed. In addition, operating income for the fourth quarter of 2001 excludes 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 average 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

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(\$000's except per share data)

	2002			2001	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Thi Quar
	-----	-----	-----	-----	-----
Interest income	\$ 392,773	\$ 390,143	\$ 380,407	\$ 401,974	\$ 423
Interest expense	(139,972)	(140,145)	(140,130)	(164,686)	(204
Net interest income	252,801	249,998	240,277	237,288	218
Provision for loan and lease losses	(18,842)	(16,980)	(15,196)	(20,109)	(12
Net investment securities gains (losses)	(4,282)	(121)	(745)	(572)	
Other income	276,823	264,275	259,747	262,492	254
Other expense	(322,717)	(318,013)	(313,607)	(308,611)	(297
Income before taxes	183,783	179,159	170,476	170,488	164
Income tax provision	(62,240)	(58,732)	(54,847)	(56,274)	(54
Operating income	\$ 121,543	\$ 120,427	\$ 115,629	\$ 114,214	\$ 110

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	2002	2002	2002	2001	2001
Per Common Share					
Operating income					
Basic	\$ 0.57	\$ 0.56	\$ 0.55	\$ 0.54	\$ 0.52
Diluted	0.55	0.54	0.53	0.52	0.52
Dividends	0.160	0.160	0.145	0.145	0.145
Operating income					
Return on Average Equity	17.69 %	17.70 %	18.04 %	17.84 %	17.84 %
Return on Average Tangible Equity	24.04	23.99	23.64	22.83	22.83

Summary Consolidated Operating Income Statement Components as a

Percent of Average Total Assets

	2002			2001	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Interest income (FTE)	5.50 %	5.60 %	5.76 %	6.02 %	6.02 %
Interest expense	(1.92)	(1.97)	(2.08)	(2.42)	(2.42)
Net interest income	3.58	3.63	3.68	3.60	3.60
Provision for loan and lease losses	(0.26)	(0.24)	(0.23)	(0.30)	(0.30)
Net investment securities gains (losses)	(0.06)	--	(0.01)	(0.01)	(0.01)
Other income	3.80	3.72	3.85	3.85	3.85
Other expense	(4.43)	(4.47)	(4.64)	(4.52)	(4.52)
Income before taxes	2.63	2.64	2.65	2.62	2.62
Income tax provision	(0.96)	(0.94)	(0.93)	(0.94)	(0.94)
Return on average assets based on operating income	1.67 %	1.70 %	1.72 %	1.68 %	1.68 %
Return on tangible average assets based on tangible operating income	1.73 %	1.77 %	1.78 %	1.73 %	1.73 %

Net income for the nine months ended September 30, 2002 amounted to \$355.3 million compared to \$229.2 million in the same period of 2001. Basic and diluted earnings per share were \$1.67 and \$1.61, respectively for the nine months ended September 30, 2002 compared to \$1.09 and \$1.05, respectively, for the same period last year. The year-to-date return on average equity was 17.69% in the current period and 12.81% for the nine months ended September 30, 2001.

Net income for the first nine months of 2002 and 2001 includes charges related to Metavante's acquisitions. In addition, net income for the first nine months of 2001 includes certain losses and expenses incurred in connection with the

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previously announced structural changes 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	Nine Months ended Septem	
		2002	2001
Income as Reported		\$ 355,292	\$ 229,000
Nonrecurring Losses and Expenses:			
Metavante Subsidiary - 2002			
Acquisition related	\$ 3,857	2,307	
Metavante Subsidiary - 2001			
Reduction in force and realignment	11,028		
Investment losses	16,057		
Acquisition related	41,504		
Total Metavante Subsidiary - 2001	68,589		41,504
Auto Lease Residual Value Write-downs	25,000		15,000
Charter Consolidations	11,952		8,000
Change in Accounting:			
Derivatives and Hedging Activities	671		
Goodwill Amortization	12,730		11,000
Total Nonrecurring Losses and Expenses		2,307	77,000
Operating Income		\$ 357,599	\$ 306,000

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 nine months ended September 30, 2002 and 2001, respectively. Operating income for the nine months ended September 30, 2002 and 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

(\$000's except per share data)

Nine Months Ended September 30,	
2002	2001

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Interest income	\$ 1,163,323	\$ 1,307,129
Interest expense	(420,247)	(701,614)
	-----	-----
Net interest income	743,076	605,515
Provision for loan and lease losses	(51,018)	(34,006)
Net investment securities gains	(5,148)	9,870
Other income	800,845	745,517
Other expense	(954,337)	(869,749)
	-----	-----
Income before taxes	533,418	457,147
Income tax provision	(175,819)	(150,385)
	-----	-----
Operating income	\$ 357,599	\$ 306,762
	=====	=====
Per Common Share		
Operating income		
Basic	\$ 1.68	\$ 1.46
Diluted	1.62	1.41
Dividends	0.465	0.423
Return on Average Equity		
Operating income	17.81 %	17.15 %
Return on Average Tangible Equity	23.90	20.24

Summary Consolidated Operating Income Statement Components as a  
-----  
Percent of Average Total Assets  
-----

	Nine Months Ended September 30,	
	2002	2001
	-----	-----
Interest income (FTE)	5.62 %	6.80 %
Interest expense	(1.99)	(3.58)
	-----	-----
Net interest income	3.63	3.22
Provision for loan and lease losses	(0.24)	(0.17)
Net investment securities gains	(0.02)	0.05
Other income	3.79	3.81
Other expense	(4.52)	(4.45)
	-----	-----
Income before taxes	2.64	2.46
Income tax provision	(0.95)	(0.89)
	-----	-----
Return on average assets based on operating income	1.69 %	1.57 %
	=====	=====
Return on tangible average assets		

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based on tangible operating income 1.76 % 1.61 %  
=====

NET INTEREST INCOME

Net interest income for the third quarter of 2002 amounted to \$252.8 million compared to \$218.5 million reported for the third quarter of 2001. For the nine months ended September 30, 2002 net interest income amounted to \$743.1 million compared to \$605.5 million in the nine months ended September 30, 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 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 third quarter of 2002 increased \$2.2 billion or 9.4% and on a year-to-date basis increased \$1.8 billion or 7.4% compared to the same periods a year ago. Average loans accounted for \$2.6 billion of the quarter over quarter growth and \$2.3 billion of the year-to-date period over period growth in earning assets. Average investment securities and other short-term investments declined in both the quarterly and year-to-date periods compared to the prior year. The Corporation estimates that approximately \$1.5 billion and \$1.8 billion of the average earning asset growth in the quarter and nine months ended September 30, 2002, was attributable to the banking related purchase acquisitions.

Average interest bearing liabilities increased \$1.7 billion or 8.5% in the third quarter of 2002 compared to the same period in 2001. For the nine months ended September 30, 2002, average interest bearing liabilities increased \$1.2 billion or 5.9% over the comparable period. Average interest bearing deposits increased \$0.7 billion or 5.2% in the third quarter of 2002 compared to the third quarter of last year and were relatively unchanged on an average year-to-date basis. Average borrowings increased \$1.0 billion and \$1.1 billion on a quarter over quarter and year-to-date over year-to-date basis, respectively. The Corporation estimates that approximately \$1.2 billion and \$1.5 billion of the growth in average interest bearing liabilities in the three and nine months ended September 30, 2002, respectively, was attributable to the banking related purchase acquisitions.

Average noninterest bearing deposits in the current quarter increased \$0.6 billion or 19.2% compared to the same period last year. On a year-to-date basis, average noninterest bearing deposits increased \$0.6 billion or 20.7%. Approximately \$0.3 billion of average noninterest bearing deposits in the three and nine months ended September 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 P
Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Annual

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Commercial							
Commercial	\$ 5,998	\$ 6,087	\$ 5,848	\$ 5,680	\$ 5,640	6.3 %	
Commercial real estate							
Commercial mortgages	5,617	5,491	5,228	5,071	4,831	16.3	
Construction	799	697	625	534	520	53.5	
Total commercial real estate	6,416	6,188	5,853	5,605	5,351	19.9	
Commercial lease financing	384	391	410	399	394	(2.5)	
Total Commercial	12,798	12,666	12,111	11,684	11,385	12.4	
Personal							
Residential real estate							
Residential mortgages	2,545	2,371	2,346	2,444	2,303	10.5	
Construction	150	137	131	142	120	24.9	
Total residential real estate	2,695	2,508	2,477	2,586	2,423	11.2	
Personal loans							
Student	86	116	117	105	94	(8.0)	
Credit card	172	163	164	161	174	(1.4)	
Home equity loans and lines	3,543	3,518	3,176	2,944	2,723	30.1	
Other	1,198	934	876	912	927	29.2	
Total personal loans	4,999	4,731	4,333	4,122	3,918	27.6	
Personal lease financing	449	488	530	572	612	(26.6)	
Total personal	8,143	7,727	7,340	7,280	6,953	17.1	
Total Consolidated Average Loans and Leases	\$ 20,941	\$ 20,393	\$ 19,451	\$ 18,964	\$ 18,338	14.2 %	

Compared with the third quarter of 2001, total consolidated average loans and leases increased \$2.6 billion or 14.2%. Approximately \$1.3 billion of average total consolidated loan and lease growth in the third 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 \$0.8 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, which are both wider spread products. Approximately \$0.1 billion of indirect auto loan production was securitized and sold in the current quarter. Approximately \$0.3 billion of indirect auto loans have been securitized and sold during the first nine months of 2002. Excluding the impact of acquisitions, average quarterly consumer loans grew approximately \$0.2 billion. The increase in average residential real estate loans of \$0.1 billion in the current quarter, excluding acquisitions, reflects the continued strategy of selling residential real estate loan production in the secondary market although recently, selected

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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 109% and loan closings increased approximately 72% compared to the second quarter of this year. Residential real estate loans sold to investors amounted to \$0.9 billion in the third quarter of 2002 compared to \$0.5 billion in the third quarter of the prior year and amounted to \$1.6 billion and \$1.5 billion for the nine months ended September 30, 2002 and 2001, respectively.

The rate of growth experienced in commercial loans in the first half of the year has diminished, at least in the near term. 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 and lines, which includes M&I's wholesale activity, continue to be the primary core consumer loan product. 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 P
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Annual
Bank issued deposits						
Noninterest bearing deposits						
Commercial	\$ 2,432	\$ 2,275	\$ 2,160	\$ 2,225	\$ 1,968	23.6 %
Personal	711	729	678	634	608	16.8
Other	363	357	346	388	365	(0.3)
Total noninterest bearing deposits	3,506	3,361	3,184	3,247	2,941	19.2
Interest bearing deposits						
Savings & NOW	2,421	2,252	1,994	1,877	1,784	35.7
Money market	5,555	5,727	5,844	5,825	5,563	(0.1)
Foreign activity	733	686	694	704	640	14.6
Total interest bearing deposits	8,709	8,665	8,532	8,406	7,987	9.0
Time deposits						
Other CDs & time deposits	2,756	2,868	2,881	3,097	3,167	(13.0)
CDs greater than \$100,000	634	657	651	721	751	(15.6)
Total time deposits	3,390	3,525	3,532	3,818	3,918	(13.5)
Total bank issued deposits	15,605	15,551	15,248	15,471	14,846	5.1
Wholesale deposits						
Money market	74	75	83	78	0.00	100.0
Brokered CDs	1,606	1,621	1,043	872	1,517	5.8
Foreign time	1,001	1,348	658	487	624	60.5



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Total wholesale deposits	2,681	3,044	1,784	1,437	2,141	25.2
Total consolidated average deposits	\$ 18,286	\$ 18,595	\$ 17,032	\$ 16,908	\$ 16,987	7.6 %

Total average deposits increased \$1.3 billion or 7.6% in the third quarter of 2002 compared to the third quarter of 2001. Average bank issued deposits associated with the acquisitions were approximately \$1.3 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 \$0.3 billion while interest bearing activity accounts increased \$0.2 billion. The growth 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 \$1.0 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. While this may limit apparent deposit growth in the near term, the Corporation believes this strategy serves to help stabilize the interest margin, given the current rate environment, both now and in future periods when market rates begin to rise and these deposit accounts rapidly re-price.

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 third quarter of 2001, average wholesale deposits increased \$0.5 billion. The Corporation has made greater use of wholesale funding alternatives especially institutional CDs during 2002.

The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the current quarter and prior year third quarter and for the nine months ended September 30, 2002 and 2001, are presented in the following tables (\$ in millions):

Consolidated Yield and Cost Analysis

	Three Months Ended September 30, 2002			Three Months Ended September 30, 2001		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield Cost (b)
Loans and leases: (a)						
Commercial	\$ 6,382.3	\$ 84.5	5.25 %	\$ 6,034.2	\$ 102.7	6.7
Commercial real estate	6,415.4	106.3	6.57	5,350.6	103.1	7.6

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Residential real estate	2,695.1	46.1	6.79	2,423.6	44.9	7.3
Personal	5,448.2	89.6	6.53	4,529.8	89.2	7.8
Total loans and leases	20,941.0	326.5	6.19	18,338.2	339.9	7.3
Investment securities (b):						
Taxable	3,444.3	49.9	5.89	3,753.7	64.0	6.9
Tax Exempt (a)	1,223.3	22.5	7.41	1,268.3	22.8	7.2
Total investment securities	4,667.6	72.4	6.29	5,022.0	86.8	7.0
Other short-term investments (a)	498.4	1.9	1.53	511.6	4.5	3.5
Total interest earning assets	\$ 26,107.0	\$ 400.8	6.11 %	\$ 23,871.8	\$ 431.2	7.2
Interest bearing deposits:						
Bank issued deposits:						
Interest bearing activity	\$ 8,709.5	\$ 26.9	1.22 %	\$ 7,987.3	\$ 53.4	2.6
Time deposits	3,390.1	26.9	3.15	3,918.3	53.0	5.3
Total bank issued deposits	12,099.6	53.8	1.76	11,905.6	106.4	3.5
Wholesale deposits	2,680.7	15.8	2.33	2,141.1	23.4	4.3
Total interest bearing deposits	14,780.3	69.6	1.87	14,046.7	129.8	3.6
Short-term borrowings	4,342.0	39.7	3.63	3,917.0	46.3	4.6
Long-term borrowings	2,633.6	30.7	4.62	2,079.7	28.7	5.4
Total interest bearing liabilities	\$ 21,755.9	\$ 140.0	2.55 %	\$ 20,043.4	\$ 204.8	4.0
Net interest margin (FTE) as a percent of average earning assets	\$ 260.8	3.98 %		\$ 226.4	3.7	
Net interest spread (FTE)		3.56 %				3.1

(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.

Consolidated Yield and Cost Analysis

	Nine Months Ended September 30, 2002			Nine Months Ended September 30, 2001		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield Cost (b)
Loans and leases (a)						
Commercial	\$ 6,373.2	\$ 254.2	5.33 %	\$ 5,797.6	\$ 316.8	7.3
Commercial real estate	6,154.1	308.2	6.70	5,147.1	304.8	7.9
Residential real estate	2,560.8	134.4	7.02	2,487.7	139.4	7.4

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Personal	5,178.9	262.4	6.77	4,511.6	275.5	8.1
Total loans and leases	\$ 20,267.0	\$ 959.2	6.33 %	\$ 17,944.0	\$ 1,036.5	7.7
Investment securities (b):						
Taxable	3,181.1	150.2	6.49	4,110.0	212.0	7.0
Tax Exempt (a)	1,229.6	68.0	7.48	1,276.3	68.5	7.2
Other short-term investments (a)	835.8	10.0	1.60	431.5	13.3	4.1
Total interest earning assets	\$ 25,513.5	\$ 1,187.4	6.24 %	\$ 23,761.8	\$ 1,330.3	7.5
Interest bearing deposits:						
Bank issued deposits:						
Interest bearing activity	\$ 8,636.1	\$ 81.1	1.26 %	\$ 7,640.0	\$ 190.2	3.3
Time deposits	3,482.0	88.3	3.39	4,028.2	170.8	5.6
Total bank issued deposits	12,118.1	169.4	1.87	11,668.2	361.0	4.1
Wholesale deposits	2,506.5	44.5	2.38	2,841.2	111.9	5.2
Total interest bearing deposits	14,624.6	213.9	1.96	14,509.4	472.9	4.3
Short-term borrowings	4,225.9	116.4	3.68	3,843.7	149.7	5.2
Long-term borrowings	2,492.6	90.0	4.83	1,797.8	79.0	5.8
Total interest bearing liabilities	\$ 21,343.1	\$ 420.3	2.63 %	\$ 20,150.9	\$ 701.6	4.6
Net interest margin (FTE) as a percent of average earning assets		\$ 767.1	4.04 %		\$ 628.7	3.5
Net interest spread (FTE)			3.61 %			2.8

(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 net interest margin increased 20 basis points from 3.78 percent in the third quarter 2001 to 3.98 percent in the third quarter of 2002. For the nine-month period the net interest margin increased 49 basis points from 3.55 percent to 4.04 percent. Compared to the prior year, the yield on average earning assets decreased 109 basis points in the third quarter and 128 basis points on a year-to-date basis. The cost of bank-issued interest bearing deposits in the current quarter decreased 178 basis points from the same quarter of the previous year and decreased 227 basis points in the comparative nine months which reflects rate declines and a favorable shift in the deposit mix. The increase in noninterest bearing deposits as previously discussed was also a source of benefit to the net interest margin. The cost of other funding sources (wholesale deposits and total borrowings) decreased 126 basis points in the current quarter compared to the third quarter of last year and decreased 173 basis points for the nine month comparative periods.

The Corporation anticipates the net interest margin will decline a few basis points over each of the next two quarters, with net interest income growing with internal growth and the acquisitions. The current lower absolute level of interest rates and increased level of prepayments has shortened the expected life of many of the Corporation's financial assets. The Corporation intends to continue to actively manage the re-pricing characteristics of its interest

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bearing liabilities so as to minimize the long-term impact on net interest income. 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 September 30, 2002 and the prior four quarters.

#### Nonperforming Assets

(\$000's)

	2002			2001	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Nonaccrual	\$ 173,185	\$ 160,250	\$ 164,444	\$ 166,434	\$ 163,000
Renegotiated	305	314	366	378	
Past due 90 days or more	7,407	6,560	5,520	6,982	7,000
Total nonperforming loans and leases	180,897	167,124	170,330	173,794	171,000
Other real estate owned	8,223	6,296	6,736	6,796	5,000
Total nonperforming assets	\$ 189,120	\$ 173,420	\$ 177,066	\$ 180,590	\$ 177,000
Allowance for loan and lease losses	\$ 300,628	\$ 292,512	\$ 284,179	\$ 268,198	\$ 264,000

#### Consolidated Statistics

	2002			2001	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Net charge-offs to average loans and leases annualized	0.20 %	0.17 %	0.23 %	0.35 %	0.35 %
Total nonperforming loans and leases to total loans and leases	0.84	0.80	0.84	0.90	0.90
Total nonperforming assets to total loans and leases and other real estate owned	0.88	0.83	0.87	0.94	0.94
Allowance for loan and lease losses to total loans and leases	1.40	1.40	1.40	1.39	1.39
Allowance for loan and lease losses to nonperforming loans and leases	166	175	167	154	154

Nonaccrual Loans and Leases By Type

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----- (\$000's) -----					
	2002			2001	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
-----					
Commercial					
Commercial, financial & agricultural Lease financing receivables	\$ 78,421	\$ 62,349	\$ 65,513	\$ 70,256	\$ 78,421
	2,994	3,993	4,876	12,041	2,994
Total commercial	81,415	66,342	70,389	82,297	81,415
Real estate					
Construction & land development	79	1,399	533	720	1,399
Commercial mortgage	37,408	40,933	39,436	34,546	37,408
Residential mortgage	52,590	50,079	52,504	47,783	52,590
Total real estate	90,077	92,411	92,473	83,049	90,077
Personal	1,693	1,497	1,582	1,088	1,693
Total nonaccrual loans and leases	\$ 173,185	\$ 160,250	\$ 164,444	\$ 166,434	\$ 173,185
	=====	=====	=====	=====	=====

Reconciliation of Allowance for Loan and Lease Losses

----- (\$000's) -----					
	2002			2001	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
-----					
Beginning balance	\$ 292,512	\$ 284,179	\$ 268,198	\$ 264,736	\$ 244,179
Provision for loan and lease losses	18,842	16,980	15,196	20,109	18,842
Allowance of banks and loans acquired	--	--	11,965	--	19,650
Loans and leases charged-off					
Commercial	6,482	3,740	4,505	11,323	6,482
Real estate	2,113	2,580	3,008	4,404	2,113
Personal	2,632	3,086	2,939	3,253	2,632
Leases	2,053	1,767	2,930	1,174	2,053
Total charge-offs	13,280	11,173	13,382	20,154	13,280
Recoveries on loans and leases					
Commercial	1,070	542	682	2,216	1,070
Real estate	343	770	474	292	343
Personal	667	840	733	954	667

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Leases	474	374	313	45	
	-----	-----	-----	-----	-----
Total recoveries	2,554	2,526	2,202	3,507	1,
Net loans and leases charge-offs	10,726	8,647	11,180	16,647	11,
Ending balance	\$ 300,628	\$ 292,512	\$ 284,179	\$ 268,198	\$ 264,
	=====	=====	=====	=====	=====

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 September 30, 2002, OREO acquired in satisfaction of debts amounted to \$7.5 million and branch premises held for sale amounted to \$0.7 million.

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 September 30, 2002, nonperforming loans and leases amounted to \$180.9 million or 0.84% of consolidated loans and leases of \$21.4 billion, an increase of \$13.8 million or 8.2% since June 30, 2002. Nonaccrual loans and leases accounted for \$12.9 million of the increase and was primarily due to the addition of one larger commercial loan. Since the second quarter, nonaccrual commercial loans and leases increased \$15.1 million while nonaccrual commercial real estate and nonaccrual construction and land development decreased \$3.5 million and \$1.3 million, respectively. Nonaccrual residential real estate loans increased \$2.5 million while nonaccrual consumer loans were relatively unchanged. At September 30, 2002, approximately \$38.1 million of nonperforming loans are related to the National City, Richfield and Century acquisitions.

In addition to its nonperforming loans and leases, the Corporation has loans and leases for which payments are presently current, but the borrowers are experiencing financial problems. These loans are subject to constant management attention and their classification is reviewed on an ongoing basis. Recently an airline company has expressed interest in restructuring all of its lease obligations including transactions involving the Corporation. Given the airline company's expressed desire to begin discussions to restructure these financing transactions with the Corporation, it is possible the Corporation will not recover all of the carrying value assigned to these financing transactions. Total credit exposure to this airline including the lease obligations is approximately \$34.6 million. Presently, the Corporation is not able to determine the ultimate amount of loss, if any, that it may incur but it has taken this, as well as its other exposures to the airline and travel industries, into consideration in determining the adequacy of its allowance for loan and lease losses.

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Net charge-offs amounted to \$10.7 million or 0.20% of average loans in the third quarter of 2002 compared with net charge-offs of \$8.6 million or 0.17% of average loans in the second quarter of 2002 and \$11.1 million or 0.24% of average loans in the third quarter of the prior year. For the nine months ended September 30, 2002, net charge-offs amounted to \$30.6 million or 0.20% of average loans compared to \$23.5 million or 0.18% of average loans for the nine months ended September 30, 2001. Although some degree of uncertainty exists, the Corporation expects net charge-offs will continue to range in the 0.15% to 0.25% range until the economy demonstrates clear strengthening. While this expected range is higher than the Corporation's historical net charge-off levels, it is considered manageable.

The provision for loan and lease losses amounted to \$18.8 million and \$51.0 million for the three and nine months ended September 30, 2002, respectively, compared to \$12.2 million in the third quarter of 2001 and \$34.0 million for the nine months ended September 30, 2001. The Corporation has not substantively changed any aspect to its overall approach in the determination of the allowance for loan and lease losses. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. The allowance for loan and lease losses at September 30, 2002 as compared to September 30, 2001 has increased from 1.39% to 1.40%, respectively, of the total loan and lease portfolio largely as a result of the Corporation's consideration of historical and anticipated loss rates inherent in the loan and lease portfolio.

### OTHER INCOME

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Total other income in the third quarter of 2002 amounted to \$272.5 million compared to \$255.3 million in the same period last year, an increase of \$17.2 million or 6.8%. For the nine months ended September 30, 2002 total other income amounted to \$795.7 million an increase of \$56.4 million or 7.6% compared to total other income of \$739.3 million for the nine months ended September 30, 2001.

Total data processing services revenue amounted to \$153.9 million in the third quarter of 2002 compared to \$144.4 million in the third quarter of 2001 an increase of \$9.5 million or 6.6% and for the nine months increased \$29.7 million or 7.2% from \$415.5 million in 2001 to \$445.2 million in the current year. e-Finance solutions revenue increased \$4.3 million or 13.4% compared to the third quarter of 2001 and on a year-to-date basis, increased \$18.0 million or 20.7%. 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. The bill presentment and payment component of e-Finance, which includes revenue from the PayTrust acquisition, continued to show strong linked quarter and year over year growth in active customers and transactions processed. Financial technology solutions revenue, the traditional outsourcing business, increased \$5.2 million or 4.7% in the third quarter compared to the third quarter of last year and \$15.7 million or 4.8% in the comparative nine-month period. In general, growth in this source of data processing services revenue has slowed due to continued bank consolidation and a weaker economy. Total buyout revenue, which varies from period to period, was \$2.5 million less in the current quarter compared to the third quarter of last year and for the nine months was \$1.0 million less than the prior year nine-month period. Other revenue declined primarily due to lower professional services revenue.

Item processing revenue amounted to \$9.8 million in the third quarter of 2002 compared to \$11.7 million in the third quarter of 2001. For the nine months ended September 30, 2002, item processing revenue amounted to \$29.2 million compared to \$36.2 million in the nine months of the prior year. During the latter part of 2001, the Corporation sold certain item processing relationships

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and also sold four Midwest item processing centers.

Trust services revenue amounted to \$29.0 million in the third quarter of 2002 compared to \$30.1 million in the third quarter of 2001 and was relatively unchanged over the comparative nine-month periods. The positive impact from acquisitions and sales efforts were offset by the decline in market values of assets under management. Assets under management were approximately \$12.2 billion at September 30, 2002 and 2001, despite the poor performance of both the S&P 500 and NASDAQ in the current quarter.

Service charges on deposits increased \$3.8 million or 17.8% in the current quarter and for the comparative nine months increased \$13.3 million or 21.3% and amounted to \$24.9 million and \$75.7 million for the three and nine months ended September 30, 2002, respectively. Acquisitions accounted for approximately \$1.5 million and \$3.6 million of the revenue growth in the comparative quarters and year-to-date periods, respectively. The remainder of the increase was primarily attributable to service charges on commercial demand accounts.

Mortgage banking revenue increased \$3.7 million in the third quarter of 2002 compared to the third quarter of 2001 and for the nine month comparative period was relatively unchanged. Gains on the sale of mortgage loans accounted for the majority of the quarter over quarter increase which reflects the increased sale activity as previously discussed.

Net investment securities losses in the third quarter and for the nine months of 2002 amounted to \$4.3 million and \$5.1 million, respectively, and were primarily attributable to securities losses incurred by the Corporation's Capital Markets Group which vary from period to period. Net investment securities losses for the nine months ended September 30, 2001 amounted to \$6.2 million. Net securities gains, recognized primarily by the Corporation's Capital Markets Group, were approximately \$10.1 million. Securities losses of approximately \$16.1 million were recognized by the Corporation's Metavante subsidiary for 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 three and nine months ended September 30, 2002, includes approximately \$0.3 million and \$0.6 million, respectively, from the banking related acquisitions.

Other income in the third quarter of 2002 amounted to \$37.4 million compared to \$29.6 million in the third quarter of 2001, an increase of \$7.8 million or 26.5%. For the nine months, other income amounted to \$106.1 million in the current year compared to \$89.8 million in the prior year, an increase of \$16.3 million or 18.2%. For the three and nine months ended September 30, 2002, approximately \$0.7 million and \$2.6 million, respectively, of the increase was attributable to the banking acquisitions. Auto securitization income increased \$5.0 million for the quarter and \$4.8 million for the nine months ended September 30, 2002 compared to prior year periods and was primarily due to the mark-to-market on trading assets associated with auto loans sold to the revolving conduit. The Corporation is planning a term securitization in the fourth quarter which is expected to eliminate the volatility associated with the trading asset. The remainder of the increase in other income in the comparative three and nine-month periods was primarily due to increases in loan fees and other commission and fee income.

### OTHER EXPENSE

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Total other expense for the three months ended September 30, 2002, amounted to



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\$326.6 million compared to \$339.4 million for the three months ended September 30, 2001. For the comparative nine months, total other expense amounted to \$958.2 million in the current nine-month period compared with \$971.9 million in the same period a year ago.

Nonrecurring expenses for the three and nine months ended September 30, 2002 amounted to \$3.9 million and consisted of transitional expenses associated with Metavante's acquisition of PayTrust which closed on July 29, 2002. Salaries and employee benefits expense and occupancy and equipment expense accounted for \$1.4 million and \$1.7 million, respectively, of the total. As previously reported, the Corporation expects a total of approximately \$10 million (\$6 million after-tax) of charges related to the PayTrust acquisition and the balance of these expenses are expected to be incurred in the fourth quarter of 2002 and the first quarter of 2003.

Nonrecurring expenses in the third quarter and first nine months of 2001 consisted of the following:

Single charter related expenses which are included in other expenses in the Consolidated Statements of Income amounted to \$12.0 million. As previously discussed, this initiative was completed during the second quarter of 2001.

Included in amortization of intangibles for the three and nine months ended September 30, 2001, is \$4.7 million and \$12.7 million, respectively, 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 \$3.5 million in the third quarter of 2001 and for the nine months ended September 30, 2001 amounted to approximately \$7.3 million.

Nonrecurring costs related to Metavante's third quarter 2001 acquisition of Brokat's North American Internet banking operations amounted to approximately \$34.2 as a result of closing locations and consolidating technology platforms. Severance amounted to approximately \$3.8 million and facility closure costs were approximately \$10.2 million with the balance being attributable to write-offs of existing technology and software that was replaced by Brokat's software. The majority of the severance will be paid in 2003.

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 \$322.7 million in the third quarter of 2002 compared to \$297.1 million in the third quarter of 2001, an increase of \$25.6 million or 8.6%. For the

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comparative nine-month periods excluding nonrecurring expenses, total other operating expenses amounted to \$954.3 million in 2002 compared to \$869.7 million in 2001, an increase of \$84.6 million or 9.7%.

The Corporation estimates that approximately \$18.6 million of the quarter over quarter operating expense growth and \$55.9 million of the nine month comparative operating expense growth was attributable to the purchase acquisitions by the Banking segment and Metavante which were included in M&I's operating expenses since their merger dates.

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 September 30, 2002 and prior four quarters were:

### Efficiency Ratios

	Three Months Ended			
	September 30, 2002	June 30, 2002	March 31, 2002	December 31, 2001
Consolidated Corporation	60.5 %	60.9 %	61.8 %	60.7 %
Consolidated Corporation Excluding Metavante				
Including Intangible Amortization	50.0 %	50.1 %	50.7 %	51.6 %
Excluding Intangible Amortization	48.3 %	49.1 %	49.9 %	50.3 %

Salaries and employee benefits expense amounted to \$187.2 million in the third quarter of 2002 compared to \$179.5 million in the third quarter of 2001, an increase of \$7.7 million. Excluding the nonrecurring charges, operating salaries and benefits expense increased \$11.6 million or 6.7%. Operating salaries and employee benefits expense associated with the Banking and Metavante acquisitions was approximately \$11.5 million of the increase. For the nine months salary and employee benefits expense amounted to \$552.0 million in the current year compared to \$525.5 million for the first nine months of 2001. Excluding the nonrecurring charges, salaries and employee benefits expense increased \$40.0 million or 7.8% in the comparative nine-month periods of which approximately \$35.8 million was due to acquisitions.

For the three and nine months ended September 30, 2002, occupancy and equipment expense amounted to \$49.4 million and \$143.0 million, respectively, compared to \$52.0 million and \$140.8 million in the comparative three and nine-month periods in 2001. Compared to the prior year, the decline in nonrecurring charges in the current quarter and nine months was offset by the impact of acquisitions.

Metavante's operating expense growth and acquisition activity accounted for the increase in software expenses in the comparative third quarter and nine-month periods.

The 2002 third quarter over 2001 third quarter growth in processing charges was evenly distributed between the Banking segment and Metavante. For the nine

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months ended September 30, 2002 compared to the same period in 2001, the growth in processing was due to the Banking segment. Included in processing charges for the nine months ended September 30, 2001, was Metavante's nonrecurring charge of approximately \$1.9 million associated with prepaid maintenance.

The increase in professional services expense, primarily legal fees, in the three and nine month comparative periods was incurred fairly evenly across all of the Corporation's segments.

Excluding the effect of the new accounting standard on accounting for goodwill and intangibles, amortization expense increased \$3.3 million in the third quarter of 2002 compared to the third quarter of 2001 and increased \$4.3 million for the comparative nine-month periods. Amortization of identifiable intangibles associated with acquisitions, primarily core deposit premium amortization, accounted for \$0.8 million and \$3.4 million of the increase in amortization expense for the three and nine months ended September 30, 2002, respectively. Accelerated amortization and valuation reserves associated with mortgage servicing rights increased amortization expense \$2.3 million in the third quarter of 2002 compared to the third quarter of 2001 and for the comparative nine-month periods, increased amortization expense by \$1.1 million. The carrying value of the Corporation's mortgage servicing rights was \$7.5 million at September 30, 2002.

Other expense amounted to \$34.5 million in the third quarter of 2002 compared to \$55.4 million in the third quarter of 2001. Included in this line item were nonrecurring charges aggregating \$0.7 million in the current quarter for the PayTrust acquisition and \$23.9 million in the prior year third quarter associated with Metavante's acquisitions of Brokat, Derivion and Cyberbills. Excluding these charges, other expense amounted to \$33.9 million in the current quarter compared to \$31.5 million in the third quarter of last year, an increase of \$2.4 million or 7.7%. Increased operating expenses associated with acquisitions accounted for approximately \$3.0 million of the quarter over quarter increase. For the nine months ended September 30, 2002, other expense amounted to \$106.3 million compared to \$152.4 million for the nine months ended September 30, 2001. Included in this line item were nonrecurring charges aggregating \$0.7 million in the current period for the PayTrust acquisition and \$63.1 million in the comparative prior year nine months. In addition to the charges in the third quarter of 2001, other nonrecurring charges aggregating approximately \$39.2 million were incurred in the first and second quarters of 2001 and consisted of single charter charges of \$12.0 million, lease residual value write-downs 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 \$105.6 million in the nine months ended September 30, 2002 compared to \$89.3 million for the nine months ended September 30, 2001, an increase of \$16.3 million or 18.4%. Increased operating expenses associated with acquisitions accounted for approximately \$5.8 million of the increase over the comparative nine-month periods. An increase in litigation, environmental clean-up and other losses was approximately \$4.9 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. Excluding nonrecurring items, net software and conversion capitalization was \$2.8 million in the third quarter of 2001 and in the current quarter amounted to \$4.2 million resulting in a decrease of \$1.4 million in other expense in the third quarter of 2002 compared to the third quarter of 2001. Net software and conversion capitalization, excluding nonrecurring items, was \$13.9 million in the first nine months of 2001 and for the current year nine months amounted to \$11.4 million resulting in an increase of \$2.5 million in other expense in the nine months ended September 30, 2002 compared to the same period in the prior year.

INCOME TAXES

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The provision for income taxes for the three months ended September 30, 2002 amounted to \$60.7 million or 33.7% of pre-tax income compared to \$38.8 million or 31.8% of pre-tax income for the three months ended September 30, 2001. The provision for income taxes for the nine months ended September 30, 2002 amounted to \$174.3 million or 32.9% of pre-tax income compared to \$109.3 million or 32.2% of pre-tax income for the nine months ended September 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 2001 due to the effect of the nonrecurring charges that were previously discussed.

In the normal course of business, the Corporation and its affiliates are routinely subject to examinations and challenges from federal and state tax authorities regarding the amount of taxes due in connection with investments it has made and the businesses in which it is engaged. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. At September 30, 2002, based on challenges asserted, the Corporation believes that these challenges will be resolved without having any material effect on the Corporation's financial condition and results of operations.

LIQUIDITY AND CAPITAL RESOURCES

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Shareholders' equity was \$2.72 billion at September 30, 2002 compared to \$2.49 billion at December 31, 2001 and \$2.59 billion at September 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 0.3 million shares of its common stock during the third quarter of 2002 at an aggregate cost of \$8.8 million and has purchased a total of 5.1 million shares, adjusted for the two-for-one stock split, at an aggregate cost of \$159.3 million in the nine months ended September 30, 2002.

Accumulated other comprehensive income declined \$62.7 million since June 30, 2002 and declined \$71.0 million since December 31, 2001 primarily due to the change in fair value of the Corporation's pay fixed derivative financial instruments designated as cash flow hedges in the recent low interest rate environment.

In conjunction with the merger with Mississippi Valley Bancshares, Inc. which closed on October 1, 2002, the Corporation issued 8.25 million shares of its Common Stock and paid \$255.2 million in cash to the shareholders of Mississippi Valley Bancshares, Inc.

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

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(\$ in millions)

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	September 30, 2002		December 31, 2001	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital	\$ 2,304	9.52 %	\$ 2,091	9.70 %
Tier 1 Capital Minimum Requirement	968	4.00	862	4.00
Excess	\$ 1,336	5.52 %	\$ 1,229	5.70 %
Total Capital	\$ 3,248	13.42 %	\$ 2,775	12.88 %
Total Capital Minimum Requirement	1,936	8.00	1,724	8.00
Excess	\$ 1,312	5.42 %	\$ 1,051	4.88 %
Risk-Adjusted Assets	\$ 24,200		\$ 21,555	

Leverage Ratios

(\$ in millions)

	September 30, 2002		December 31, 2001	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital Minimum Leverage Requirement	\$ 2,304	8.19 %	\$ 2,091	7.93 %
	843 - 1,406	3.00 - 5.00	791 - 1,318	3.00 - 5.00
Excess	\$ 1,461 - 898	5.19 - 3.19 %	\$ 1,300 - 773	4.93 - 2.93 %
Adjusted Average Total Assets	\$ 28,120		\$ 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.

The Corporation's most readily available source of liquidity is its investment portfolio. Investment securities available for sale, which totaled \$3.8 billion at September 30, 2002, represent a highly accessible source of liquidity. The Corporation's portfolio of held-to-maturity investment securities, which totaled \$1.2 billion at September 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

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deposits (demand, savings, money market and consumer time deposits) averaged \$15.5 billion for the nine months ended September 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. Bank notes aggregating \$0.5 billion were issued during the nine months ended September 30, 2002. In addition, the Corporation's banking subsidiaries issue commercial paper.

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 nine months ended September 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 September 30, 2002, \$38.1 million of MiNotes have been issued. Additionally, the Corporation has a commercial paper program. At September 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 \$6.6 billion at September 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 \$2.2 billion at September 30, 2002. Scheduled maturities are: \$24.9 million, \$8.1 million, \$622.5 million and \$512.0 million for the fiscal twelve months ended September 30, 2004, 2005, 2006 and 2007, respectively. Scheduled maturities through September 30, 2003, of \$791.4 million are included in other short-term borrowings in the consolidated balance sheet as of September 30, 2002.

At September 30, 2002, unused commitments to extend credit in the form of loans amounted to \$9.9 billion. At September 30, 2002, standby letters of credit amounted to \$895.3 million and commercial letters of credit amounted to \$50.7 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

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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 judgements 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 judgements 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 judgements and assumptions made by management, actual results could differ from these judgements 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 judgements and assumptions:

### Allowance for Loan and Lease Losses

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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.** This component of the allowance for loan and lease losses is based 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 September 30,

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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.

The Corporation has not substantively changed any aspect to its overall approach in the determination of the allowance for loan and lease losses. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance.

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 \$300.6 million at September 30, 2002 compared to \$292.5 million at June 30, 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

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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. For the nine months ended September 20, 2002 and 2001, the amount of software capitalized amounted to \$42.5 million and \$35.1 million, respectively. Amortization expense amounted to \$25.5 million and \$31.9 million for the nine months ended September 30, 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 contracts. Capitalization only occurs when management is satisfied that such costs are recoverable through future operations or penalties in case of early termination. For the nine months ended September 20, 2002 and 2001, the amount of conversion costs capitalized amounted to \$7.6 million and \$11.3 million, respectively. Amortization expense amounted to \$13.2 million and \$14.5 million for the nine months ended September 30, 2002 and 2001, respectively.

Net unamortized costs were (\$ in millions):

September 30,



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	----- 2002 -----	2001 -----
Software	\$ 132.9	\$ 107.1
Conversions	37.7	47.5
	----- \$ 170.6 =====	----- \$ 154.6 =====

The Corporation has not substantively changed any aspect to its overall approach in the determination of the amount of costs that are capitalized for software development or conversion activities. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the periodic amortization of such costs.

Asset Sales and Securitizations  
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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 automobile loans to an unconsolidated multi-seller special purpose entity commercial paper conduit in securitization transactions in which servicing rights and subordinated interests are retained. The outstanding balances of automobile loans sold in these securitization transactions were \$582.2 million and \$375.7 million at September 30, 2002 and September 30, 2001, respectively. At September 30, 2002 and 2001, the carrying amount of retained interests amounted to \$44.2 million and \$24.1 million, respectively.

The Corporation has also securitized, from time to time, highly rated available for sale investment securities and/or short-term commercial loans to a special purpose entity that issues highly rated asset-backed commercial paper with maturities up to 180 days which is used to finance the investment securities and/or loans. At September 30, 2002, the Corporation consolidated the special purpose entity.

FORWARD-LOOKING STATEMENTS  
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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

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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.

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

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yield curve over the course of a year (-25bp per quarter) for the balance sheet as of the indicated dates:

	Impact to Annual Pretax Income as of	
	September 30, 2002	June 30, 2002
Hypothetical Change in Interest Rate		
100 basis point gradual:		
Rise in rates	1.5 %	(0.5)%
Decline in rates	(2.0) %	(0.3)%

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 also do not include any management action to mitigate potential income variances within the simulation process. Such action could potentially include, but would not be limited to, adjustments to the repricing characteristics of any on- or off-balance sheet item with regard to short-term rate projections and current market value assessments.

Actual results will differ from simulated results due to 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 September 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 September 30, 2002, M&I Trust Services administered \$53.0 billion in assets and directly managed a portfolio of \$12.2 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.

### ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures that are designed to

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ensure that information required to be disclosed by us in the reports filed by us under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Within the 90 days prior to the date of this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and President and our Executive Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-14 of the Exchange Act. Based on that evaluation, our Chief Executive Officer and President and our Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

There have been no significant changes in our internal controls or other factors that could significantly affect those controls subsequent to the conclusion of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

### PART II - OTHER INFORMATION

#### ITEM 5. OTHER INFORMATION

The Audit Committee of the Board of Directors of Marshall & Ilsley Corporation has approved the following audit and non-audit services performed or to be performed for us by our independent accountants, Deloitte & Touche LLP:

- (1) Accounting and audit-related services, including auditing our 2002 financial statements to be included in our Annual Report on Form 10-K and reviewing our quarterly financial statements to be included in our Quarterly Reports on Form 10-Q,
- (2) Tax consulting and tax compliance services,
- (3) Assistance with due diligence and acquisition planning,
- (4) Assistance in the registration and issuance of securities, including issuing consents and providing comfort letters,
- (5) Assistance and consultation regarding application of accounting principles, internal controls and securitizations,
- (6) Other audits,
- (7) Conducting additional or more comprehensive SAS 70 reviews of internal controls over our data processing operations, and
- (8) Financial planning services for executive officers, including tax planning and preparation services, not to exceed \$15,000 per executive per year.

#### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

##### A.Exhibits:

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- 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
- Exhibit 99.1 - Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350.
- Exhibit 99.2 - Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350.

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B. Reports on Form 8-K:  
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On August 13, 2002, the Corporation reported Items 7 and 9 in a Current Report on Form 8-K relating to the certification of its Quarterly Report on Form 10-Q for the quarter ended June 30, 2002 pursuant to 18 U.S.C. Section 1350.

On August 30, 2002 the Corporation reported Items 5 and 7 in Current Reports on Form 8-K in announcing the mailing of election forms and letters of transmittal to shareholders of Mississippi Valley Bancshares, Inc. in connection with the pending merger between Mississippi Valley Bancshares, Inc. and the Corporation.

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

/s/ James E. Sandy  
-----

James E. Sandy  
Vice President

November 13, 2002

CERTIFICATION  
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I, Dennis J. Kuester, Chief Executive Officer and President of Marshall & Ilsley Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marshall & Ilsley Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances

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under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 13, 2002

/s/ Dennis J. Kuester

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Dennis J. Kuester  
Chief Executive Officer and President

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### CERTIFICATION

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I, Mark F. Furlong, Executive Vice President, Chief Financial Officer and Secretary of Marshall & Ilsley Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Marshall & Ilsley Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

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Date: November 13, 2002

Mark F. Furlong

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Mark F. Furlong  
Executive Vice President and  
Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description of 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
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(99.2)	Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350.