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MARSHALL & ILSLEY CORP/WI/  
Form 10-Q  
November 14, 2001

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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, 2001

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-15403

MARSHALL & ILSLEY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
Incorporation or organization)

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

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

53202  
(Zip Code)

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

None

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

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

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

Class -----	Outstanding at October 31, 2001 -----
Common Stock, \$1.00 Par Value	105,545,370

PART I - FINANCIAL INFORMATION

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ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2001	December 31, 2000	September 2000
<b>Assets</b>			
-----			
Cash and cash equivalents:			
Cash and due from banks	\$ 788,554	\$ 760,103	\$ 64
Federal funds sold and security resale agreements	33,619	54,443	6
Money market funds	656,396	50,147	17
	-----	-----	-----
Total cash and cash equivalents	1,478,569	864,693	88
Investment securities:			
Trading securities, at market value	11,180	15,317	2
Short-term investments, at cost which approximates market	24,806	43,528	2
Available for sale at market value	3,863,068	4,735,722	4,24
Held to maturity at amortized cost, market value \$1,101,318 (\$1,124,756 December 31, and \$1,121,228 September 30, 2000)	1,060,015	1,112,545	1,12
	-----	-----	-----
Total investment securities	4,959,069	5,907,112	5,41
Loans and leases	18,997,703	17,587,087	17,30
Less: Allowance for loan and lease losses	264,736	235,115	23
	-----	-----	-----
Net loans and leases	18,732,967	17,351,972	17,07
Premises and equipment	400,068	392,995	37
Goodwill	512,252	295,784	29
Other intangibles	61,324	49,500	5
Accrued interest and other assets	1,182,397	1,215,683	1,19
	-----	-----	-----
Total Assets	\$ 27,326,646	\$ 26,077,739	\$ 25,29
=====			
<b>Liabilities and Shareholders' Equity</b>			
-----			
Deposits:			
Noninterest bearing	\$ 3,357,337	\$ 3,129,834	\$ 2,78
Interest bearing	13,320,289	16,118,793	15,30
	-----	-----	-----
Total deposits	16,677,626	19,248,627	18,08
Funds purchased and security repurchase agreements	1,237,787	1,092,723	1,75
Other short-term borrowings	4,137,330	1,722,008	1,52
Accrued expenses and other liabilities	927,549	850,916	74
Long-term borrowings	1,760,521	921,276	98
	-----	-----	-----
Total liabilities	24,740,813	23,835,550	23,09
Shareholders' equity:			
-----			

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Series A convertible preferred stock, \$1.00 par value; 336,370 shares issued	336	336	
Common stock, \$1.00 par value; 117,301,755 shares issued (112,757,546 December 31 and September 30, 2000)	117,302	112,757	11
Additional paid-in capital	696,426	452,212	45
Retained earnings	2,254,916	2,117,759	2,06
Accumulated other comprehensive income, net of related taxes	53,453	38,127	
Less: Treasury common stock, at cost: 10,795,640 shares (9,910,839 December 31, and 8,773,349 September 30, 2000)	515,713	458,472	40
Deferred compensation	20,887	20,530	2
Total shareholders' equity	2,585,833	2,242,189	2,20
Total Liabilities and Shareholders' Equity	\$ 27,326,646	\$ 26,077,739	\$ 25,29

See notes to financial statements.

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

	Three Months Ended September 30,	
	2001	2000
Interest income		
Loans and leases	\$ 339,221	\$ 356,670
Investment securities:		
Taxable	64,006	65,071
Exempt from federal income taxes	15,507	16,213
Trading securities	137	312
Short-term investments	4,380	4,999
Total interest income	423,251	443,265
Interest expense		
Deposits	129,783	201,869
Short-term borrowings	46,295	55,425
Long-term borrowings	28,695	21,906
Total interest expense	204,773	279,200
Net interest income	218,478	164,065
Provision for loan and lease losses	12,206	5,938
Net interest income after provision for loan and lease losses	206,272	158,127
Other income		
Data processing services:		
e-Finance solutions	32,629	36,938
Financial technology solutions	111,723	105,708

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Other	37	2,687
	-----	-----
Total data processing services	144,389	145,333
Item processing	11,742	13,062
Trust services	30,144	29,859
Service charges on deposits	21,151	18,644
Mortgage banking	10,647	5,349
Capital Markets revenue	762	(157)
Net investment securities (losses)/gains	24	(50,205)
Life insurance revenue	6,844	6,934
Other	29,960	28,536
	-----	-----
Total other income	255,663	197,355
Other expense		
-----		
Salaries and employee benefits	179,547	162,245
Net occupancy	22,779	13,604
Equipment	29,177	28,469
Software expenses	9,604	7,653
Processing charges	9,271	8,350
Supplies and printing	4,916	4,922
Professional services	7,104	8,410
Shipping and handling	11,195	10,680
Amortization of intangibles	10,802	8,987
Single charter/IPO/ARM loan sale	--	9,306
Other	55,382	18,222
	-----	-----
Total other expense	339,777	280,848
Income before income taxes	122,158	74,634
Provision for income taxes	38,843	23,025
	-----	-----
Net income	\$ 83,315	\$ 51,609
	=====	=====
Net income per common share		
Basic	\$ 0.78	\$ 0.49
Diluted	0.75	0.47
Dividends paid per common share	\$ 0.290	\$ 0.265
Weighted average common shares outstanding:		
Basic	105,964	103,904
Diluted	110,916	108,768

See notes to financial statements.

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

	Nine Months Ended September 30,	
	-----	-----
	2001	2000
	-----	-----
Interest income		
-----		
Loans and leases	\$ 1,034,889	\$ 1,027,833

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Investment securities:		
Taxable	211,969	199,186
Exempt from federal income taxes	46,919	49,183
Trading securities	806	1,323
Short-term investments	12,549	12,954
	-----	-----
Total interest income	1,307,132	1,290,479
Interest expense		
-----		
Deposits	472,920	560,053
Short-term borrowings	149,687	173,044
Long-term borrowings	79,034	59,141
	-----	-----
Total interest expense	701,641	792,238
Net interest income	605,491	498,241
Provision for loan and lease losses	34,006	21,373
	-----	-----
Net interest income after provision for loan and lease losses	571,485	476,868
Other income		
-----		
Data processing services:		
e-Finance solutions	86,799	78,063
Financial technology solutions	324,761	312,289
Other	3,965	12,718
	-----	-----
Total data processing services	415,525	403,070
Item processing	36,247	38,175
Trust services	90,744	87,634
Service charges on deposits	62,424	55,707
Mortgage banking	30,747	13,069
Capital Markets revenue	10,256	17,111
Net investment securities losses	(16,275)	(48,924)
Life insurance revenue	20,069	20,966
Other	90,764	97,396
	-----	-----
Total other income	740,501	684,204
Other expense		
-----		
Salaries and employee benefits	525,536	478,424
Net occupancy	54,005	40,609
Equipment	86,778	83,641
Software expenses	26,898	21,551
Processing charges	30,059	23,345
Supplies and printing	15,309	14,908
Professional services	20,906	25,571
Shipping and handling	33,438	31,707
Amortization of intangibles	27,808	23,850
Single charter/IPO/ARM loan sale	11,952	9,306
Other	140,420	62,914
	-----	-----
Total other expense	973,109	815,826
Income before income taxes and cumulative effect of changes in accounting principles	338,877	345,246
Provision for income taxes	109,277	112,175
	-----	-----
Income before cumulative effect of changes in accounting principles	229,600	233,071

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Cumulative effect of changes in accounting principles, net of income taxes	(436)	(2,279)
Net income	\$ 229,164	\$ 230,792
Net income per common share		
Basic:		
Income before cumulative effect of changes in accounting principles	\$ 2.17	\$ 2.21
Cumulative effect of changes in accounting principles, net of income taxes	--	(0.02)
Net income	\$ 2.17	\$ 2.19
Diluted:		
Income before cumulative effect of changes in accounting principles	\$ 2.11	\$ 2.14
Cumulative effect of changes in accounting principles, net of income taxes	--	(0.02)
Net income	\$ 2.11	\$ 2.12
Dividends paid per common share	\$ 0.845	\$ 0.770
Weighted average common shares outstanding:		
Basic	103,914	104,151
Diluted	108,816	109,028

See notes to financial statements.

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

	Nine Months Ended September 30,	
	2001	2000
Net Cash Provided by Operating Activities	\$ 419,525	\$ 837,532
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	159,145	1,526,794
Proceeds from maturities of securities available for sale	1,375,356	509,080
Proceeds from maturities of securities held to maturity	51,436	42,044
Purchases of securities available for sale	(236,837)	(1,910,983)
Purchases of securities held to maturity	(55)	(217)
Net increase in loans	(570,052)	(1,317,170)
Purchases of assets to be leased	(407,836)	(439,748)
Principal payments on lease receivables	545,640	266,073
Fixed asset purchases, net	(34,216)	(51,308)
Acquisitions and investments in joint ventures	(46,903)	(265)
Other	15,661	8,205
Net cash provided/(used) in investing activities	851,339	(1,367,495)
Cash Flows From Financing Activities:		
Net increase/(decrease) in deposits	(3,613,551)	1,664,451

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Proceeds from issuance of commercial paper	2,226,551	2,606,476
Payments for maturity of commercial paper	(2,279,042)	(2,414,696)
Net increase /(decrease) in other short-term borrowings	1,859,707	(1,366,771)
Proceeds from issuance of long-term debt	1,486,731	534,663
Payments of long-term debt	(168,263)	(308,582)
Dividends paid	(91,316)	(82,889)
Purchases of treasury stock	(101,193)	(98,304)
Other	23,388	2,979
	-----	-----
Net cash provided/(used) by financing activities	(656,988)	537,327
Net increase in cash and cash equivalents	613,876	7,364
Cash and cash equivalents, beginning of year	864,693	879,856
	-----	-----
Cash and cash equivalents, end of period	\$ 1,478,569	\$ 887,220
	=====	=====
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	\$ 744,645	\$ 726,733
Income taxes	108,603	104,217

See notes to financial statements.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements  
September 30, 2001 & 2000 (Unaudited)

1. The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's ("M&I" or "Corporation") 2000 Annual Report on Form 10-K. The unaudited financial information included in this report reflects all adjustments (consisting only of normal recurring accruals) which are necessary for a fair statement of the financial position and results of operations as of and for the three and nine months ended September 30, 2001 and 2000. The results of operations for the three and nine months ended September 30, 2001 and 2000 are not necessarily indicative of results to be expected for the entire year. Certain amounts in the 2000 consolidated financial statements and analyses have been reclassified to conform with the 2001 presentation.

2. Change in Method of Accounting

During the fourth quarter of 2000, the Corporation adopted the Securities and Exchange Commission's Staff Accounting Bulletin No. 101 - REVENUE RECOGNITION IN FINANCIAL STATEMENTS (SAB 101). SAB 101 provides guidance on a variety of revenue recognition matters. The cumulative effect of change in accounting principles was retroactively recorded as of January 1, 2000. The financial position and results of operations as of and for the three and nine months ended September 30, 2000 have been restated to reflect application of the guidance contained in SAB 101. See Note 2 of the Notes to Consolidated Financial Statements of Item 8 of the Corporation's 2000 Annual Report on Form 10-K.

On January 1, 2001, the Corporation adopted the Financial Accounting Standards Board SFAS No. 133, ACCOUNTING FOR DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES. SFAS 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes in the derivatives fair

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value be recognized currently in earnings unless specific hedge accounting criteria are met. The statement requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting. The effects of adopting SFAS 133 are as follows:

	Consolidated Income Statement	Other Comprehensive Income (Equity)	
	-----	-----	
Fair value hedges	\$ (628)	\$ --	
Cash flow hedges	(43)	(15,665)	
	-----	-----	
	(671)	(15,665)	
Income tax benefit	235	5,483	
	-----	-----	
Cumulative effect of change in accounting principles	\$ (436)	\$ (10,182)	
	=====	=====	

See Note 10 for additional information regarding the Corporation's use of derivative financial instruments.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

### 3. New Accounting Pronouncements

In September, 2000, the FASB issued SFAS 140, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. SFAS 140 replaces SFAS 125, ACCOUNTING FOR TRANSFERS AND SERVICING OF FINANCIAL ASSETS AND EXTINGUISHMENTS OF LIABILITIES. It revises the standards for accounting for securitizations and other transfers of financial assets and collateral and requires certain disclosures, but it carries over most of SFAS 125's provisions without reconsideration. SFAS 140 is generally effective for transfers and servicing of financial assets and extinguishments of liabilities occurring after March 31, 2001. The disclosure requirements are effective for financial statements for fiscal years ending after December 15, 2000. The adoption of SFAS 140 did not materially impact the Corporation's present securitization activities.

In June, 2001, the FASB issued SFAS 141, BUSINESS COMBINATIONS. SFAS 141 supercedes APB Opinion No. 16, BUSINESS COMBINATIONS, and SFAS 38, ACCOUNTING FOR PREACQUISITION CONTINGENCIES OF PURCHASED ENTERPRISES. All business combinations in the scope of this Statement are to be accounted for using the purchase method. This Statement carries forward without reconsideration portions of APB Opinion No. 16 that provide guidance related to the application of the purchase method. The provisions of this Statement shall apply to all business combinations initiated after June 30, 2001 and the provisions of this Statement also shall apply to all business combinations accounted for by the purchase method for which the date of acquisition is July 1, 2001, or later.

In June 2001, the FASB also issued SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS. This Statement addresses financial accounting and

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reporting for acquired goodwill and other intangible assets and supercedes APB Opinion No. 17, INTANGIBLE ASSETS. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisition. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001. Goodwill and intangible assets acquired after June 30, 2001, will be subject immediately to the provisions of this Statement.

With respect to the acquisitions of Derivion and Cyberbills, the provisions of SFAS 142 will be applicable beginning January 1, 2002. The provisions of both SFAS 141 and SFAS 142 will apply to the Corporation's merger with National City Bancorporation which was completed on August 1, 2001, the Brokat acquisition completed on September 21, 2001 and the acquisition of the Arizona branches. For the three months ended September 30, 2001 and 2000, the estimated after-tax goodwill amortization which would cease under the provisions of SFAS 142 was approximately \$4.0 million and \$4.1 million, respectively, and for the nine months ended September 30, 2001 and 2000, was approximately \$11.3 million and \$11.1 million, respectively. The Corporation is assessing whether SFAS 142 will result in a reduction of amortization of identifiable intangibles and has not yet determined how the impairment provisions of the standard will affect its financial statements.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

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,		
	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	105,964	\$
			=====
Effect of Dilutive Securities			
Convertible Preferred Stock	1,115	3,844	
Stock Options and Restricted Stock Plans	--	1,108	
	-----		
Diluted Earnings Per Share			
Income Available to Common Shareholders Plus Assumed Conversions	\$ 83,315	110,916	\$
			=====

Three Months Ended September 30, 2001

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	Income (Numerator)	Average Shares (Denominator)	Per S Amo
Net Income	\$ 51,609		
Convertible Preferred Dividends	(1,019)		
<hr/>			
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 50,590	103,904	\$
<hr/>			
Effect of Dilutive Securities			
Convertible Preferred Stock	1,019	3,844	
Stock Options and Restricted Stock Plans	--	1,020	
<hr/>			
Diluted Earnings Per Share			
Income Available to Common Shareholders Plus Assumed Conversions	\$ 51,609	108,768	\$

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

	Nine Months Ended September 30, 20		
	Income (Numerator)	Average Shares (Denominator)	Per S Amo
Net Income	\$ 229,164		
Convertible Preferred Dividends	(3,248)		
<hr/>			
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 225,916	103,914	\$
<hr/>			
Effect of Dilutive Securities			
Convertible Preferred Stock	3,248	3,844	
Stock Options and Restricted Stock Plans	--	1,058	
<hr/>			
Diluted Earnings Per Share			
Income Available to Common Shareholders Plus Assumed Conversions	\$ 229,164	108,816	\$

	Nine Months Ended September 30, 20		
	Income (Numerator)	Average Shares (Denominator)	Per S Amo
Net Income	\$ 230,792		
Convertible Preferred Dividends	(2,960)		
<hr/>			
Basic Earnings Per Share			
Income Available to Common Shareholders	\$ 227,832	104,151	\$

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Effect of Dilutive Securities		
Convertible Preferred Stock	2,960	3,844
Stock Options and Restricted Stock Plans	--	1,033
	-----	-----
Diluted Earnings Per Share		
Income Available to Common Shareholders		
Plus Assumed Conversions	\$ 230,792	109,028 \$
		=====

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

	September 30, 2001	December 31, 2000	Sept
	-----	-----	-----
Investment securities available for sale:			
U.S. treasury and government agencies	\$ 2,681,766	\$ 3,342,952	\$ 3
State and political subdivisions	182,422	151,041	
Mortgage backed securities	225,366	342,171	
Other	773,514	899,558	
	-----	-----	-----
Total	\$ 3,863,068	\$ 4,735,722	\$ 4
	=====	=====	=====
Investment securities held to maturity:			
State and political subdivisions	\$ 1,056,425	\$ 1,107,476	\$ 1
Other	3,590	5,069	
	-----	-----	-----
Total	\$ 1,060,015	\$ 1,112,545	\$ 1
	=====	=====	=====

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

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

	September 30, 2001	December 31, 2000	Sept
	-----	-----	-----
Commercial, financial & agricultural	\$ 5,925,830	\$ 5,289,537	\$ 5
Real estate:			
Construction	610,956	619,281	
Residential mortgage	5,233,197	5,049,557	5
Commercial mortgage	5,013,554	4,359,812	4
	-----	-----	-----
Total real estate	10,857,707	10,028,650	10
Personal	1,210,485	1,174,248	1
Lease financing	991,766	1,094,652	1
Cash flow hedging instruments at fair value	11,915	--	
	-----	-----	-----
Total	\$ 18,997,703	\$ 17,587,087	\$ 17

7. Sale of Receivables

During the third quarter of 2001, \$113.4 million of automobile loans were sold in securitization transactions and gains of \$2.1 million were recognized. Other income associated with auto securitizations amounted to \$0.6 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)	30.1
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, 2001, 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 Manag
Loan balances	\$ 375,622	\$ 260,801	\$ 636,
Principal amounts of loans			
60 days or more past due	400	663	1,
Net credit losses	353	818	1,

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

	September 30, 2001	December 31, 2000	Sept
Noninterest bearing demand	\$ 3,357,337	\$ 3,129,834	\$ 2
Savings and NOW	7,514,748	7,486,094	7
CD's \$100,000 and over	1,738,481	2,663,050	2
Other time deposits	3,281,307	3,532,310	3
Foreign deposits	786,551	2,437,339	2
Fair value hedging instruments	(798)	--	
	\$ 16,677,626	\$ 19,248,627	\$ 18

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9. Comprehensive Income

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

	Three Months Ended September 30,		
	Before-Tax Amount	Tax (Expense) Benefit	Net- Am
Net income			\$
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 25,839	\$ (9,806)	
Reclassification for securities transactions included in net income	(9,170)	3,210	
Unrealized gains (losses)	16,669	(6,596)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	(36,256)	12,690	
Reclassification adjustments for hedging activities included in net income	3,113	(1,090)	
Net gains (losses)	\$ (33,143)	\$ 11,600	
Other comprehensive income			
Total comprehensive income			\$

	Three Months Ended September 30,		
	Before-Tax Amount	Tax (Expense) Benefit	Net- Am
Net income			\$
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 133,778	\$ (47,358)	
Reclassification for securities transactions included in net income	(52,864)	18,502	
Unrealized gains (losses)	80,914	(28,856)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	N/A	N/A	
Reclassification adjustments for hedging activities included in net income	N/A	N/A	
Net gains (losses)	\$ N/A	\$ N/A	
Other comprehensive income			

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Total comprehensive income

\$ 1

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

	Nine Months Ended September 30, 2001		
	Before-Tax Amount	Tax (Expense) Benefit	Net- Am
Net income			\$
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 83,415	\$ (30,165)	
Reclassification for securities transactions included in net income	(12,242)	4,285	
Unrealized gains (losses)	71,173	(25,880)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Adoption of SFAS 133	(15,665)	5,483	
Arising during the period	(36,469)	12,764	
Reclassification adjustments for hedging activities included in net income	6,031	(2,111)	
Net gains (losses)	\$ (46,103)	\$ 16,136	
Other comprehensive income			
Total comprehensive income			\$ 2

	Nine Months Ended September 30, 2000		
	Before-Tax Amount	Tax (Expense) Benefit	Net- Am
Net income			\$ 2
Other comprehensive income:			
Unrealized gains (losses) on securities:			
Arising during the period	\$ 93,434	\$ (33,231)	
Reclassification for securities transactions included in net income	(39,449)	13,807	
Unrealized gains (losses)	53,985	(19,424)	
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	N/A	N/A	

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Reclassification adjustments for hedging activities included in net income		N/A	N/A
Net gains (losses)	\$	N/A	\$ N/A
Other comprehensive income			
Total comprehensive income			\$ 2

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

10. Derivative Financial Instruments and Hedging Activities

Trading Instruments

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

At September 30, 2001, interest rate swaps designated as trading consisted of \$311.5 million in notional amount of receive fixed/pay floating with an aggregate positive fair value of \$2.6 million and \$297.2 million in notional amount of pay fixed/receive floating with an aggregate negative fair value of \$3.4 million.

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

Fair Value Hedges

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

Fair Value Hedges  
September 30, 2001

Hedged Item	Hedging Instrument	Notional Amount (\$ in mil)	Fair Value (\$ in mil)	Weighted Average Remaining Term (Yrs)
Callable CDs	Receive Fixed Swap	\$ 162.5	\$ 0.8	7.0
Medium Term Notes	Receive Fixed Swap	190.0	5.3	4.9
Long-term Borrowings	Receive Fixed Swap	200.0	25.0	25.2
		\$ 552.5	\$ 31.1	

The following table presents the Corporation's fair value hedges' impact

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to net income.

Fair Value Hedges		Three Months Ended September 30, 2001 Impact to Net Interest Income (\$000's)			
Hedged Item	Ineffectiveness	Components Excluded from		Net Settlement	Total
		Ineffectiveness			
Callable CDs	\$ 155	\$ --	\$ 1,456	\$ 1,611	
Medium Term Notes	--	--	315	315	
Long-term Borrowings	--	--	2,152	2,152	
	\$ 155	\$ --	\$ 3,923	\$ 4,078	

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

Cash Flow Hedges

The following table summarizes the Corporation's cash flow hedges at September 30, 2001.

Cash Flow Hedges  
September 30, 2001

Hedged Item	Hedging Instrument	Notional Amount (\$ in mil)	Fair Value (\$ in mil)	Weighted Average Remaining Term (Yrs)
Variable Rate Loans	Receive Fixed Swap	\$ 391.0	\$ 11.7	1.6
Commercial Paper	Pay Fixed Swap	200.0	(25.6)	5.2
Fed Funds Purchased	Pay Fixed Swap	500.0	(21.9)	2.3
FHLB Advances	Pay Fixed Swap	310.0	(10.1)	4.9
Variable Rate Loans	Interest Rate Floor	25.0	0.2	0.2
		\$ 1,426.0	\$ (45.7)	

The following table presents the Corporation's cash flow hedges' impact to net income.

Cash Flow Hedges		Three Months Ended September 30, 2001 Impact to Net Interest Income (\$000's)	
	Components	Reclass	

Estimate  
Reclass F  
AOI in N

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Hedged Item	Ineffectiveness	Excluded from Ineffectiveness	From AOCI	Total	12 Mont (\$000'
Variable Rate Loans \$	--	\$ --	\$ 1,666	\$ 1,666	9,3
Commercial Paper	(1,123)	--	(1,866)	(2,989)	(9,2
Fed Funds Purchased	--	--	(2,296)	(2,296)	(14,0
FHLB Advances	--	--	(706)	(706)	(7,7
Variable Rate Loans	(37)	--	89	52	1
	\$ (1,160)	\$ --	\$ (3,113)	\$ (4,273)	(21,5

For the three and nine months ended September 30, 2000, the effect on net interest income resulting from derivative financial instruments was a negative \$1.3 million and a negative \$1.8 million, respectively.

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

11. Acquisitions

The Corporation completed the following acquisitions during the third quarter of 2001:

On September 21, 2001, the Corporation, through its Metavante subsidiary, completed the purchase of substantially all the assets of the Atlanta-based North American Internet Banking division of Brokat Technologies. The Brokat Financial Applications provide technology for consumer, business and corporate e-banking. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$19.7 million.

On August 1, 2001 the Corporation completed its merger with National City Bancorporation, a Minneapolis, Minnesota-based bank holding company. National City Bancorporation had assets of \$1.1 billion and liabilities of \$0.8 billion. There were 4,544,209 new shares issued in the acquisition. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$107.9 million.

During the third quarter the Corporation completed the acquisition of twelve branches in Arizona. Total assets acquired amounted to \$537.9 million of which loans acquired were \$344.8 million. Total deposits acquired were \$455.2 million. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, recorded in this transaction amounted to \$50.0 million.

12. Segments

Generally, the Corporation organizes its segments based on legal entities. Each entity offers a variety of products and services to

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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.

Prior period segment information for the Banking segment and Data Services segment have been restated for the transfer of certain assets and liabilities of the Data Services Division, which represent the payment services or item processing line of business.

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 10K, 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, 2001 & 2000 (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, Nevada and Florida, one bank headquartered in Minnesota, one federally chartered thrift headquartered in Nevada, an asset-based lending subsidiary and an operational support subsidiary which includes item processing. Banking consists of accepting deposits, making loans and providing other services such as cash management, foreign exchange and correspondent banking to a variety of commercial and retail customers. Products and services are provided through a variety of delivery channels including traditional branches, supermarket branches, telephone centers, ATMs and the internet. Intrasegment revenues, expenses and assets have been eliminated in the following information (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenue:				
Net interest income	\$ 218.8	\$ 166.0	\$ 607.1	\$ 478.0
Other revenues:				
Unaffiliated customers	71.0	62.6	211.7	198.0
Affiliated customers	9.0	5.4	23.8	11.0
Total revenues	298.8	234.0	842.6	687.0

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Expenses:				
Intersegment charges	19.0	16.2	54.9	
Other operating expense	119.7	103.8	348.8	
	-----	-----	-----	-----
Total expenses	138.7	120.0	403.7	
Provision for loan and lease losses	11.9	5.8	33.3	
Income tax expense	48.1	33.3	131.3	
	-----	-----	-----	-----
Operating income	\$ 100.1	\$ 74.9	\$ 274.3	\$
	=====	=====	=====	=====
Identifiable assets	\$ 26,255.0	\$ 24,481.4	\$ 26,255.0	\$ 24
	=====	=====	=====	=====
Return on tangible equity	21.3 %	17.9 %	19.9 %	
	=====	=====	=====	=====

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

The following tables present revenue and operating income by line of business for Banking. This information is based on the Corporation's product profitability measurement system and is an aggregation of the revenues and expenses associated with the products and services within each line of business. Net interest income is derived from the Corporation's internal funds transfer pricing system, expenses are allocated based on available transaction volumes and the provision for loan and lease losses is allocated based on credit risk. Equity is assigned to products and services on a basis that considers market, operational and reputation risk. (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Banking revenues:				
Commercial Banking	\$ 124.0	\$ 100.1	\$ 338.9	\$
Retail Banking	110.0	93.3	328.4	
Treasury and Other	64.8	40.6	175.3	
	-----	-----	-----	-----
Total banking revenues	\$ 298.8	\$ 234.0	\$ 842.6	\$
	=====	=====	=====	=====
Percent of total banking revenue:				
Commercial Banking	41.5 %	42.8 %	40.2 %	
Retail Banking	36.8	39.9	39.0	
Treasury and Other	21.7	17.3	20.8	
	-----	-----	-----	-----
Total banking revenues	100.0 %	100.0 %	100.0 %	
	=====	=====	=====	=====
Operating banking income:				
Commercial Banking	\$ 52.8	\$ 40.7	\$ 148.5	\$
Retail Banking	20.8	22.9	65.1	
Treasury and Other	26.5	11.3	60.7	

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Total operating banking income	\$ 100.1	\$ 74.9	\$ 274.3	\$
Percent of total operating banking income:				
Commercial Banking	52.7 %	54.3 %	54.2 %	
Retail Banking	20.7	30.6	23.7	
Treasury and Other	26.6	15.1	22.1	
Total operating banking income	100.0 %	100.0 %	100.0 %	
Banking return on tangible equity:				
Commercial Banking	23.6 %	20.7 %	23.5 %	
Retail Banking	15.1	18.1	15.7	
Total banking return on tangible equity	21.3 %	17.9 %	19.9 %	

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

Data Services

Data Services includes 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 in the following information and prior periods have been restated to exclude the item processing business. (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenue:				
Net interest expense	\$ (0.9)	\$ (0.9)	\$ (2.5)	\$
Other revenues:				
Unaffiliated customers	144.4	144.4	413.3	
Affiliated customers	14.8	16.3	46.5	
Total revenues	158.3	159.8	457.3	
Expenses:				
Intersegment charges	4.7	2.2	12.9	
Other operating expense	131.8	125.8	388.0	
Total expenses	136.5	128.0	400.9	

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Income tax expense		8.9		13.0		23.3	
	-----		-----		-----		-----
Operating income	\$	12.9	\$	18.8	\$	33.1	\$
	=====		=====		=====		=====
Identifiable assets	\$	678.4	\$	597.8	\$	678.4	\$
	=====		=====		=====		=====
Return on tangible equity		27.7 %		39.1 %		20.8 %	
	=====		=====		=====		=====

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

All Others  
-----

M&I's primary other operating segments includes Trust Services, Mortgage Banking (residential and commercial), Capital Markets Group, Brokerage and Insurance Services and Commercial Leasing. Trust Services provides investment management and advisory services as well as personal, commercial and corporate trust services in Wisconsin, Florida and Arizona. Capital Markets Group provide venture capital and advisory services. Intrasegment revenues, expenses and assets for the entities that comprise Trust Services and Capital Markets Group have been eliminated in the following information. (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
	-----	-----	-----	-----
Revenue:				
Net interest income	\$ 6.7	\$ 5.2	\$ 19.2	\$ 19.2
Other revenues:				
Unaffiliated customers	39.1	38.7	129.9	129.9
Affiliated customers	5.4	3.6	15.1	15.1
	-----	-----	-----	-----
Total revenues	51.2	47.5	164.2	164.2
Expenses:				
Intersegment charges	7.2	6.8	21.7	21.7
Other operating expense	26.7	26.5	82.9	82.9
	-----	-----	-----	-----
Total expenses	33.9	33.3	104.6	104.6
Provision for loan and lease losses	0.3	0.1	0.7	0.7
Income tax expense	6.8	5.5	23.6	23.6
	-----	-----	-----	-----
Operating income	\$ 10.2	\$ 8.6	\$ 35.3	\$ 35.3
	=====	=====	=====	=====
Identifiable assets	\$ 726.4	\$ 940.3	\$ 726.4	\$ 726.4
	=====	=====	=====	=====
Return on tangible equity	15.6 %	15.1 %	19.1 %	19.1 %
	=====	=====	=====	=====

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

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
All Others Revenues:				
Trust Services	\$ 29.7	\$ 30.4	\$ 91.0	\$ 91.0
Residential Mortgage Banking	10.1	6.7	29.2	29.2
Capital Markets	1.3	0.4	12.2	12.2
Others	10.1	10.0	31.8	31.8
Total All Others revenues	\$ 51.2	\$ 47.5	\$ 164.2	\$ 164.2

MARSHALL & ILSLEY CORPORATION  
Notes to Financial Statements - Continued  
September 30, 2001 & 2000 (Unaudited)

Segment information reconciled to the Consolidated Financial Statements is as follows (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2001	2000	2001	2000
Revenues:				
Banking	\$ 298.8	\$ 234.0	\$ 842.6	\$ 842.6
Data Services	158.3	159.8	457.3	457.3
All Others	51.2	47.5	164.2	164.2
Corporate overhead	(4.6)	(5.0)	(15.8)	(15.8)
Nonrecurring securities losses	0.0	(50.1)	(16.1)	(16.1)
Intersegment eliminations	(29.6)	(24.8)	(86.2)	(86.2)
Consolidated revenues	\$ 474.1	\$ 361.4	\$ 1,346.0	\$ 1,346.0
Expenses:				
Banking	\$ 138.7	\$ 120.0	\$ 403.7	\$ 403.7
Data Services	136.5	128.0	400.9	400.9
All Others	33.9	33.3	104.6	104.6
Corporate overhead	22.2	15.1	60.3	60.3
Nonrecurring	38.0	9.3	89.8	89.8
Intersegment eliminations	(29.6)	(24.8)	(86.2)	(86.2)
Consolidated expenses	\$ 339.7	\$ 280.9	\$ 973.1	\$ 973.1
Net income (loss):				
Operating income:				
Banking	\$ 100.1	\$ 74.9	\$ 274.3	\$ 274.3
Data Services	12.9	18.8	33.1	33.1
All Others	10.2	8.6	35.3	35.3
Corporate overhead	(16.8)	(11.9)	(47.2)	(47.2)
Nonrecurring	(23.0)	(38.8)	(66.3)	(66.3)
Consolidated net income	\$ 83.4	\$ 51.6	\$ 229.2	\$ 229.2

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	=====	=====	=====	=====
Assets:				
Banking	\$ 26,255.0	\$ 24,481.4	\$ 26,255.0	\$ 24,481.4
Data Services	678.4	597.8	678.4	597.8
All Others	726.4	940.3	726.4	940.3
Corporate overhead	609.2	391.9	609.2	391.9
Intersegment eliminations	(942.4)	(1,114.2)	(942.4)	(1,114.2)
	-----	-----	-----	-----
Consolidated assets	\$ 27,326.6	\$ 25,297.2	\$ 27,326.6	\$ 25,297.2
	=====	=====	=====	=====

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

	Three Months Ended September 30,	
	2001	2000
	-----	-----
Assets		
-----		
Cash and due from banks	\$ 680,451	\$ 605,934
Investment securities:		
Trading securities	13,910	26,255
Short-term investments	497,709	307,222
Other investment securities:		
Taxable	3,753,722	3,875,469
Tax-exempt	1,268,253	1,323,791
	-----	-----
Total investment securities	5,533,594	5,532,737
Total loans and leases	18,338,194	17,302,910
Less: Allowance for loan and lease losses	259,083	236,043
	-----	-----
Net loans and leases	18,079,111	17,066,867
Premises and equipment, net	396,422	376,525
Accrued interest and other assets	1,721,717	1,488,725
	-----	-----
Total Assets	\$ 26,411,295	\$ 25,070,788
	=====	=====
Liabilities and Shareholders' Equity		
-----		
Deposits:		
Noninterest bearing	\$ 2,940,571	\$ 2,638,611
Interest bearing	14,046,651	14,946,173
	-----	-----
Total deposits	16,987,222	17,584,784
Funds purchased and security repurchase agreements	2,100,279	2,107,345
Other short-term borrowings	1,816,788	1,263,623
Long-term borrowings	2,079,704	1,235,052
Accrued expenses and other liabilities	877,323	708,204
	-----	-----
Total liabilities	23,861,316	22,899,008

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Shareholders' equity	2,549,979	2,171,780
Total Liabilities and Shareholders' Equity	\$ 26,411,295	\$ 25,070,788

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

	Nine Months Ended September 30,	
	2001	2000
Assets		
Cash and due from banks	\$ 632,168	\$ 616,892
Investment securities:		
Trading securities	24,642	35,527
Short-term investments	406,882	273,928
Other investment securities:		
Taxable	4,110,023	4,008,427
Tax-exempt	1,276,259	1,332,971
Total investment securities	5,817,806	5,650,853
Total loans and leases	17,944,039	17,033,536
Less: Allowance for loan and lease losses	247,376	232,978
Net loans and leases	17,696,663	16,800,558
Premises and equipment, net	389,317	373,589
Accrued interest and other assets	1,609,602	1,461,475
Total Assets	\$ 26,145,556	\$ 24,903,367
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest bearing	\$ 2,776,397	\$ 2,622,238
Interest bearing	14,509,362	14,648,660
Total deposits	17,285,759	17,270,898
Funds purchased and security repurchase agreements	2,120,859	2,239,946
Other short-term borrowings	1,722,836	1,449,783
Long-term borrowings	1,797,883	1,185,304
Accrued expenses and other liabilities	826,055	641,105
Total liabilities	23,753,392	22,787,036
Shareholders' equity	2,392,164	2,116,331
Total Liabilities and Shareholders' Equity	\$ 26,145,556	\$ 24,903,367

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

THREE MONTHS ENDED SEPTEMBER 30, 2001 and 2000  
-----

Net income for the third quarter of 2001 amounted to \$83.3 million compared to \$51.6 million for the same period in the prior year. Basic and diluted earnings per share were \$.78 and \$.75 respectively for the three months ended September 30, 2001, compared with \$.49 and \$.47 respectively for the three months ended September 30, 2000. The return on average assets and average equity were 1.25% and 12.96% for the quarter ended September 30, 2001 and 0.82% and 9.45% for the quarter ended September 30, 2000.

Net income for the current quarter includes certain losses and expenses incurred in connection with the announced acquisitions at the Corporation's Metavante subsidiary. Net income for the third quarter of 2000 includes expenses of the withdrawn IPO of Metavante, expenses associated with the charter consolidation and losses associated with the planned sale of lower yielding assets and investment portfolio realignment. The impact of these items is shown in the following table (\$000's):

	Pre-tax Effect	Three Months Ended September 30,	
		2001	2000
		-----	-----
Income as Reported	\$	83,315	\$ 51,609
Nonrecurring Losses and Expenses:			
Metavante Subsidiary			
Acquisition related	\$ 38,025	23,007	
IPO expenses	1,996		1,476
Charter consolidation	4,250		2,821
Balance Sheet Management			
Investment securities losses	50,095		32,562
ARM loan sale losses	3,060		1,989
		-----	-----
Total Nonrecurring Losses and Expenses		23,007	38,848
		-----	-----
Operating Income	\$	106,322	\$ 90,457
		=====	=====

The following tables present a summary of each of the major elements of the consolidated operating income statement, certain financial statistics and a summary of the major operating income statement elements stated as a percent of average consolidated assets converted to a fully taxable equivalent basis (FTE) where appropriate for the current quarter and previous four quarters. Operating income for the third quarters of 2001 and 2000, excludes the items discussed above. Operating income for the second quarter of 2001, excludes certain losses and expenses incurred in connection with structural changes and acquisitions at the Corporation's Metavante subsidiary, auto lease residual value write-downs and the final charge for the charter consolidation initiative. Operating income for the first quarter of 2001 excludes expenses associated with charter consolidations and the cumulative effect of the change in accounting for derivatives and hedging activities while operating income in the fourth quarter of 2000 excludes certain nonrecurring losses and

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expenses associated with balance sheet restructuring, charter consolidations and the withdrawn Metavante IPO. "Cash operating income" and related statistics is operating income before amortization of intangibles. Amortization includes amortization of goodwill and core deposit premiums and is net of negative goodwill accretion and 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)

	2001			2000	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Interest income	\$ 423,248	\$ 431,447	\$ 452,434	\$ 457,503	\$ 443,000
Interest expense	(204,746)	(230,213)	(266,655)	(282,738)	(279,000)
Net interest income	218,502	201,234	185,779	174,765	164,000
Provision for loan and lease losses	(12,206)	(10,737)	(11,063)	(8,979)	(5,000)
Net investment securities gains (losses)	24	(119)	(123)	(120)	(1,000)
Other income	255,639	254,053	247,084	249,543	247,000
Other expense	(301,776)	(296,713)	(284,796)	(282,262)	(271,000)
Income before taxes	160,183	147,718	136,881	132,947	134,000
Income tax provision	(53,861)	(49,665)	(45,754)	(43,230)	(43,000)
Operating income	\$ 106,322	\$ 98,053	\$ 91,127	\$ 89,717	\$ 90,000
Cash operating income	\$ 111,758	\$ 102,802	\$ 95,828	\$ 94,663	\$ 95,000
Per Common Share					
Operating income					
Basic	\$ 0.99	\$ 0.94	\$ 0.88	\$ 0.86	\$ 0.86
Diluted	0.96	0.91	0.85	0.83	0.83
Cash Operating income					
Basic	\$ 1.04	\$ 0.99	\$ 0.92	\$ 0.90	\$ 0.90
Diluted	1.01	0.95	0.89	0.87	0.87
Dividends	0.290	0.290	0.265	0.265	0.265
Return on Average Equity					
Operating income	16.54 %	16.80 %	16.20 %	15.92 %	16.20 %
Cash Operating income	20.91	20.15	19.60	19.40	20.15

### Summary Consolidated Operating Income Statement Components

-----  
as a Percent of Average Total Assets  
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	2001			2000	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Interest income (FTE)	6.48 %	6.78 %	7.16 %	7.27 %	7.16 %
Interest expense	(3.08)	(3.55)	(4.15)	(4.42)	(4.15)
Net interest income	3.40	3.23	3.01	2.85	3.01
Provision for loan and lease losses	(0.18)	(0.17)	(0.17)	(0.14)	(0.17)
Net investment securities gains (losses)	--	--	--	--	--
Other income	3.84	3.92	3.85	3.90	3.85
Other expense	(4.53)	(4.58)	(4.45)	(4.41)	(4.45)
Income before taxes	2.53	2.40	2.24	2.20	2.24
Income tax provision	(0.93)	(0.89)	(0.82)	(0.80)	(0.82)
Return on average assets based on operating income	1.60 %	1.51 %	1.42 %	1.40 %	1.42 %
Return on tangible average assets based on cash operating income	1.71 %	1.61 %	1.51 %	1.50 %	1.51 %

NET INTEREST INCOME

Net interest income for the third quarter of 2001 amounted to \$218.5 million compared to \$164.1 million reported for the third quarter of 2000. The reduction in interest rates since early January along with loan growth and increased spreads on loan products and the impact of the purchase acquisitions of National City and the Arizona branches contributed to the \$54.4 million increase in net interest income. Factors negatively affecting net interest income included a shift in the mix to lower spread bank-issued deposit products, the ongoing process of lengthening liabilities in order to reduce future volatility in net interest income due to interest rate movements, reduced spreads on core deposits due to interest rate declines, the cost of treasury share repurchases and the cost of acquisitions.

Average earning assets in the third quarter of 2001 increased \$1.0 billion or 4.5% compared to the same period a year ago. Average loans, including securitized adjustable rate mortgage loans (ARMs), accounted for \$1.3 billion of the growth in earning assets compared to the third quarter of last year. Average investment securities, excluding securitized ARMs, declined \$0.4 billion while other earning assets increased \$0.1 billion. The Corporation estimates that approximately \$0.8 billion of average earning assets in the three months ended September 30, 2001, are attributable to the purchase acquisitions of National City and the Arizona branches.

Average interest bearing liabilities increased \$0.5 billion or 2.5% in the third quarter of 2001 compared to the same period in 2000. Since the third quarter of 2000, average interest bearing deposits decreased \$0.9 billion while average total short-term borrowings increased \$0.5 billion and average long-term borrowings increased \$0.8 billion. The Corporation estimates that approximately \$0.5 billion of average interest bearing liabilities in the three months ended September 30, 2001, are attributable to the purchase

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acquisitions of National City and the Arizona branches.

Average noninterest bearing deposits increased \$0.3 billion or 11.4% compared to the same period last year. Approximately \$0.1 billion of average noninterest bearing deposits in the three months ended September 30, 2001, are attributable to the purchase acquisitions of National City and the Arizona branches.

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. Securitized ARM loans which are classified in the consolidated balance sheets as investment securities available for sale are included to provide a more meaningful comparison (\$ in millions):

### Consolidated Average Loans, Leases and Securitized ARMs

	2001			2000		Growth Annual
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	
<b>Commercial</b>						
Commercial	\$ 5,640	\$ 5,328	\$ 5,258	\$ 5,042	\$ 4,950	13.9 %
Commercial real estate						
Commercial mortgages	4,831	4,625	4,429	4,300	4,219	14.5
Construction	520	538	495	469	450	15.6
Total commercial real estate	5,351	5,163	4,924	4,769	4,669	14.6
Commercial lease financing	394	382	385	377	360	9.7
Total Commercial	11,385	10,873	10,567	10,188	9,979	14.1
<b>Personal</b>						
Residential real estate						
Residential mortgages	2,303	2,384	2,409	2,740	3,168	(27.3)
Construction	120	122	126	123	117	2.8
Securitized ARM loans	638	734	828	523	375	70.1
Total residential real estate	3,061	3,240	3,363	3,386	3,660	(16.4)
Personal loans						
Student	94	133	134	119	108	(13.2)
Credit card	174	184	190	187	171	1.8
Home equity loans and lines	2,723	2,641	2,647	2,462	2,261	20.4
Other	927	864	850	852	883	5.0
Total personal loans	3,918	3,822	3,821	3,620	3,423	14.5
Personal lease financing	612	668	695	698	616	(0.7)
Total personal	7,591	7,730	7,879	7,704	7,699	(1.4)
Total Consolidated Average Loans, Leases and ARMs	\$ 18,976	\$ 18,603	\$ 18,446	\$ 17,892	\$ 17,678	7.3 %



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Savings & NOW	1,784	1,719	1,720	1,760	1,826	(2.3)
Money market	5,563	5,368	5,111	4,855	4,580	21.5
Foreign activity	640	532	476	476	402	59.1
<hr/>						
Total interest bearing deposits	7,987	7,619	7,307	7,091	6,808	17.3
<hr/>						
Time deposits						
Other CDs & time deposits	3,167	3,202	3,397	3,452	3,394	(6.7)
CDs greater than \$100,000	751	750	820	856	874	(14.1)
<hr/>						
Total time deposits	3,918	3,952	4,217	4,308	4,268	(8.2)
<hr/>						
Total bank issued deposits	14,846	14,298	14,182	14,125	13,715	8.2
<hr/>						
Wholesale deposits						
Money market	--	222	762	703	668	(100.0)
Brokered CDs	1,517	1,740	1,795	1,780	1,653	(8.2)
Foreign time	624	939	939	1,566	1,549	(59.7)
<hr/>						
Total wholesale deposits	2,141	2,901	3,496	4,049	3,870	(44.7)
<hr/>						
Total consolidated average deposits	\$ 16,987	\$ 17,199	\$ 17,678	\$ 18,174	\$ 17,585	(3.4)%
<hr/>						

Average bank issued deposits increased \$1.1 billion or 8.2% in the third quarter of 2001 compared to the third quarter of 2000. Average bank issued deposits associated with the acquisitions in the third quarter of 2001 were approximately \$0.4 billion. As part of its private-label banking services, the Corporation acquired \$354 million of deposits late in 2000. Excluding the effect of the current acquisitions, average money market index accounts accounted for approximately \$1.0 billion of the growth in average bank issued deposits while savings and NOW and money market savings declined \$71 million and bank issued money market savings decreased \$161 million. This shift in mix had an adverse impact on the interest margin. Noninterest bearing deposits, excluding acquisitions, increased \$189 million. Excluding acquisitions, average CDs and time deposits declined \$0.5 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.

Compared with the third quarter of 2000, average wholesale deposits declined \$1.7 billion or 44.7% and were replaced, in part, with borrowings. The decrease in wholesale deposits reflects in part, M&I electing during the second quarter to discontinue a contractual institutional relationship that would have repriced to levels above comparable funding alternatives.

Compared with the second quarter of 2001 and excluding the effects of the banking related acquisitions, total consolidated average deposits decreased \$0.7 billion. Average bank issued deposits increased \$0.1 billion and consisted of growth in noninterest bearing deposits and interest bearing activity accounts of \$ 0.1 billion and \$0.2 billion, respectively, and which was offset by a decline in average time deposits of \$0.2 billion. Average wholesale deposits decreased \$0.8 billion.

The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the current quarter and prior year second quarter are presented in the following table. Securitized ARM loans that are classified in the balance

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sheet as investment securities available for sale are included with loans to provide a more meaningful comparison (\$ in millions):

	Three Months Ended September 30, 2001			Three Months Ended September 30, 2000		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield or Cost (b)
Loans and leases (a)	\$ 18,975.7	\$ 351.3	7.35 %	\$ 17,677.6	\$ 364.5	7.35 %
Investment securities:						
Taxable	3,116.2	52.6	6.89	3,500.8	57.8	6.89
Tax Exempt (a)	1,268.3	22.8	7.21	1,323.8	23.3	7.21
Other short-term investments (a)	511.6	4.5	3.50	333.4	5.3	3.50
<b>Total interest earning assets</b>	<b>\$ 23,871.8</b>	<b>\$ 431.2</b>	<b>7.20 %</b>	<b>\$ 22,835.6</b>	<b>\$ 450.9</b>	<b>7.20 %</b>
Money market savings	\$ 5,563.6	\$ 42.9	3.06 %	\$ 5,248.2	\$ 72.8	3.06 %
Regular savings & NOW	1,784.1	5.1	1.14	1,826.0	7.1	1.14
Other CDs & time deposits	4,430.7	62.1	5.56	5,345.1	80.3	5.56
CDs greater than \$100 & Brokered CDs	2,268.2	19.7	3.44	2,526.9	41.7	3.44
<b>Total interest bearing deposits</b>	<b>14,046.6</b>	<b>129.8</b>	<b>3.67</b>	<b>14,946.2</b>	<b>201.9</b>	<b>3.67</b>
Short-term borrowings	3,917.1	46.3	4.69	3,371.0	55.4	4.69
Long-term borrowings	2,079.7	28.7	5.47	1,235.0	21.9	5.47
<b>Total interest bearing liabilities</b>	<b>\$ 20,043.4</b>	<b>\$ 204.8</b>	<b>4.05 %</b>	<b>\$ 19,552.2</b>	<b>\$ 279.2</b>	<b>4.05 %</b>
Net interest margin (FTE) as a percent of average earning assets		\$ 226.4	3.78 %		\$ 171.7	3.78 %
Net interest spread (FTE)			3.15 %			3.15 %

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

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

The yield on average earning assets decreased 64 basis points since the third quarter of 2000, which had a negative impact on interest income (FTE) of approximately \$39.5 million. The increase in the yield of taxable investment securities reflects the Corporation's realignment of its available for sale investment securities portfolio through the sale and purchase of approximately \$1.6 billion of U.S. Government Agency securities during the third quarter of 2000. The increase in the volume of earning assets, primarily loans and securitized ARMs, increased interest income by approximately \$19.8 million compared with the third quarter of 2000. The cost of interest bearing deposits decreased 170 basis points from the same quarter of the previous year which reflects rate declines as well as less reliance on wholesale deposits offset by the shift in the bank issued deposit mix as previously discussed. Short-term borrowing costs decreased 185 basis points and long-term borrowing costs decreased 159 basis points compared with the third quarter of 2000. The overall decrease in the cost of interest

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bearing liabilities of 163 basis points decreased interest expense by approximately \$82.4 million while the increase in the volume of interest bearing liabilities increased interest expense by approximately \$8.0 million.

In the recent declining interest rate environment, the Corporation has taken certain actions and will continue to take certain actions, such as issuing term debt, to lessen the amount of income at risk due to changes in interest rates. As a result, net interest income will not experience the same magnitude of benefit as it might have, absent the actions taken. In addition to continuing to seek less costly funding sources, the Corporation may, among other actions, continue to divest of lower yielding assets through sale or securitization in the future.

### PROVISION FOR LOAN AND LEASE LOSSES AND CREDIT QUALITY

The following tables present comparative consolidated credit quality information as of September 30, 2001 and the prior four quarters.

#### NONPERFORMING ASSETS

(\$000's)

	2001			2000	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Thi Quar
Nonaccrual	\$ 163,946	\$ 137,355	\$ 130,640	\$ 121,425	\$ 116,
Renegotiated	389	249	560	614	
Past due 90 days or more	7,185	7,166	7,080	7,371	7,
Total nonperforming loans and leases	171,520	144,770	138,280	129,410	124,
Other real estate owned	5,842	3,671	3,790	3,797	3,
Total nonperforming assets	\$ 177,362	\$ 148,441	\$ 142,070	\$ 133,207	\$ 128,
Allowance for loan and lease losses	\$ 264,736	\$ 244,486	\$ 240,348	\$ 235,115	\$ 232,

#### CONSOLIDATED STATISTICS

	2001			2000	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Thi Quar
Net Charge-offs (Recoveries) to average loans and leases annualized	0.24 %	0.15 %	0.13 %	0.16 %	0
Total nonperforming loans and leases to total loans and leases	0.90	0.81	0.78	0.74	0
Total nonperforming assets to total loans					

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and leases and other real estate owned	0.93	0.83	0.80	0.76	0
Allowance for loan and lease losses to total loans and leases	1.39	1.37	1.35	1.34	1
Allowance for loan and lease losses to nonperforming loans and leases	154	169	174	182	

NONACCRUAL LOANS AND LEASES BY TYPE

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(\$000's)

	2001			2000	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Commercial					
Commercial, financial & agricultural	\$ 78,623	\$ 54,576	\$ 50,273	\$ 49,965	\$ 39,965
Lease financing receivables	2,022	1,892	2,959	1,921	2,959
Total commercial	80,645	56,468	53,232	51,886	41,924
Real estate					
Construction & land development	1,063	2,590	2,584	2,896	2,584
Commercial mortgage	38,117	38,440	38,797	35,011	42,440
Residential mortgage	42,147	38,389	34,244	29,895	28,389
Total real estate	81,327	79,419	75,625	67,802	73,413
Personal	1,974	1,468	1,783	1,737	2,584
Total nonaccrual loans and leases	\$ 163,946	\$ 137,355	\$ 130,640	\$ 121,425	\$ 116,921

RECONCILIATION OF ALLOWANCE FOR LOAN AND LEASE LOSSES

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(\$000's)

	2001			2000	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter
Beginning balance	\$ 244,486	\$ 240,348	\$ 235,115	\$ 232,690	\$ 234,486
Provision for loan and lease losses	12,206	10,737	11,063	8,979	5,000
Allowance of banks and loans acquired	19,151	--	--	1,270	--
Allowance transfer for loan securitizations	--	--	--	(1,022)	--
Loans and leases charged-off					
Commercial	5,266	3,607	2,577	2,253	5,000
Real estate	3,768	1,734	2,075	3,267	4,244
Personal	2,768	2,561	2,383	2,629	2,584
Leases	450	770	496	397	450

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Total charge-offs	12,252	8,672	7,531	8,546	8,
Recoveries on loans and leases					
Commercial	362	1,042	515	429	
Real estate	357	403	410	645	
Personal	354	531	728	627	
Leases	72	97	48	43	
Total recoveries	1,145	2,073	1,701	1,744	1,
Net loans and leases charge-offs (recoveries)	11,107	6,599	5,830	6,802	7,
Ending balance	\$ 264,736	\$ 244,486	\$ 240,348	\$ 235,115	\$ 232,

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, 2001, OREO acquired in satisfaction of debts amounted to \$5.4 million and branch premises held for sale amounted to \$0.4 million. Approximately \$2.8 million of OREO acquired in satisfaction of debts relates to the National City acquisition.

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, 2001, nonperforming loans and leases amounted to \$171.5 million or 0.90% of consolidated loans and leases of \$19.0 billion, an increase of \$26.8 million or 18.5% since June 30, 2001. Nonaccrual loans and leases, primarily commercial loans, accounted for the increase compared to the prior quarter. At September 30, 2001, approximately \$26.6 million of nonperforming loans are related to recent acquisitions.

Net charge-offs amounted to \$11.1 million or 0.24% of average loans in the third quarter of 2001 compared with net charge-offs of \$6.6 million or 0.15% of average loans in the second quarter of 2001 and \$7.4 million or 0.17% of average loans in the third quarter of the prior year.

In light of the events of September 11th, the Corporation performed additional assessments of its loans to certain industries which may have become more vulnerable. These include loans to airlines, travel and leisure industries, auto suppliers and other transportation related industries and insurance. The Corporation has concluded that there are no large concentrations of loans or unusual draw down activity with respect to the

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loans to these industries. In addition, nonperforming loans and loans considered problem or watch type credits (loans considered to have a higher risk of becoming nonperforming) to these industries appear to be representative of the rest of portfolio. Only through the passage of time, over future quarters, will the Corporation be able to determine the strength of those borrowers.

The allowance for loan and lease losses represents management's estimate of probable losses which have occurred as of the date of the financial statements. In determining the adequacy of the reserve the Corporation evaluates the reserves necessary for specific nonperforming loans and also estimates losses in other loans and leases. As a result, the allowance for loans and leases contains the following components:

**Specific Reserve.** The amount of specific reserves is determined through a loan-by-loan analysis of nonperforming loans 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.

**Allocated reserve.** The amount of the allocated portion of the loss reserve is determined by reserving factors assigned to loans and leases based on the Corporation's historical loss experience. Line officers and loan committees are responsible for continually assigning grades to commercial loan types based on standards established in the Corporation's loan policies and adherence to the standards is closely monitored by the Corporation's Loan Review Group. Loan grades are similar to, but generally more conservative than, regulatory classifications. In addition, reserving factors are applied to retail and smaller balance ungraded credits as well as specialty loan products such as credit card, student loans and mortgages. Reserving factors are derived and are determined based on such factors as historical charge-off experience, remaining life, and industry practice for reserve levels. The use of industry practice is intended to prevent an understatement of reserves based upon an over-reliance on historical charge-offs during favorable economic conditions.

Management determines a portion of the allocated loss reserve based on factors that cannot be associated with a specific credit. These factors include management's subjective evaluation of local, national and international economic and business conditions, changes to underwriting standards and marketing channels such as use of centralized retail and small business credit centers, trends towards higher advance rates and longer amortization periods and the impact of acquisitions on the Corporation's credit risk profile as well as management's attempt to ensure that the overall reserve appropriately reflects a margin for the imprecision necessarily inherent in estimates of expected credit losses.

Management's evaluation of the factors described above resulted in an allowance for loan and lease losses of \$264.7 million at September 30, 2001 compared to \$244.5 million at June 30, 2001. The level of reserve reflects management's belief that losses in the loan and lease portfolio were larger

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than would otherwise be suggested by the Corporation's favorable charge-off experience in recent years; the Corporation's experience, as most recently evidenced in the current quarter as well as the second and third quarters of 2000, of larger losses in commercial and commercial real estate loans in brief periods at particular points in economic cycles; and the view that the absolute level of the allowance should not decline appreciably given the continued slowing of economic prosperity.

### OTHER INCOME

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Total other income in the third quarter of 2001 amounted to \$255.7 million compared to \$197.4 million in the same period last year. Included in other income in the third quarter of the prior year was \$50.1 million of investment securities losses associated with Corporation's realignment of its investment portfolio as previously discussed. Excluding the securities losses, total other income increased \$8.2 million or 3.3% compared to the third quarter of last year.

Total data processing services revenue amounted to \$144.4 million in the third quarter of 2001 compared to \$145.3 million in the third quarter of 2000. e-Finance solutions revenue in the third quarter of 2000 includes buyout fees of \$13.7 million compared to \$0.8 million in the same quarter this year. Excluding buyout fees, e-Finance solutions revenue increased \$8.6 million or 37.1% which reflects growth in electronic bill presentment and payment and electronic banking products for businesses and consumers. Financial technology solutions revenue, the traditional outsourcing business, increased \$6.0 million primarily due to buyout fees. This largest source of data processing services revenue is projected to grow at single digit levels during 2001 due to continued bank consolidation and a weaker economy. Professional services fees and software revenue declined primarily due to lower software consulting fees. Other revenue declined primarily due to lower professional services revenue.

Item processing revenue amounted to \$11.7 million in the third quarter of 2001 compared to \$13.1 million in the third quarter of 2000 and \$12.0 million in the second quarter of 2001. The slight revenue decline compared to the second quarter represents some lost activity as a result of the events of September 11th. By month-end transaction activity had returned to normal run rate levels.

Trust services revenue amounted to \$30.1 million in the third quarter of 2001, an increase of \$0.2 million compared to \$29.9 million in the third quarter of 2000. Strong sales have offset declines in managed asset values. Trust services revenue is largely derived from asset-based fees. With declining equity markets and the continued movement of funds from higher fee equity funds to lower fee fixed income or money market funds, maintaining year-over-year revenue growth in the current market environment will be a continuing challenge.

Service charges on deposits increased \$2.5 million or 13.4% and amounted \$21.2 million in the third quarter of 2001. National City accounted for approximately \$0.6 million of the revenue in the third quarter of 2001. The remainder of the increase was primarily attributable to service charges on commercial demand accounts.

Mortgage banking revenue increased \$5.3 million in the third quarter of 2001 compared to the third quarter of 2000. Gains on the sale of mortgage loans accounted for the majority of the increase which reflects the increased origination and sale activity as previously discussed.

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Other income in the third quarter of 2001 amounted to \$30.0 million compared to \$28.5 million in the third quarter of 2000, an increase of \$1.5 million or 5.0%. The increase in gains and income from indirect auto securitizations, which began in the third quarter of 2000 as previously discussed, accounted for the majority of the increase.

### OTHER EXPENSE

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Total other expense for the three months ended September 30, 2001, amounted to \$339.8 million compared to \$280.8 million for the three ended September 30, 2000.

Non recurring expenses in the third quarter of 2001 consisted of the following:

As previously announced, transition expenses incurred in the third quarter in conjunction with the second quarter acquisitions of Derivion and Cyberbills amounted to approximately \$3.5 million of which \$1.6 million is attributable to salaries and benefits. The Corporation estimates that transition expenses in the fourth quarter with respect to these acquisitions will also be approximately \$3.5 million.

Nonrecurring costs related to the third quarter acquisition of Brokat's North American internet banking operations by Metavante amounted to approximately \$34.5 million. In conjunction with this acquisition four locations and five technology platforms will be consolidated resulting in severance of \$3.8 million and facility closure charges of approximately \$10.2 million. Write-offs of existing technology and software which will be replaced by Brokat's software amounted to \$20.5 million.

Non recurring expenses in the third quarter of 2000 consisted of the following:

As previously discussed, the Corporation sold \$300.8 million of portfolio ARM loans as part of its balance sheet management strategy and realized losses of \$3.1 million.

Organizational costs associated with Metavante's withdrawn IPO amounted to \$2.0 million.

Single charter related expenses incurred amounted to \$4.2 million.

Excluding these nonrecurring charges, total other operating expense amounted to \$301.8 million in the third quarter of 2001 compared to \$271.5 million in the third quarter of 2000, an increase of \$30.3 million or 11.1%.

Approximately \$8.8 million of operating expenses in the third quarter of 2001 were attributable to purchase acquisitions which were included in M&I's operating expenses since the merger dates.

The Corporation's nonbanking businesses, especially its Data Services segment ("Metavante"), continue to be the primary contributors to operating expense growth. Excluding salaries and benefits expense and the effect of acquisitions, Metavante operating expense growth represents over half of all of the consolidated operating expense growth and reflects the

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cost of ongoing investments in software, technology research and development and infrastructure in potentially high-growth areas.

Expense control is sometimes measured in the financial services industry by the efficiency ratio statistic. The efficiency ratio is calculated by taking total other expense (excluding nonrecurring charges) divided by the sum of total other income (including Capital Markets revenue but excluding investment securities gains or losses) and net interest income on a fully taxable equivalent basis. The Corporation's efficiency ratios for the three months ended September 30, 2001 and 2000 and December 31, 2000 are:

	Three Months Ended September 30, 2001 -----	Three Months Ended December 31, 2000 -----	Three Months Ended September 30, 2000 -----
Consolidated Corporation	62.6 %	65.4 %	64.8 %
Consolidated Corporation Excluding Metavante Including Intangible Amortization	52.5 %	55.8 %	56.4 %
Excluding Intangible Amortization	50.4 %	53.4 %	54.1 %

Salaries and employee benefits expense amounted to \$179.5 million in the third quarter of 2001 including the severance and transitional charges of \$5.4 million previously discussed. Excluding the charge, salaries and benefits expense amounted to \$174.1 million compared to \$162.2 million in the third quarter of 2000, an increase of \$11.9 million or 7.3%. Operating salaries and employee benefits expense associated with acquisitions accounted for \$5.7 million of the increase. Continued adverse claims experience in employee health plans added \$3.1 million to expense in the current quarter compared to the same period in the prior year.

Nonrecurring charges included in occupancy and equipment expense in the third quarter of 2001 amounted to approximately \$6.8 million. Excluding these items, occupancy and equipment expense in the third quarter of 2001 amounted to \$45.2 million and increase of \$3.1 million since the third quarter of 2000. Occupancy and equipment expense associated with the current period acquisitions accounted for approximately \$1.6 million of the increase.

Excluding the effect of acquisitions, Metavante's operating expense growth accounted for approximately \$1.5 million or 68% of the increase in software, supplies and printing and processing expenses and accounted for all of the decline in professional fees in the third quarter of 2001 compared to the third quarter of 2000. Expenses contributed by the acquisitions for these items were approximately \$0.9 million.

Approximately \$1.3 million of intangible amortization in the third quarter of 2001 represents write-downs of existing intangibles impaired as a result of the Brokat acquisition.

Other expense amounted to \$55.4 million in the third quarter of 2001. Included in this category in the current quarter were nonrecurring charges aggregating \$23.9 million associated with Metavante's acquisitions. Excluding these charges, other expense amounted to \$31.5 million in the current quarter compared to \$18.2 million in the third quarter of last year, an increase of \$13.3 million. Customer related expense, including advertising and promotion, was \$2.5 million higher in the current quarter

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compared to the same period last year. Recourse liability obligation reversals amounted to \$1.4 million in the third quarter of 2000.

Other expense is affected by the capitalization of costs, net of amortization and write-downs associated with software development and customer data processing conversions. Net software and conversion capitalization was \$10.8 million in the third quarter of 2000 and in the current quarter amounted to \$2.8 million resulting in an increase of \$8.0 million in other expense in the third quarter of 2001 compared to third quarter of 2000.

### INCOME TAXES

The provision for income taxes for the three months ended September 30, 2001 amounted to \$38.8 million or 31.8% of pre-tax income compared to \$23.0 million or 30.9% of pre-tax income for the three months ended September 30, 2000.

### NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Net income for the nine months ended September 30, 2001 amounted to \$229.2 million compared to \$230.8 million in the same period of 2000. Basic and diluted earnings per share were \$2.17 and \$2.11, respectively for the nine months ended September 30, 2001 compared to \$2.19 and \$2.12, respectively for the same period last year. The year to date return on average equity was 12.81% in the current period and 14.57% for the nine months ended September 30, 2000.

Net income for the first nine months of 2001, includes certain losses and expenses incurred in connection with the previously announced structural changes and acquisitions at the Corporation's Metavante subsidiary, auto lease residual value write-downs, the final charge for the charter consolidation and the cumulative effect of the change in accounting for derivatives and hedging activities. Net income for the first nine months of the prior year includes the cumulative effect of the change in accounting for certain conversion services provided by Metavante as well as security losses and losses from the sale of ARM loans, single charter expenses and expenses associated with the withdrawn IPO of Metavante. The impact of these items is shown in the following table (\$000's):

		Three Months Ended September 30,	
	Pre-tax Effect	2001	2000
Income as Reported		\$ 229,164	\$ 230,792
Nonrecurring Losses and Expenses:			
Metavante Subsidiary			
Reduction in force and realignment	\$ 11,028		
Investment losses	12,706		
IPO expenses	1,996		
Acquisition related	45,219		
Total Metavante Subsidiary	70,949	41,594	1,476
Balance Sheet Management			

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Investment securities losses	50,095	--	32,562
Losses from sale of ARM loans	3,060	--	1,989
Auto Lease Residual Value Write-downs	25,000	15,843	--
Charter Consolidations 2001	11,952	8,465	--
Charter Consolidations 2000	4,250	--	2,821
Change in Accounting:			
Derivatives and Hedging Activities	671	436	--
Conversion Services - Metavante	3,811	--	2,279
		-----	-----
Total Nonrecurring Losses and Expenses		66,338	41,127
		-----	-----
Operating Income	\$	295,502	\$ 271,919
		=====	=====

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, 2001 and 2000, respectively. Operating income for the nine months ended September 30, 2001, and 2000, excludes the nonrecurring items previously discussed. "Cash operating income" and related statistics is operating income before amortization of intangibles. Amortization includes amortization of goodwill and core deposit premiums and is net of negative goodwill accretion and the income tax expense or benefit, if any, related to each component. These calculations were specifically formulated by the Corporation and may not be comparable to similarly titled measures reported by other companies.

Summary Consolidated Operating Income Statements and Financial Statistics

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(\$000's except per share data)

	Nine Months Ended September 30,	
	2001	2000
	-----	-----
Interest income	\$ 1,307,129	\$ 1,290,479
Interest expense	(701,614)	(792,238)
	-----	-----
Net interest income	605,515	498,241
Provision for loan and lease losses	(34,006)	(21,373)
Net investment securities gains	(218)	1,171
Other income	756,776	733,128
Other expense	(883,285)	(806,520)
	-----	-----
Income before taxes	444,782	404,647
Income tax provision	(149,280)	(132,728)
	-----	-----
Operating income	\$ 295,502	\$ 271,919
	=====	=====
Cash operating income	\$ 310,387	\$ 286,116
	=====	=====
Per Common Share		

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Operating income			
Basic	\$	2.81	\$ 2.58
Diluted		2.72	2.49
Cash Operating income			
Basic	\$	2.96	\$ 2.72
Diluted		2.85	2.62
Dividends		0.845	0.770
Return on Average Equity			
Operating income		16.52 %	17.16 %
Cash Operating income		20.24	21.28

Summary Consolidated Operating Income Statement Components

as a Percent of Average Total Assets

	Nine Months Ended September 30,	
	2001	2000
Interest income (FTE)	6.80 %	7.05 %
Interest expense	(3.58)	(4.25)
Net interest income	3.22	2.80
Provision for loan and lease losses	(0.17)	(0.11)
Net investment securities gains	0.00	0.01
Other income	3.87	3.93
Other expense	(4.53)	(4.33)
Income before taxes	2.39	2.30
Income tax provision	(0.88)	(0.84)
Return on average assets based on operating income	1.51 %	1.46 %
Return on tangible average assets based on cash operating income	1.61 %	1.55 %

The increase in operating income was primarily due to growth in net interest income of \$107.3 million or 21.5%. Other income increased 3.2% and was driven by data processing services and mortgage banking revenue. The provision for loan and lease losses increased \$12.6 million and other operating expenses increased \$76.8 million.

The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the current nine months and prior year nine months are presented in the following table. Securitized ARM loans that are classified in the balance sheet as investment securities available for sale are included with loans to provide a more

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meaningful comparison (\$ in millions):

	Nine Months Ended September 30, 2001			Nine Months Ended September 30, 2000		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield or Cost (b)
Loans and leases (a)	\$ 18,676.7	\$ 1,076.6	7.71 %	\$ 17,434.1	\$ 1,052.4	6.04 %
Investment securities:						
Taxable	3,377.4	171.9	6.97	3,607.8	176.2	4.88
Tax Exempt (a)	1,276.2	68.5	7.26	1,333.0	71.0	5.33
Other short-term investments (a)	431.5	13.4	4.14	309.5	14.3	4.62
<b>Total interest earning assets</b>	<b>\$ 23,761.8</b>	<b>\$ 1,330.4</b>	<b>7.52 %</b>	<b>\$ 22,684.4</b>	<b>\$ 1,313.9</b>	<b>6.24 %</b>
Money market savings	\$ 5,674.2	\$ 168.5	3.97 %	\$ 5,135.6	\$ 200.0	3.90 %
Regular savings & NOW	1,741.2	15.9	1.22	1,874.7	23.8	1.27
Other CDs & time deposits	4,637.5	197.8	5.70	5,446.6	234.3	4.30
CDs greater than \$100 & Brokered CDs	2,456.4	90.7	4.94	2,191.8	102.0	4.65
<b>Total interest bearing deposits</b>	<b>14,509.3</b>	<b>472.9</b>	<b>4.36</b>	<b>14,648.7</b>	<b>560.1</b>	<b>3.82</b>
Short-term borrowings	3,843.7	149.7	5.21	3,689.7	173.0	4.69
Long-term borrowings	1,797.9	79.1	5.88	1,185.3	59.1	4.97
<b>Total interest bearing liabilities</b>	<b>\$ 20,150.9</b>	<b>\$ 701.7</b>	<b>4.66 %</b>	<b>\$ 19,523.7</b>	<b>\$ 792.2</b>	<b>4.03 %</b>
Net interest margin (FTE) as a percent of average earning assets		\$ 628.7	3.55 %		\$ 521.7	2.30 %
Net interest spread (FTE)			2.86 %			2.30 %

- (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.

CAPITAL RESOURCES

Shareholders' equity was \$2.59 billion at September 30, 2001 compared to \$2.24 billion at December 31, 2000 and \$2.20 billion at September 30, 2000.

The Corporation had net unrealized gains on securities available for sale at September 30, 2001 of \$83.4 million, an increase in market value net of related income tax effects of \$45.3 million since December 31, 2000. Net unrealized losses associated with derivative financial instruments designated as cash flow hedges at September 30, 2001 amounted to \$30.0 million.

During the third quarter of 2001, the Corporation issued 4.5 million shares in the purchase acquisition of National City.

The Corporation acquired 1.5 million shares of its Common Stock during the

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third quarter of 2001 at an aggregate cost of \$85.7 million. For the nine months ended September 30, 2001, M&I has repurchased 1.8 million shares of its Common Stock. The aggregate cost of the shares repurchased was \$101.2 million.

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

### RISK-BASED CAPITAL RATIOS

(\$ in millions)

	September 30, 2001		December 31, 2000	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital	\$ 2,194	10.13 %	\$ 2,071	10.20 %
Tier 1 Capital Minimum Requirement	866	4.00	812	4.00
Excess	\$ 1,328	6.13 %	\$ 1,259	6.20 %
Total Capital	\$ 2,895	13.37 %	\$ 2,445	12.05 %
Total Capital Minimum Requirement	1,732	8.00	1,624	8.00
Excess	\$ 1,163	5.37 %	\$ 821	4.05 %
Risk-Adjusted Assets	\$ 21,652		\$ 20,294	

### LEVERAGE RATIOS

(\$ in millions)

	September 30, 2001		December 31, 2000	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital Minimum Leverage Requirement	773 - 1,287	3.00 - 5.00	753 - 1,255	3.00 - 5.00
Excess	\$ 1,421 - 907	5.52 - 3.52 %	\$ 1,318 - 816	5.25 - 3.25 %
Adjusted Average Total Assets	\$ 25,754		\$ 25,096	

### FORWARD-LOOKING STATEMENTS

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Items 2 and 3 of this Form 10-Q, "Management's Discussion and Analysis of Financial Condition 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 (i) the economic impact of the terrorist attacks on the U.S. on September 11 and the U.S. response to those attacks; (ii) any delays or slowdown in the purchasing and decision-making activities of Metavante's financial institution customers, and (iii) those referenced in the Corporation's Annual Report on Form 10-K for the period ending December 31, 2000 and the Corporation's Prospectus dated June 18, 2001 as filed with the SEC pursuant to Rule 424(b)(3) under the Securities Act of 1933, as amended, 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 2000 Annual Report on Form 10-K. Updated information regarding the Corporation's use of derivative financial instruments is contained in Note 11, 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

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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 confine 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 across the array of 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 information

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about 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 are 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 result into the Corporation's budgeted / forecasted pre-tax income for the ensuing twelve months. Since future interest rate moves are difficult to predict, the following table presents two potential scenarios - a gradual increase of 100bp across the entire yield curve over the course of a year (+25bp per quarter), and a gradual decrease of 100bp across the entire yield curve over the course of a year (-25bp per quarter) for the balance sheet as of the indicated dates:

Impact to Annual Pretax Income as of				
Hypothetical Change in Interest Rate	September 30, 2001	June 30, 2001	March 31, 2001	December 31, 2000
100 basis point gradual:				
Rise in rates	(2.6)%	(4.6)%	(4.9) %	(6.4) %
Decline in rates	2.4 %	2.7 %	3.7 %	5.3 %

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

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

Another component of interest rate risk is measuring the fair value at risk for a given change in market interest rates. The Corporation also uses computer modeling techniques to determine the present value of all asset and liability cash flows (both on- and off-balance sheet), adjusted for prepayment expectations, using a market discount rate. The net change in the present value of the assets and liability cash flows in different

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market rate environments is the amount of fair value at risk from those rate movements. As of September 30, 2001 the fair value of equity at risk for a gradual 100bp shift in rates was approximately 1.0% of the market value of the Corporation.

The Corporation uses derivative financial instruments to manage interest rate exposure. A small amount of derivatives are sold to customers where the Corporation acts as an intermediary. The Corporation through its trading accounts matches off these instruments in order to minimize exposure to market risks.

### 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, but due to the nature of the investments, cannot be quantified within acceptable levels of precision.

M&I Trust Services administer \$55.6 billion in assets and directly manage 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.

## PART II - OTHER INFORMATION

### Item 5 - Other Information

On September 18, 2001, the Corporation issued a press release announcing that David L. Andreas had joined the Corporation's Board of Directors. The September 18, 2001 press release is attached as Exhibit 99.1 and is incorporated herein by reference.

On October 18, 2001, the Corporation issued a press release announcing certain executive officer changes. The October 18, 2001 press release is attached as Exhibit 99.2 and is incorporated herein by reference.

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

#### A. Exhibits:

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

Exhibit 12 - Computation of Ratio of Earnings to Fixed Charges

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

On July 12, 2001, the Corporation reported Items 5 and 7 in a Current Report on Form 8-K in connection with a letter agreement regarding the prepayment of Diversified Business Credit, Inc. (DBCI)'s senior notes, the termination of associated interest rate swap agreements and second quarter financial results.

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On August 24, 2001, the Corporation reported Items 5 and 7 in a Current Report on Form 8-K in connection with the issuance of a press release regarding Metavante's agreement to acquire Brokat Technologies U.S. Internet Banking and Brokerage assets.

### 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/ P.R. Justiliano

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

/s/ J.E. Sandy

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J.E. Sandy  
Vice President

November 14, 2001

### EXHIBIT INDEX

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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
(12)	Computation of Ratio of Earnings to Fixed Charges
(99.1)	September 18, 2001 Press Release
(99.2)	October 18, 2001 Press Release