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

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2002

OR

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

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

Commission file number 1-15403

MARSHALL & ILSLEY CORPORATION

(Exact name of registrant as specified in its charter)

Wisconsin  
(State or other jurisdiction of  
Incorporation or organization)

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

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

53202  
(Zip Code)

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

None

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

Indicate by check mark whether the registrant is an accelerated filer  
(as defined by Rule 12b-2 of the Exchange Act). Yes  No

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

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

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

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

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Total liabilities	27,357,220	24,760,766	24
Shareholders' equity:			
-----			
Series A convertible preferred stock, \$1.00 par value; 336,370 shares issued	336	336	
Common stock, \$1.00 par value; 240,832,522 shares issued (117,301,755 December 31 and September 30, 2001)	240,833	117,302	
Additional paid-in capital	751,991	698,289	
Retained earnings	2,586,191	2,331,776	2
Accumulated other comprehensive income, net of related taxes	(30,404)	40,600	
Less: Treasury common stock, at cost: 30,815,860 shares (13,352,817 December 31, and 10,795,640 September 30, 2001)	806,014	673,494	
Deferred compensation	21,371	21,841	
	-----	-----	-----
Total shareholders' equity	2,721,562	2,492,968	2
	-----	-----	-----
Total Liabilities and Shareholders' Equity	\$ 30,078,782	\$ 27,253,734	\$ 27
	=====	=====	=====

See notes to financial statements.

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

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

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Other income

-----

Data processing services:		
e-Finance solutions	36,989	32,623
Financial technology solutions	116,932	111,723
Other	--	3
	-----	-----
Total data processing services	153,921	144,383
Item processing	9,792	11,743
Trust services	28,966	30,143
Service charges on deposits	24,921	21,153
Mortgage banking	14,343	10,643
Net investment securities losses	(4,282)	77
Life insurance revenue	7,463	6,843
Other	37,417	29,573
	-----	-----
Total other income	272,541	255,273

Other expense

-----

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

See notes to financial statements.

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

Nine Months Ended September

-----

2002

2001

-----

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

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

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

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

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

See notes to financial statements.

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

- The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's ("M&I" or "Corporation") 2001 Annual Report on Form 10-K. The unaudited financial information included in this report reflects all adjustments which are necessary for a fair statement of the financial position and results of operations as of and for the three and nine months ended September 30, 2002 and 2001. The results of operations for the three and nine months ended September 30, 2002 and 2001 are not necessarily indicative of results to be expected for the entire year. Certain amounts in the 2001 consolidated financial statements and analyses have been reclassified to conform with the 2002 presentation.

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

- Change in Method of Accounting

On January 1, 2002, the Corporation adopted SFAS No. 142, Goodwill and Other Intangible Assets. This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB Opinion No. 17, Intangible Assets. SFAS 142 prescribes the accounting and reporting for intangible assets that are acquired individually or with a group of other assets (but not those acquired in

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a business combination) upon their acquisition. SFAS 142 also prescribes how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

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

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

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

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

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

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

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

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



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of changes in accounting principle	\$	0.56	\$
Goodwill amortization		--	
		-----	-----
	\$	0.56	\$
		=====	=====
 Diluted:			
Reported income before cumulative effect			
of changes in accounting principle	\$	0.54	\$
Goodwill amortization		--	
		-----	-----
	\$	0.54	\$
		=====	=====
		Nine Months En	
		September 30	
		-----	-----
		2002	
		-----	-----
Income before cumulative effect of changes in accounting principle	\$	355,292	\$
Adjustments:			
Goodwill amortization, net of taxes		--	
		-----	-----
Income before cumulative effect of changes in accounting principle	\$	355,292	\$
		=====	=====
 Earnings per share:			
Basic:			
Reported income before cumulative effect			
of changes in accounting principle	\$	1.67	\$
Goodwill amortization		--	
		-----	-----
	\$	1.67	\$
		=====	=====
 Diluted:			
Reported income before cumulative effect			
of changes in accounting principle	\$	1.61	\$
Goodwill amortization		--	
		-----	-----
	\$	1.61	\$
		=====	=====

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

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

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

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

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

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

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

### 3. Business Combinations

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

On March 1, 2002 the Corporation acquired all of the common stock of Richfield State Agency, Inc. ("Richfield"), a Minnesota bank holding company. Richfield had consolidated total assets of approximately \$0.8 billion at completion of the merger. The Corporation issued 2.5 million common shares and paid cash of approximately \$10.0 million in a tax-free exchange for the outstanding common stock of Richfield using the purchase method of accounting. The core deposit intangible and other identifiable intangible assets recorded in this transaction amounted to \$19.3 million and \$0.8 million, respectively. Initial goodwill subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$94.9 million.

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

Also, on March 1, 2002 the Corporation acquired all of the common stock of Century Bancshares, Inc. ("Century"), a Minnesota bank holding company. Century had consolidated total assets of approximately \$0.3

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billion at completion of the merger. The Corporation issued 0.6 million common shares and paid cash of approximately \$19.9 million in a tax-free exchange for the outstanding common stock of Century using the purchase method of accounting. The core deposit intangible recorded in this transaction amounted to \$6.1 million. Initial goodwill subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$34.9 million.

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

On August 23, 2002, the Corporation's Metavante subsidiary acquired the assets of Spectrum EPB, LLC, an open, interoperable switch for exchanging online bills and payments for cash. Goodwill recorded in this transaction amounted to \$2.0 million. Spectrum is a privately held, Atlanta-based company that was founded in 1999 by subsidiaries of J.P. Morgan Chase & Co., Wachovia Corporation and Wells Fargo & Company.

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

The following acquisition was recently completed:

On October 1, 2002, the Corporation acquired Mississippi Valley Bancshares, Inc. ("Mississippi Valley"). Mississippi Valley with eight offices located in St. Louis, Missouri; Belleville, Illinois; and Phoenix, Arizona had consolidated total assets of \$2.1 billion as of June 30, 2002. In conjunction with the merger the Corporation paid \$255.2 million in cash and issued 8.25 million shares of M&I common stock in exchange for Mississippi Valley's outstanding common stock.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

7. Sale of Receivables

During the third quarter of 2002, \$131.0 million of automobile loans were sold in securitization transactions. Gains and trading income of \$8.7 million were recognized. Other income associated with auto securitizations in the current quarter amounted to \$0.7 million.

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

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

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

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

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

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

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

9. Comprehensive Income

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

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

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

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

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



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

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

10. Derivative Financial Instruments and Hedging Activities

Trading Instruments

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

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

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

### Fair Value Hedges

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

#### Fair Value Hedges September 30, 2002

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

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

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

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

#### Cash Flow Hedges September 30, 2002

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

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

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

### 11. Segments

Generally, the Corporation organizes its segments based on legal entities. Each entity offers a variety of products and services to meet the needs of its customers and the particular market served. Each entity has its own president and is separately managed subject to adherence to corporate policies. Discrete financial information is reviewed by senior management to assess performance on a monthly basis. Certain segments are combined and consolidated for purposes of assessing financial performance.

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

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

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

##### Banking -----

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

##### Data Services (or Metavante) -----

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

##### All Others

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

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

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

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

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

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

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

Three Months Ended September 30, 20

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

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

Nine Months Ended September 30, 20

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

Nine Months Ended September 30, 20

Reclassifications  
Conda

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	Banking	Metavante	Others	Corporate Overhead	& Eliminations	Open Inc
<b>Revenues:</b>						
Net interest income	\$ 607.2	\$ (2.5)	\$ 19.2	\$ (18.4)	\$ --	\$
Fees - Unaffiliated customers	210.5	413.3	129.8	2.5	(0.7)	
Fees - Affiliated customers	23.8	46.5	15.1	0.1	(85.5)	
<b>Total revenues</b>	<b>841.5</b>	<b>457.3</b>	<b>164.1</b>	<b>(15.8)</b>	<b>(86.2)</b>	<b>1,</b>
<b>Expenses:</b>						
Expenses - Unaffiliated customers	339.3	384.6	82.8	63.2	(0.2)	
Expenses - Affiliated customers	55.0	12.9	21.7	(3.6)	(86.0)	
<b>Total expenses</b>	<b>394.3</b>	<b>397.5</b>	<b>104.5</b>	<b>59.6</b>	<b>(86.2)</b>	
Provision for loan and lease losses	33.3	--	0.7	--	--	
<b>Operating income before taxes</b>	<b>413.9</b>	<b>59.8</b>	<b>58.9</b>	<b>(75.4)</b>	<b>--</b>	
Income tax expense	131.3	24.4	23.5	(28.8)	--	
<b>Operating income</b>	<b>\$ 282.6</b>	<b>\$ 35.4</b>	<b>\$ 35.4</b>	<b>\$ (46.6)</b>	<b>\$ --</b>	<b>\$</b>
<b>Identifiable assets</b>	<b>\$ 26,255.0</b>	<b>\$ 678.4</b>	<b>\$ 726.4</b>	<b>\$ 609.2</b>	<b>\$ (942.4)</b>	<b>\$ 27,</b>
<b>Return on average tangible equity</b>	<b>19.9 %</b>	<b>20.9 %</b>	<b>19.1 %</b>			
<b>Return on average equity</b>	<b>17.4 %</b>	<b>16.4 %</b>	<b>19.0 %</b>			

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

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

	Three Months Ended September 30,	
	2002	2001
<b>Assets</b>		
Cash and due from banks	\$ 705,880	\$ 680,451
<b>Investment securities:</b>		
Trading securities	21,098	13,910
Short-term investments	477,285	497,709
<b>Other investment securities:</b>		
Taxable	3,444,294	3,753,722
Tax-exempt	1,223,370	1,268,253

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

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

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



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

Net income for the third quarter of 2002 amounted to \$119.2 million compared to \$83.3 million for the same period in the prior year. Basic and diluted earnings per share were \$0.56 and \$0.54, respectively, for the three months ended September 30, 2002, compared with \$0.39 and \$0.38 for the three months ended September 30, 2001. The return on average assets and average equity was 1.64% and 17.35% for the quarter ended September 30, 2002 and 1.25% and 12.96% for the quarter ended September 30, 2001.

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

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

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

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Nonrecurring Losses and Expenses:

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

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

Summary Consolidated Operating Income Statements and Financial Statistics

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(\$000's except per share data)

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

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

Summary Consolidated Operating Income Statement Components as a

Percent of Average Total Assets

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

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

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

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

	Pre-tax Effect	Nine Months ended Septem	
		2002	2001
Income as Reported		\$ 355,292	\$ 229,000
Nonrecurring Losses and Expenses:			
Metavante Subsidiary - 2002			
Acquisition related	\$ 3,857	2,307	
Metavante Subsidiary - 2001			
Reduction in force and realignment	11,028		
Investment losses	16,057		
Acquisition related	41,504		
Total Metavante Subsidiary - 2001	68,589		41,504
Auto Lease Residual Value Write-downs	25,000		15,000
Charter Consolidations	11,952		8,000
Change in Accounting:			
Derivatives and Hedging Activities	671		
Goodwill Amortization	12,730		11,000
Total Nonrecurring Losses and Expenses		2,307	77,504
Operating Income		\$ 357,599	\$ 306,500

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

Summary Consolidated Operating Income Statements and Financial Statistics

(\$000's except per share data)

Nine Months Ended September 30,	
2002	2001

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

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

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

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

NET INTEREST INCOME

Net interest income for the third quarter of 2002 amounted to \$252.8 million compared to \$218.5 million reported for the third quarter of 2001. For the nine months ended September 30, 2002 net interest income amounted to \$743.1 million compared to \$605.5 million in the nine months ended September 30, 2001. Loan growth and increased spreads on loan products, the impact of the banking purchase acquisitions and the downward re-pricing of retail deposit funding sources all contributed to the increase in net interest income. Factors negatively affecting net interest income included the ongoing process of lengthening liabilities in order to reduce future volatility in net interest income due to interest rate movements, the cost of treasury share repurchases and the cash expenditures for acquisitions.

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

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

Average noninterest bearing deposits in the current quarter increased \$0.6 billion or 19.2% compared to the same period last year. On a year-to-date basis, average noninterest bearing deposits increased \$0.6 billion or 20.7%. Approximately \$0.3 billion of average noninterest bearing deposits in the three and nine months ended September 30, 2002 are attributable to the banking related purchase acquisitions.

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

Consolidated Average Loans and Leases

2002			2001		Growth P
Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Annual

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

Compared with the third quarter of 2001, total consolidated average loans and leases increased \$2.6 billion or 14.2%. Approximately \$1.3 billion of average total consolidated loan and lease growth in the third quarter of 2002 is attributable to acquisitions of which, approximately \$0.7 billion is the estimated impact on average loans resulting from the Richfield and Century acquisitions which closed March 1, 2002. Excluding the impact of acquisitions, average commercial loans declined \$0.2 billion while average commercial real estate loans grew approximately \$0.8 billion. Portfolio decreases in indirect auto loans and leases and student loans, tighter spread products, were offset by growth in consumer and home equity portfolios, which are both wider spread products. Approximately \$0.1 billion of indirect auto loan production was securitized and sold in the current quarter. Approximately \$0.3 billion of indirect auto loans have been securitized and sold during the first nine months of 2002. Excluding the impact of acquisitions, average quarterly consumer loans grew approximately \$0.2 billion. The increase in average residential real estate loans of \$0.1 billion in the current quarter, excluding acquisitions, reflects the continued strategy of selling residential real estate loan production in the secondary market although recently, selected

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loans with wider spreads and adjustable rate characteristics have been retained in the portfolio and serve as a potential source of liquidity in the future. From a production standpoint, loan applications increased approximately 109% and loan closings increased approximately 72% compared to the second quarter of this year. Residential real estate loans sold to investors amounted to \$0.9 billion in the third quarter of 2002 compared to \$0.5 billion in the third quarter of the prior year and amounted to \$1.6 billion and \$1.5 billion for the nine months ended September 30, 2002 and 2001, respectively.

The rate of growth experienced in commercial loans in the first half of the year has diminished, at least in the near term. The Corporation's commercial lending activities have historically fared well as the economy strengthens and it anticipates loan demand will slowly strengthen reflecting the condition of its markets in future quarters. Home equity loans and lines, which includes M&I's wholesale activity, continue to be the primary core consumer loan product. The Corporation anticipates these products will continue to drive growth to the consumer side of its banking activities.

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

Consolidated Average Deposits

2002			2001		Growth P
Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Annual

Bank issued deposits  
Noninterest bearing