MARSHALL & ILSLEY CORP/WI/
Form 10-K
March 11, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001

OR

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

Commission File No. 1-15403

MARSHALL & ILSLEY CORPORATION
(Exact name of registrant as specified in its charter)

Wisconsin	39-0968604
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
770 North Water Street Milwaukee, Wisconsin (Address of principal executive offices)	53202 (Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class:	Name of Each Exchange on Which Registered:
Common Stock--$1.00 par value	New York Stock Exchange

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes _X__ No______

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [_]

The aggregate market value of the voting stock held by nonaffiliates of the registrant is approximately $6,089,554,000 as of February 28, 2002. The number of shares of common stock outstanding as of February 28, 2002 is 103,913,315.

DOCUMENTS INCORPORATED BY REFERENCE

Part III incorporates information by reference from the Proxy Statement for the registrant's Annual Meeting of Shareholders to be held on April 23, 2002.

PART I

ITEM 1. BUSINESS

General

Marshall & Ilsley Corporation ("M&I" or the "Corporation"), incorporated in Wisconsin in 1959, is a registered bank holding company under the Bank Holding Company Act of 1956 (the "BHCA"). As of December 31, 2001, M&I had consolidated total assets of approximately $27.3 billion and consolidated total deposits of approximately $16.5 billion, making M&I the largest bank holding company headquartered in Wisconsin. The executive offices of M&I are located at 770 North Water Street, Milwaukee, Wisconsin 53202 (telephone number (414) 765-7801).

M&I's principal assets are the stock of its bank and nonbank subsidiaries, which, as of December 31, 2001, included Metavante Corporation ("Metavante") (formerly its M&I Data Services Division), two commercial banks, one federal savings bank and a number of companies engaged in businesses that the Board of Governors of the Federal Reserve System (the "Federal Reserve Board") has determined to be closely-related or incidental to the business of banking. M&I provides its subsidiaries with financial and managerial assistance in such areas as budgeting, tax planning, compliance assistance, asset and liability management, investment administration and portfolio planning, business development, advertising and human resources management.

M&I's bank and savings association subsidiaries provide a full range of banking services to individuals, businesses and governments throughout Wisconsin, and in the Phoenix and Tucson, Arizona metropolitan areas, Las Vegas, Nevada, Naples, Florida and the Minneapolis, Minnesota metropolitan area. These subsidiaries offer retail, institutional, international, business and correspondent banking, investment and trust services through the operation of 215 banking offices in Wisconsin, 25 offices in Arizona, one office in Florida, one office in Nevada and two offices in Minnesota. The M&I bank and saving association subsidiaries hold a significant portion of their mortgage loan and investment portfolios indirectly through their ownership interests in direct and indirect subsidiaries. M&I Marshall & Ilsley Bank ("M&I Bank") is M&I's largest bank subsidiary, with consolidated assets as of December 31, 2001 of approximately $25.8 billion.

Metavante is a major supplier of financial and data processing services and software to banking, financial and related organizations. Metavante provides integrated products and services to financial services providers that enable them to initiate and process a broad range of financial transactions electronically, including through the Internet. Metavante's integrated financial transaction processing, outsourcing, software and consulting products and services provide virtually all of the technology that a financial services provider needs to run its operations. As of December 31, 2001, Metavante had over 3,500 clients in the United States and abroad, including large banks, mid-tier and community banks and other financial services providers. In 2001, Metavante's products and services were used to originate and/or process nearly 7.8 billion transactions for consumer and business customer bank accounts.

M&I's other nonbank subsidiaries operate a variety of bank-related businesses, including those providing investment management services, insurance services, trust services, equipment lease financing, commercial and residential mortgage banking, home equity financing, venture capital, brokerage services and financial advisory services. M&I Investment Management Corp. offers a full range of asset management services to Marshall & Ilsley Trust Company N.A., the Marshall Funds and other individual, business and institutional customers. Marshall & Ilsley Trust Company N.A., provides trust and employee benefit plan services to customers throughout the United States with offices in Wisconsin, Arizona, Minnesota, Florida, Nevada, North Carolina and Illinois. Diversified Business Credit, Inc. provides working capital loans to commercial borrowers secured by accounts receivable, inventory and other marketable assets. M&I Brokerage Services, Inc., a broker-dealer registered with the National Association of Securities Dealers and the Securities and Exchange Commission, provides brokerage and other investment related services to a variety of retail and commercial customers. M&I

Capital Markets Group L.L.C. and M&I Ventures L.L.C. provide venture capital, financial advisory and strategic planning services to customers, including assistance in connection with the private placement of securities, raising funds for expansion, leveraged buy-outs, divestitures, mergers and acquisitions and small business investment company transactions. M&I Community Development Corporation makes investments designed primarily to promote the public welfare in markets and communities served by affiliates and subsidiaries of M&I. M&I Dealer Finance, Inc. provides retail vehicle lease and installment sale financing. M&I First National Leasing Corp. leases a variety of equipment and machinery to large and small businesses. M&I Insurance Services, Inc. provides life, long-term care and disability income insurance products and annuities to retail clients and business owners. M&I Mortgage Corp. originates, purchases, sells and services residential mortgage loans. M&I Mortgage Reinsurance Corporation acts as a reinsurer of private mortgage insurance written in connection with residential mortgage loans originated in the M&I system. The Richter-Schroeder Company, Inc. originates and services long-term commercial real estate loans for institutional investors. M&I Support Services Corp. provides bank operation support for loan and deposit account processing and maintenance, item processing and other banking services.

In recent years, M&I has consolidated many operational activities as part of a continuing process to strengthen its business lines, its products and customer service. In 2001, M&I substantially reduced the number of banking charters under which it operates. Certain subsidiaries of M&I that primarily hold, manage and service investment and mortgage portfolios were also consolidated. M&I expects to continue to consolidate its banking charters to the extent new banks are acquired.

Acquisitions

M&I has recently expanded its operations into the Minneapolis/St. Paul, Minnesota metropolitan area through a series of acquisitions. On August 1, 2001, M&I acquired National City Bancorporation ("National City"), a bank holding company based in Minneapolis, Minnesota. National City's subsidiaries included National City Bank of Minneapolis, a commercial bank that was subsequently merged into M&I Bank, and Diversified Business Credit, Inc. a commercial finance company. As of June 30, 2001, National City had consolidated total assets of $1.2 billion and consolidated total deposits of $590.2 million.

On March 1, 2002, M&I completed a merger with Richfield State Agency, Inc. ("Richfield State Agency"), a bank holding company with offices located in the Minneapolis/St. Paul, Minnesota metropolitan area. Richfield State Agency is the holding company of Richfield Bank and Trust Co. As of December 31, 2001, Richfield State Agency had consolidated total assets of $735.5 million and consolidated total deposits of $547.8 million.

Also on March 1, 2002, M&I completed a merger with Century Bancshares, Inc. ("Century Bancshares"), the holding company for Century Bank, National Association, located in the Minneapolis, Minnesota metropolitan area. As of December 31, 2001, Century Bancshares had consolidated total assets of $326.2 million and consolidated total deposits of $280.4 million. Following the acquisitions of National City, Richfield State Agency and Century Bancshares, the number of M&I's banking offices in Minnesota totals twelve.

M&I also significantly added to its banking presence in Arizona during 2001 through the purchase of twelve branch offices. These branch acquisitions added approximately $455 million of deposits and $345 million of loans to M&I Bank's Arizona banking operations.

During 2001, Metavante strengthened its electronic banking, electronic bill presentment and payment and wealth management businesses through acquisitions. On June 1, 2001, Metavante acquired Derivion Corporation, a provider of electronic bill presentment and payment technology and services. On June 20, 2001, Metavante acquired substantially all of the assets of CyberBills, Inc., a provider of electronic bill presentment and payment technology and services. On September 19, 2001, Metavante acquired substantially all of the assets of the North American Internet banking unit of Brokat Technologies AG, a provider of financial software and services. On

December 20, 2001, Metavante acquired 401kservices.com, inc., a third-party administrator of employee benefit plans.

M&I continues to evaluate opportunities to acquire banking institutions and other financial service providers and frequently conducts due diligence activities in connection with possible transactions. As a result, M&I may engage in discussions, and in some cases, negotiations with prospective targets and may make future acquisitions for cash, equity or debt securities. The issuance of additional shares of M&I common stock would dilute a shareholder's ownership interest in M&I. In addition, M&I's acquisitions may involve the payment of a premium over book value, and therefore, some dilution of book value may occur with any future acquisition. Generally, it is M&I's policy not to comment on such discussions or possible acquisitions until a definitive agreement has been signed. M&I's strategy for growth includes strengthening its presence in core markets, expanding into contiguous markets and broadening its product offerings.

Principal Sources of Revenue

The table below shows the amount and percentages of M&I's total consolidated revenues resulting from interest on loans and leases, interest on investment securities and fees for data processing services for each of the last three years ($ in thousands):

Year Ended December 31	Interest on Loans and Leases Amount	Interest on Loans and Leases Percent of Total Operating Revenues	Interest on Investment Securities Amount	Interest on Investment Securities Percent of Total Operating Revenues	Fees for Data Processing Services Amount	Fees for Data Processing Services Percent of Total Operating Revenues	Total Operating Revenues
2001....	$1,358,802	50.1%	$349,421	12.9%	$559,816	20.6%	$2,711,919
2000....	1,391,651	51.9	354,823	13.2	546,041	20.4	2,681,138
1999....	1,156,775	48.6	337,945	14.2	494,816	20.8	2,379,660

M&I business segment information is contained in Note 22 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

Competition

M&I and its subsidiaries face substantial competition from hundreds of competitors in the markets they serve, some of which are larger and have greater resources than M&I. M&I's bank subsidiaries compete for deposits and other sources of funds and for credit relationships with other banks, savings associations, credit unions, finance companies, mutual funds, life insurance companies (and other long-term lenders) and other financial and non-financial companies located both within and outside M&I's primary market area, many of which offer products functionally equivalent to bank products. M&I's nonbank operations compete with numerous banks, finance companies, data servicing companies, leasing companies, mortgage bankers, brokerage firms, financial advisors, trust companies, mutual funds and investment bankers in Wisconsin and throughout the United States.

The markets for the financial products and services offered by Metavante are intensely competitive. Metavante competes with a variety of companies in various segments of the financial services industry, and its competitors vary in size and in the scope and breadth of products and services they offer. Certain segments of the financial services industry tend to be highly fragmented with numerous companies competing for market share. Highly fragmented segments currently include online banking, financial account processing, customer relationship management solutions and electronic funds transfer and card solutions. Other segments of the financial services industry are relatively new with limited competition, including private label banking and

wealth management solutions. Metavante faces a number of competitors in the electronic bill presentment and payment market. Metavante also faces competition from in-house technology departments of existing and potential clients who may develop their own product offerings.

Employees

As of December 31, 2001, M&I and its subsidiaries employed in the aggregate 11,657 employees. M&I considers employee relations to be excellent. None of the employees of M&I or its subsidiaries are represented by a collective bargaining group.

Supervision and Regulation

As a registered bank holding company, M&I is subject to regulation and examination by the Federal Reserve Board under the BHCA. M&I's two Wisconsin state bank subsidiaries are subject to regulation and examination by the Wisconsin Department of Financial Institutions, as well as by the Federal Reserve Board. M&I's Minnesota state bank subsidiary is subject to regulation and examination by the Minnesota Department of Commerce, as well as by the Federal Deposit Insurance Corporation (the "FDIC"). M&I's federal savings bank subsidiary is subject to regulation and examination by the Office of Thrift Supervision. M&I's national bank and trust company subsidiaries are subject to regulation and examination by the Office of the Comptroller of the Currency. In addition, all of M&I's bank subsidiaries are subject to examination by the FDIC.

Under Federal Reserve Board policy, M&I is expected to act as a source of financial strength to each of its bank subsidiaries and to commit resources to support each bank subsidiary in circumstances when it might not do so absent such requirements. In addition, there are numerous federal and state laws and regulations which regulate the activities of M&I and its bank subsidiaries, including requirements and limitations relating to capital and reserve requirements, permissible investments and lines of business, transactions with affiliates, loan limits, consumer protection laws, privacy of financial information, predatory lending, fair lending, mergers and acquisitions, issuances of securities, dividend payments, inter-affiliate liabilities, extensions of credit and branch banking. Information regarding capital requirements for bank holding companies and tables reflecting M&I's regulatory capital position at December 31, 2001 can be found in Note 14 of the Notes to the Consolidated Financial Statements contained in Item 8, Consolidated Financial Statements and Supplementary Data.

The federal regulatory agencies have broad power to take prompt corrective action if a depository institution fails to maintain certain capital levels. In addition, a bank holding company's controlled insured depository institutions are liable for any loss incurred by the FDIC in connection with the default of, or any FDIC-assisted transaction involving, an affiliated insured bank or savings association. Current federal law provides that adequately capitalized and managed bank holding companies from any state may acquire banks and bank holding companies located in any other state, subject to certain conditions. Banks are permitted to create interstate branching networks in states that do not "opt out" of interstate branching.

The laws and regulations to which M&I is subject are constantly under review by Congress, regulatory agencies and state legislatures. In 1999, Congress enacted the Gramm-Leach-Bliley Act (the "Act"), which eliminated certain barriers to and restrictions on affiliations between banks and securities firms, insurance companies and other financial services organizations. Among other things, the Act repealed certain Glass- Steagall Act restrictions on affiliations between banks and securities firms, and amended the BHCA to permit bank holding companies that qualify as "financial holding companies" to engage in a broad list of "financial activities," and any non-financial activity that the Federal Reserve Board, in consultation with the Secretary of the Treasury, determines is "complementary" to a financial activity and poses no substantial risk to the safety and soundness of depository institutions or the financial system. The Act treats various lending, insurance underwriting, insurance company portfolio investment, financial advisory, securities underwriting, dealing and market-making, and merchant banking activities as financial in nature for this purpose.

Under the Act, a bank holding company may become certified as a financial holding company by filing a notice with the Federal Reserve Board, together with a certification that the bank holding company meets certain criteria, including capital, management, and Community Reinvestment Act requirements. M&I has determined not to become certified as a financial holding company at this time. M&I may reconsider this determination in the future.

The earnings and business of M&I and its bank subsidiaries also are affected by the general economic and political conditions in the United States and abroad and by the monetary and fiscal policies of various federal agencies. The Federal Reserve Board impacts the competitive conditions under which M&I operates by determining the cost of funds obtained from money market sources for lending and investing and by exerting influence on interest rates and credit conditions. In addition, legislative and economic factors can be expected to have an ongoing impact on the competitive environment within the financial services industry. The impact of fluctuating economic conditions and federal regulatory policies on the future profitability of M&I and its subsidiaries cannot be predicted with certainty.

Selected Statistical Information

Statistical information relating to M&I and its subsidiaries on a consolidated basis is set forth as follows:

(1) Average Balance Sheets and Analysis of Net Interest Income for each of the last three years is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(2) Analysis of Changes in Interest Income and Interest Expense for each of the last two years is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(3) Nonaccrual, Past Due and Restructured Loans and Leases for each of the last five years is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(4) Summary of Loan and Lease Loss Experience for each of the last five years (including the narrative discussion) is included in Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations.

(5) Return on Average Shareholders' Equity, Return on Average Assets and other statistical ratios for each of the last five years can be found in Item 6, Selected Financial Data.

The following tables set forth certain statistical information relating to M&I and its subsidiaries on a consolidated basis.

Investment Securities

The amortized cost of M&I's consolidated investment securities, other than trading and other short-term investments, at December 31 of each year are ($ in thousands):

	2001	2000	1999

U.S. Treasury and government agencies.......	$2,268,681	$3,303,366	$3,924,192
States and political subdivisions...........	1,198,685	1,251,359	1,277,638
Other.......................................	850,980	1,235,156	377,289
	$4,318,346	$5,789,881	$5,579,119

The maturities, at amortized cost, and weighted average yields (for tax-exempt obligations on a fully taxable basis assuming a 35% tax rate) of investment securities at December 31, 2001 are ($ in thousands):

	Within One Year		After One but Within Five Years		After Five but Within Ten Years		After Ten Years		
	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amo
U.S. Treasury and government agencies....	$ 711,100	6.82%	$1,349,328	6.80%	$202,473	6.93%	$ 5,780	6.93%	$2,26
States and political subdivisions..........	70,093	6.76	354,576	6.97	236,214	7.30	537,802	7.45	1,19
Other..................	414,121	7.55	247,654	7.29	59,268	5.87	129,937	3.11	85
	$1,195,314	7.07%	$1,951,558	6.89%	$497,955	6.98%	$673,519	6.61%	$4,31

Types of Loans and Leases

M&I's consolidated loans and leases, classified by type, at December 31 of each year are ($ in thousands):

	2001	2000	1999	1998	1997
Commercial, financial and agricultural.................	$ 5,656,384	$ 5,230,795	$ 4,691,996	$ 4,025,663	$ 3,346,101
Industrial development revenue bonds....................	71,892	58,742	62,861	52,174	49,126
Real estate:					
Construction......................	730,864	619,281	494,558	425,442	458,670
Mortgage:					
Residential.....................	5,563,975	5,049,557	4,941,450	4,045,022	4,146,416
Commercial......................	5,099,093	4,359,812	4,034,771	3,667,924	3,450,897
Total mortgage..............	10,663,068	9,409,369	8,976,221	7,712,946	7,597,313
Personal...........................	1,210,808	1,174,248	1,299,416	1,166,541	1,161,608
Lease financing....................	962,356	1,094,652	810,009	613,400	489,094
	19,295,372	17,587,087	16,335,061	13,996,166	13,101,912
Less:					
Allowance for loan and lease losses	268,198	235,115	225,862	226,052	208,651

Net loans and leases................	$19,027,174	$17,351,972	$16,109,199	$13,770,114	$12,893,261

Loan and Lease Balances and Maturities

The analysis of selected loan and lease maturities at December 31, 2001 and the rate structure for the categories indicated are ($ in thousands):

	Maturity				Rate Structure of Loans and Due After One Year		
	One Year Or Less	Over One Year Through Five Years	Over Five Years	Total	With Pre-determined Rate	With Floating Rate	T
Commercial, financial and agricultural......	$3,654,314	$1,816,766	$185,304	$5,656,384	$1,249,732	$ 752,338	$2,
Industrial development revenue bonds.........	2,609	12,907	56,376	71,892	48,694	20,589	
Real estate-construction	274,626	456,238	--	730,864	187,697	268,541	
Lease financing.........	222,273	659,789	80,294	962,356	740,083	--	
	$4,153,822	$2,945,700	$321,974	$7,421,496	$2,226,206	$1,041,468	$3,

Notes:

(1) Scheduled repayments are reported in the maturity category in which the payments are due based on the terms of the loan agreements. Demand loans, loans having no stated schedule of repayments and no stated maturity, and over-drafts are reported as due in one year or less.

(2) Amounts shown for the rate structure of loans and leases due after one year include the estimated effect arising from the use of interest rate swaps.

Nonaccrual, Past Due and Restructured Loans and Leases

Generally, a loan is placed on nonaccrual if payment of interest is more than 60 days delinquent and the loan has been determined by management to be a "problem" loan. In addition, loans which are past due 90 days or more as to interest or principal are also placed on nonaccrual. Exceptions to these rules are generally only for loans fully collateralized by readily marketable securities or other relatively risk free collateral.

Potential Problem Loans and Leases

At December 31, 2001 the Corporation had $67.1 million of loans for which payments are presently current, but the borrowers are experiencing financial problems. These loans are subject to constant management attention and their classification is reviewed on a quarterly basis.

Deposits

The average amount of and the average rate paid on selected deposit categories for each of the years ended December 31 is as follows ($ in thousands):

	2001		2000		1999	
	Amount	Rate	Amount	Rate	Amount	Rate
Noninterest bearing demand deposits	$ 2,895,083		$ 2,648,419		$ 2,663,609	
Interest bearing demand deposits...	1,088,186	1.21%	1,069,958	1.66%	1,116,919	1.54%
Savings deposits..................	6,419,204	3.21	6,017,730	4.82	5,740,898	3.86
Time deposits.....................	6,788,118	5.12	7,761,676	5.98	6,635,476	5.23
Total deposits....................	$17,190,591		$17,497,783		$16,156,902	

The maturity distribution of time deposits (CDs $100,000 and over and other time) issued in amounts of $100,000 and over and outstanding at December 31, 2001 ($ in thousands) is:

Three months or less................................	$ 450,453
Over three and through six months....................	274,020
Over six and through twelve months...................	250,439
Over twelve months..................................	351,224
	$1,326,136

At December 31, 2001, time deposits issued by foreign offices totaled $0.8 billion.

Short-Term Borrowings

Information related to M&I's funds purchased and security repurchase agreements for the last three years is as follows ($ in thousands):

	2001	2000	1999
Amount outstanding at year end...............	$1,090,150	$1,092,723	$1,402,077
Average amount outstanding during the year....	2,076,787	2,211,537	2,276,978
Maximum amount outstanding at any month's end.	2,760,183	2,767,114	2,609,501
Weighted average interest rate at year end....	1.20%	5.91%	3.95%
Weighted average interest rate during the year	3.93	6.28	5.00

Information relating to the Corporation's other short-term borrowings is included in Note 12 to the Consolidated Financial Statements in Item 8.

Forward-Looking Statements

This report contains statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, such as statements other than historical facts contained or incorporated by reference in this report. These statements speak of M&I's plans, goals, beliefs or expectations, refer to estimates or use similar terms. Future filings by M&I with the Securities and Exchange Commission, and statements other than historical facts contained in written material, press releases and oral statements issued by, or on behalf of, M&I may also constitute forward-looking statements.

Forward-looking statements are subject to significant risks and uncertainties, and M&I's actual results may differ materially from the results discussed in such forward-looking statements. Factors that might cause actual results to differ from the results discussed in forward-looking statements include, but are not limited to the following:

M&I's earnings are significantly affected by general business and economic conditions.

M&I's business and earnings are sensitive to general business and economic conditions in the United States and, in particular, the states where it has significant operations, including Wisconsin, Minnesota and Arizona. These conditions include short-term and long-term interest rates, inflation, monetary supply, fluctuations in both debt and equity capital markets, the strength of the U.S. and local economies and consumer spending, borrowing and saving habits. For example, an economic downturn or higher interest rates could decrease the demand for loans and other products and services and/or result in a deterioration in credit quality and/or loan performance

and collectability. Higher interest rates also could increase M&I's cost to borrow funds and increase the rate M&I pays on deposits.

The long-term economic and political effects of recent terrorist attacks on the United States and an economic slowdown could negatively affect M&I's financial condition.

On September 11, 2001, New York City and Washington, D.C. suffered serious terrorist attacks. The long-term economic and political impact of these acts has yet to be determined, and the ultimate cost associated with these attacks and related incidents may place significant burdens on the United States economy as a whole. The potential for future terrorist attacks, the national and international responses to terrorist attacks and other acts of war or hostility have created many economic and political uncertainties. These events could adversely affect M&I's business and operating results in other ways that presently cannot be predicted. In addition, an overall economic slowdown could negatively impact the purchasing and decision making activities of Metavante's financial institution customers. If these prior acts or additional terrorist attacks or other factors cause an overall economic decline, the financial condition and operating results of M&I could be materially adversely affected.

M&I earnings also are significantly affected by the fiscal and monetary policies of the federal government and its agencies.

The policies of the Federal Reserve Board impact M&I significantly. The Federal Reserve Board regulates the supply of money and credit in the United

States. Its policies directly and indirectly influence the rate of interest paid on interest-bearing deposits and can also affect the value of financial instruments M&I holds. Those policies determine to a significant extent M&I's cost of funds for lending and investing. Changes in those policies are beyond M&I's control and are difficult to predict. Federal Reserve Board policies can affect M&I's borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve Board could reduce the demand for a borrower's products and services. This could adversely affect the borrower's earnings and ability to repay its loan.

The banking and financial services industry is highly competitive.

M&I operates in a highly competitive environment in the products and services M&I offers and the markets in which M&I operates. The competition among financial services providers to attract and retain customers is intense. Customer loyalty can be easily influenced by a competitor's new products, especially offerings that provide cost savings to the customer. Some of M&I's competitors may be better able to provide a wider range of products and services over a greater geographic area.

M&I believes the banking and financial services industry will become even more competitive as a result of legislative, regulatory and technological changes and the continued consolidation of the industry. Technology has lowered barriers to entry and made it possible for non-banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Also, investment banks and insurance companies are competing in more banking businesses such as syndicated lending and consumer banking. Many of M&I's competitors are subject to fewer regulatory constraints and have lower costs structures. M&I expects the consolidation of the banking and financial services industry to result in larger, better-capitalized companies offering a wide array of financial services and products.

The Gramm-Leach-Bliley Act permits banks, securities firms and insurance companies to merge by creating a new type of financial services company called a financial holding company. Financial holding companies can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting) and merchant banking. Under the Act, securities firms and insurance companies that elect to become a financial holding company can acquire banks and other financial institutions. The Act may significantly change M&I's competitive environment.

M&I is heavily regulated by federal and state agencies.

The holding company, its subsidiary banks and many of its non-bank subsidiaries are heavily regulated at the federal and state levels. This regulation is designed primarily to protect consumers, depositors and the banking system as a whole, not stockholders. Congress and state legislatures and federal and state regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect M&I in substantial and unpredictable ways including limiting the types of financial services and products M&I may offer, increasing the ability of non-banks to offer competing financial services and products and/or increasing M&I's cost structures. Also, M&I's failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies and damage to its reputation.

Consumers may decide not to use banks to complete their financial transactions.

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks at one or both ends of the transaction. For example, consumers can now pay bills and transfer funds directly without banks. The process of eliminating banks as intermediaries, known as disintermediation, could result in the loss of fee income, as well as the loss of customer deposits and income generated from those deposits.

Maintaining or increasing M&I's market share depends on market acceptance and regulatory approval of new products and services and other factors.

M&I's success depends in part on its ability to adapt its products and services to evolving industry standards and to control expenses. There is increasing pressure on financial services companies to provide products and services at lower prices. This can reduce M&I's net interest margin and revenues from its fee-based products and services. In addition, M&I's success depends in part on its ability to generate significant levels of new business in its existing markets and in identifying and penetrating markets. Further, the widespread adoption of new technologies, including Internet-based services, could require M&I to make substantial expenditures to modify or adapt its existing products and services. M&I may not successfully introduce new products and services, achieve market acceptance of its products and services, develop and maintain loyal customers and/or break into targeted markets.

The holding company relies on dividends from its subsidiaries for most of its revenue, and the banking subsidiaries hold a significant portion of their assets indirectly.

The holding company is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the holding company's common stock and interest on its debt. The payment of dividends by a subsidiary is subject to federal law restrictions as well as to the laws of the subsidiary's state of incorporation. Also, a parent company's right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. In addition, the M&I bank and savings association subsidiaries hold a significant portion of their mortgage loan and investment portfolios indirectly through their ownership interests in direct and indirect subsidiaries.

M&I has an active acquisition program.

M&I regularly explores opportunities to acquire banking institutions and other financial services providers. M&I cannot predict the number, size or timing of future acquisitions. M&I typically does not publicly comment on a possible acquisition or business combination until it has signed a definitive agreement for the transaction.

Difficulty in integrating an acquired company many cause M&I not to realize expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits from the acquisition.

Specifically, the integration process could result in higher than expected deposit attrition (run-off), loss of key employees, the disruption of M&I's business or the business of the acquired company, or otherwise adversely affect M&I's ability to maintain existing relationships with clients, employees and suppliers or to enter into new business relationships. These factors could contribute to M&I not achieving the anticipated benefits of the acquisition within the desired time frames, if at all.

Future acquisitions could require M&I to use substantial cash or liquid assets or to incur debt. In such cases, M&I could become more susceptible to economic downturns and competitive pressures.

M&I is dependent on senior management.

M&I's continued success depends to a significant extent upon the continued services of its senior management. The loss of services of any of M&I's senior executive officers could cause M&I's business to suffer. In addition, M&I's success depends in part upon senior management's ability to implement M&I's business strategy.

M&I's stock price can be volatile.

M&I's stock price can fluctuate widely in response to a variety of factors including:

- actual or anticipated variations in M&I's quarterly operating results;
- new technology or services by M&I's competitors;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving M&I or its competitors;
- changes in accounting policies or practices;
- failure to integrate M&I's acquisitions or realize anticipated benefits from M&I's acquisitions; or
- changes in government regulations.

General market fluctuations, industry factors and general economic and political conditions, such as economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, also could cause M&I's stock price to decrease regardless of its operating results.

M&I may be a defendant in a variety of litigation and other actions, which may have a material adverse effect on its business, operating results and financial condition.

M&I and its subsidiaries may be involved from time to time in a variety of litigation arising out of M&I's business. M&I's insurance may not cover all claims that may be asserted against it, and any claims asserted against M&I, regardless of merit or eventual outcome, may harm M&I's reputation. Should the ultimate judgements or settlements in any litigation exceed M&I's insurance coverage, they could have a material effect on M&I's business, operating results and financial condition. In addition, M&I may not be able to obtain appropriate types or levels of insurance in the future, nor may M&I be able to obtain adequate replacement policies with acceptable terms, if at all.

In addition to the factors discussed above, the following factors concerning Metavante's business may cause M&I's results to differ from the results discussed in forward-looking statements:

Metavante relies on the continued functioning of its data centers and the integrity of the data it processes.

Metavante's data centers are an integral part of its business. Damage to Metavante's data centers, particularly its Wisconsin data centers, due to fire, power loss, telecommunications failure and other disasters

could have a material adverse effect on Metavante's business, operating results and financial condition. In addition, because Metavante relies on the integrity of the data it processes, if this data is incorrect or somehow tainted, client relations and confidence in Metavante's services could be impaired, which would harm Metavante's business.

Network operational difficulties or security problems could damage Metavante's reputation and business.

Metavante depends on the reliable operation of network connections from its clients and its clients' end users to its systems. Any operational problems or outages in these systems would cause Metavante to be unable to process transactions for its clients and its clients' end users, resulting in decreased revenues. In addition, any system delays, failures or loss of data, whatever the cause, could reduce client satisfaction with Metavante's products and services and harm Metavante's financial results.

Metavante also depends on the security of its systems. Metavante's networks may be vulnerable to unauthorized access, computer viruses and other disruptive problems. Metavante transmits confidential financial information in providing its services. A material security problem affecting Metavante could damage its reputation, deter financial services providers from purchasing its products, deter their customers from using its products or result in liability to Metavante. Any material security problem affecting Metavante's competitors could affect the marketplace's perception of Internet banking and electronic commerce service in general and have the same effects.

Metavante may not be able to protect its intellectual property, and Metavante may be subject to infringement claims.

Metavante relies on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect its proprietary technology. Despite Metavante's efforts to protect its intellectual property, third parties may infringe or misappropriate Metavante's intellectual property or may develop software or technology competitive to Metavante's. Metavante's competitors may independently develop similar technology, duplicate its products or services or design around Metavante's intellectual property rights. Metavante may have to litigate to enforce and protect its intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm Metavante's business and ability to compete.

Metavante also may be subject to costly litigation in the event its products or technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by Metavante's products or technology. Any of these third parties could make a claim of infringement against Metavante with respect to its products or technology. Any such claims and any resulting litigation could subject Metavante to significant liability for damages. An adverse determination in any litigation of this type could require Metavante to design around a third party's patent or to license alternative technology from another party. In addition, litigation is time consuming and expensive to defend and could result in the diversion of Metavante's time and attention. Any claims from third parties may also result in limitations on Metavante's ability to use the intellectual property subject to these claims.

Metavante's business could suffer if it fails to attract and retain key technical people.

Metavante's success depends in large part upon Metavante's ability to attract and retain highly skilled technical, management and sales and marketing personnel. Because the development of Metavante's products and services requires knowledge of computer hardware, operating system software, system management software and application software, key technical personnel must be proficient in a number of disciplines. Competition for the best people--in particular individuals with technology experience--is intense. Metavante may not be able to hire key people or pay them enough to keep them.

13

All forward-looking statements contained in this report or which may be contained in future statements made for or on behalf of M&I are based upon information available at the time the statement is made and M&I assumes no obligation to update any forward-looking statement.

ITEM 2. PROPERTIES

M&I and M&I Marshall & Ilsley Bank ("M&I Bank") occupy offices on all or portions of 15 floors of a 21-story building located at 770 North Water Street, Milwaukee, Wisconsin. M&I Bank owns the building and its adjacent 10-story parking lot and leases the remaining floors to a professional tenant. In addition, various subsidiaries of M&I lease commercial office space in downtown Milwaukee office buildings near the 770 North Water Street facility. M&I Bank also owns or leases various branch offices throughout Wisconsin, 25 offices in the Phoenix and Tucson, Arizona metropolitan areas and two offices in the Minneapolis, Minnesota metropolitan area. M&I Bank of Mayville, a special limited purpose subsidiary of M&I located in Mayville, Wisconsin, and M&I Bank FSB, a federal savings bank subsidiary of M&I located in Las Vegas, Nevada with branches in Naples, Florida and Milwaukee, Wisconsin, occupy modern facilities which are leased. Metavante owns a data processing facility located in Brown Deer, a suburb of Milwaukee, from which Metavante conducts data processing activities and a facility in Milwaukee that houses its software development teams. Properties leased by Metavante also include commercial office space in Brown Deer and Milwaukee, a data processing site in Oak Creek, Wisconsin, and processing centers and sales offices in various cities throughout the United States. The foregoing paragraph describes M&I's properties as of December 31, 2001.

ITEM 3. LEGAL PROCEEDINGS

M&I is not currently involved in any material pending legal proceedings other than litigation of a routine nature and various legal matters which are being defended and handled in the ordinary course of business.

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

Not applicable.

Executive Officers of the Registrant

Name of Officer	Office
James B. Wigdale Age 65	Chairman of the Board since December 1992, Chief Executive Officer from Oc 1992 to December 2001, Director since December 1988, Vice Chairman of the December 1988 to December 1992, Marshall & Ilsley Corporation; Chairman of Board from January 1989 to October 2001, Chief Executive Officer from 1987 October 2001, Director since 1981, M&I Marshall & Ilsley Bank; Director an President, M&I Ventures L.L.C. and M&I Capital Markets Group L.L.C.; Direc Metavante Corporation, M&I Brokerage Services, Inc., Marshall & Ilsley Tru Company N.A., M&I Investment Management Corp. and M&I Insurance Services,
Dennis J. Kuester Age 60	Chief Executive Officer since January 2002, President since 1987, Director February 1994, Marshall & Ilsley Corporation; Chairman and Chief Executive since October 2001, President from January 1989 to October 2001, Director January 1989, M&I Marshall & Ilsley Bank; Chairman of the Board and Direct Metavante Corporation; Director, M&I Support Services Corp., Marshall & Il Company N.A. and M&I Investment Management Corp.; Director and President, Insurance Company of Arizona, Inc.; Director and Treasurer, M&I Ventures L M&I Capital Markets Group L.L.C.

14

Name of Officer	Office
Thomas M. Bolger Age 51	Executive Vice President since October 2001, Senior Vice President and Chi Officer from 1994 to October 2001, Marshall & Ilsley Corporation; Presiden Director since October 2001, Executive Vice President from 1997 to October M&I Marshall & Ilsley Bank; Director, M&I First National Leasing Corp., M& Support Services Corp., Metavante Corporation, Marshall & Ilsley Trust Com N.A., M&I Bank of Mayville, Diversified Business Credit, Inc. and M&I Inve Management Corp.
Joseph L. Delgadillo Age 49	Senior Vice President of Marshall & Ilsley Corporation since 1993; Chief E Officer since January 1998 and Director of Metavante Corporation since 199 President and Chief Operating Officer of Metavante Corporation since 1993; Vice President of Metavante Corporation from 1989 to 1993; Director and Ex Vice President, Metavante International, Inc. since 1996; Director, Metava 401kservices, Inc. and Customers Forever, LLC.
Mark F. Furlong Age 44	Executive Vice President, Chief Financial Officer and Secretary of Marshal Corporation since 2001; Director, Marshall & Ilsley Trust Company N.A., Me Corporation and M&I Investment Management Corp.; Executive Vice President Chief Financial Officer of Old Kent Financial Corporation from 1998 to 200 Vice President/Director of Corporate Development/Commercial Banking of H.F Ahmanson & Co. from 1992 to 1998.
Mark R. Hogan Age 47	Senior Vice President and Chief Credit Officer since October 2001, Marshal Corporation; Senior Vice President and Chief Credit Officer since November M&I Marshall & Ilsley Bank; Director, M&I First National Leasing Corp. and Diversified Business Credit, Inc.
Patricia R. Justiliano Age 51	Senior Vice President since 1994 and Corporate Controller since April 1989 President from 1986 to 1994, Marshall & Ilsley Corporation; Controller, M& & Ilsley Bank, since September 1998; Director and Treasurer, M&I Insurance of Arizona, Inc. and M&I Mortgage Reinsurance Corporation; Director, M&I B

	FSB, M&I Mortgage Corp. and M&I Bank of Mayville.
Thomas J. O'Neill Age 41	Senior Vice President since April 1997, Marshall & Ilsley Corporation; Exe President since 2000, Senior Vice President since 1997, Vice President sin Marshall & Ilsley Bank; President and Director, M&I Mortgage Corp., M&I Ba M&I Dealer Finance, Inc. and M&I Mortgage Reinsurance Corporation; Directo Support Services Corp., M&I Brokerage Services, Inc., M&I Insurance Servic M&I Bank of Mayville and M&I Community Development Corporation.
Paul J. Renard Age 41	Senior Vice President, Director of Human Resources since 2000, Vice Presid Manager since 1994, Marshall & Ilsley Corporation.
John L. Roberts Age 49	Senior Vice President, Marshall & Ilsley Corporation since 1994; Senior Vi since 1994, Vice President and Controller from 1986 to 1995, M&I Marshall Bank; President and Director, M&I Support Services Corp. since 1995; Direc Bank FSB and M&I Mortgage Corp,; President and Director, M&I Bank of Mayvi
Thomas A. Root Age 45	Senior Vice President since 1998, Audit Director since May 1996, Vice Pres 1991 to 1998, Marshall & Ilsley Corporation; Vice President and Auditor si M&I Marshall & Ilsley Bank.
Leigh I. Sherman Age 53	Senior Vice President, Director of Marketing since 1996, Marshall & Ilsley Corporation.

Name of Officer	Office
Jeffrey V. Williams Age 57	Senior Vice President since December 1997, Marshall & Ilsley Corporation; Vice President and Chief Operating Officer since January 1999, Marshall & Company N.A.; Chief Executive Officer and Director since January 1996, M&I Insurance Services, Inc.; Senior Vice President since 1994, M&I Marshall & Bank; Chief Executive Officer and Director, M&I Brokerage Services, Inc.; Vice President, Chief Operating Officer and Director, Marshall & Ilsley Tr N.A.; Director, M&I Capital Markets Group L.L.C., M&I Portfolio Services, Investment Management Corp., M&I Ventures L.L.C. and M&I Insurance Service
Donald H. Wilson Age 42	Senior Vice President and Treasurer since December 1996, Vice President an Treasurer since 1995, Marshall & Ilsley Corporation; Director, M&I Custody Nevada, Inc., M&I Bank FSB, M&I Community Development Corporation and M&I Mortgage Corp.

PART II

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

Stock Listing

M&I's common stock is traded under the symbol "MI" on the New York Stock Exchange. Common dividends declared and the price range for M&I's common stock for each of the last five years can be found in Item 8, Consolidated Financial Statements, Quarterly Financial Information.

A discussion of the regulatory restrictions on the payment of dividends can be found under Item 7, Management's Discussion and Analysis of Financial Position and Results of Operations, and in Note 14 in Item 8, Consolidated Financial Statements.

Holders of Common Equity

At December 31, 2001 M&I had approximately 19,311 record holders of its common stock.

ITEM 6. SELECTED FINANCIAL DATA

Consolidated Summary of Operating Earnings
Years Ended December 31 ($000's except share data)

	2001	2000	1999	1998	1
Interest Income:					
Loans and Leases........................	$1,358,798	$1,391,651	$1,156,775	$1,085,829	$ 9
Investment Securities					
Taxable.............................	270,336	272,536	269,668	280,377	2
Tax Exempt..........................	62,273	65,429	58,820	52,969	
Other Short-term Investments............	17,696	18,366	11,321	14,869	
Total Interest Income................	1,709,103	1,747,982	1,496,584	1,434,044	1,2
Interest Expense:					
Deposits................................	566,899	772,016	585,864	564,540	4
Short-term Borrowings...................	188,587	224,187	142,294	126,624	1
Long-term Borrowings....................	110,814	78,773	63,145	66,810	
Total Interest Expense..............	866,300	1,074,976	791,303	757,974	6
Net Interest Income........................	842,803	673,006	705,281	676,070	5
Provision for Loan and Lease Losses.........	54,115	30,352	25,419	27,090	
Net Interest Income After Provision for Loan and Lease Losses.........................	788,688	642,654	679,862	648,980	5
Other Income:					
Data Processing Services..................	559,816	546,041	494,816	421,945	3
Trust Services............................	120,827	117,680	100,963	88,496	
Net Securities Gains (Losses).............	(1,113)	1,051	(4,083)	7,145	
Other.....................................	339,339	318,950	291,380	276,914	2
Total Other Income..................	1,018,869	983,722	883,076	794,500	6
Other Expense:					
Salaries and Benefits.....................	678,493	627,394	587,711	523,606	4
Other.....................................	518,934	461,388	447,288	431,216	3
Total Other Expense.................	1,197,427	1,088,782	1,034,999	954,822	8
Income Before Income Taxes..................	610,130	537,594	527,939	488,658	3
Provision for Income Taxes..................	204,509	175,958	173,428	171,067	1
Operating Income............................	$ 405,621	$ 361,636	$ 354,511	$ 317,591	$ 2
Accounting Changes & Special Charges........	(68,136)	(46,513)	--	(16,268)	

Net Income	$ 337,485	$ 315,123	$ 354,511	$ 301,323	$ 2
Per Share:					
Basic Operating Income	$ 3.85	$ 3.44	$ 3.32	$ 2.94	$
Basic Net Income	3.20	2.99	3.32	2.79	
Diluted Operating Income	3.72	3.32	3.14	2.76	
Diluted Net Income	3.09	2.89	3.14	2.61	
Common Dividends Declared	1.135	1.035	0.940	0.860	
Other Significant Data:					
Year-End Common Stock Price	$ 63.28	$ 50.83	$ 62.81	$ 58.44	$
Return on Average Shareholders' Equity*	16.70%	16.84%	16.32%	14.89%	
Return on Average Assets*	1.54	1.44	1.56	1.53	
Dividend Payout Ratio	36.73	35.81	29.94	32.95	
Average Equity to Average Assets Ratio	9.21	8.58	9.57	10.26	
Ratio of Earnings to Fixed Charges**					
Excluding Interest on Deposits	2.56x	2.46x	3.38x	3.25x	
Including Interest on Deposits	1.56x	1.43x	1.65x	1.60x	

----

* Based on Operating Income

** See Exhibit 12 for detailed computation of these ratios.

Consolidated Average Balance Sheets
Years ended December 31 ($000's except share data)

	2001	2000	1999	1998
Assets:				
Cash and Due from Banks	$ 651,367	$ 615,015	$ 638,399	$ 652,
Short-term Investments	503,857	265,487	186,106	247,
Trading Securities	21,284	30,926	37,276	43,
Investment Securities:				
Taxable	3,926,737	4,063,774	4,208,498	4,317,
Tax Exempt	1,269,175	1,327,159	1,217,847	1,078,
Loans and Leases:				
Commercial	5,478,342	4,975,482	4,359,880	3,749,
Real Estate	10,514,536	9,958,164	8,639,360	7,967,
Personal	1,182,049	1,245,738	1,204,931	1,154,
Lease Financing	1,026,215	938,525	705,054	532,
Total Loans and Leases	18,201,142	17,117,909	14,909,225	13,403,
Allowance for Loan and Lease Losses	253,089	233,466	228,500	216,
Net Loans and Leases	17,948,053	16,884,443	14,680,725	13,186,
Other Assets	2,049,836	1,854,973	1,732,112	1,263,
Total Assets	$ 26,370,309	$ 25,041,777	$ 22,700,963	$ 20,790,
Liabilities and Shareholders' Equity:				
Noninterest Bearing Deposits	$ 2,895,083	$ 2,648,419	$ 2,663,609	$ 2,545,
Interest Bearing Deposits:				
Savings and NOW accounts	1,775,596	1,845,916	2,027,658	2,140,
Money Market Savings	5,731,794	5,241,772	4,830,159	4,135,
CDs of $100 or more	2,237,243	2,303,442	1,694,301	1,547,

Other................................	4,550,875	5,458,234	4,941,175	4,388,
Total Deposits..........................	17,190,591	17,497,783	16,156,902	14,757,
Short-term Borrowings...................	3,944,160	3,538,846	2,803,834	2,357,
Long-term Borrowings....................	1,962,801	1,178,805	1,009,132	1,046,
Accrued Expenses and Other Liabilities...	843,198	678,269	558,978	496,
Shareholders' Equity....................	2,429,559	2,148,074	2,172,117	2,133,
Total Liabilities and Shareholders' Equity.............	$ 26,370,309	$ 25,041,777	$ 22,700,963	$ 20,790,
Other Significant Data:				
Book Value Per Share at Year End.........	$ 23.30	$ 21.19	$ 19.47	$ 19
Average Common Shares Outstanding........	104,293,908	104,100,652	104,940,787	105,918,
Employees at Year End*..................	11,657	11,753	11,433	10,
Historically Reported Credit Quality Ratios:*				
Net Loan and Lease Charge-offs to Average Loans and Leases...............	0.22%	0.12%	0.17%	0
Total Nonperforming Loans and Leases** & OREO to End of Period Loans and Leases & OREO................	0.94	0.76	0.75	0
Allowance for Loan and Lease Losses to End of Period Loans and Leases..........	1.39	1.34	1.38	1
Allowance for Loan and Lease Losses to Total Nonperforming Loans and Leases**..............................	154	182	193	

----

* Not restated for acquisitions accounted for as pooling of interests.
** Loans and leases nonaccrual, restructured, and past due 90 days or more.

Yield & Cost Analysis
Years ended December 31 (Tax equivalent basis)

	2001	2000	1999	1998	1997
Average Rates Earned:					
Loans...	7.48%	8.14%	7.77%	8.12%	8.41%
Investment Securities--Taxable..........................	7.05	6.62	6.42	6.52	6.79
Investment Securities--Tax Exempt.......................	7.26	7.16	7.13	7.44	7.40
Trading Securities......................................	4.21	4.92	5.08	5.13	5.01
Short-term Investments..................................	3.34	6.35	5.08	5.13	5.57
Average Rates Paid:					
Interest Bearing Deposits...............................	3.97%	5.20%	4.34%	4.62%	4.63%
Short-term Borrowings...................................	4.78	6.34	5.07	5.37	5.51
Long-term Borrowings....................................	5.65	6.68	6.26	6.39	6.88
M&I Marshall & Ilsley Bank Average Prime Rate...............	6.91	9.24	8.02	8.35	8.44
Summary Yield and Cost Analysis:					
(As a % of Average Assets)					
Average Yield...	6.60%	7.10%	6.72%	7.02%	7.31%
Average Cost..	3.29	4.29	3.49	3.64	3.68
Net Interest Income.....................................	3.31	2.81	3.23	3.38	3.63
Provision for Loan and Lease Losses.....................	0.21	0.12	0.11	0.13	0.10

Net Interest Income After Provision for Loan and Lease Losses	3.10	2.69	3.12	3.25	3.53
Net Securities Gains (Losses)	--	--	(0.02)	0.03	(0.02)
Other Income	3.87	3.93	3.91	3.79	3.75
Other Expense	4.54	4.35	4.56	4.59	4.84
Income Before Income Taxes	2.43	2.27	2.45	2.48	2.42
Provision for Income Taxes	0.89	0.83	0.89	0.95	0.91
Operating Income	1.54%	1.44%	1.56%	1.53%	1.51%
Accounting Changes & Special Charges	(0.26)	(0.18)	--	(0.08)	--
Net Income	1.28%	1.26%	1.56%	1.45%	1.51%

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

Net income in 2001 amounted to $337.5 million or $3.09 per share on a diluted basis. The return on average assets and return on average equity were 1.28% and 13.89%, respectively. By comparison, 2000 net income was $315.1 million, diluted earnings per share was $2.89, the return on average assets was 1.26% and the return on average equity was 14.67%. For the year ended December 31, 1999, net income was $354.5 million or $3.14 per share diluted and the returns on average assets and average equity were 1.56% and 16.32%, respectively.

The results of operations and financial position for the periods presented include the effects of the six acquisitions by the Metavante subsidiary of the Corporation as well as the two banking related acquisitions from the dates of merger. All transactions were accounted for as purchases.

Net income for the year ended December 31, 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 cumulative effect of the change in accounting for derivatives and hedging activities and the final charges for the banking charter consolidation completed during the second quarter. Net income for the year ended December 31, 2000 includes the cumulative effect of the change in accounting for certain conversion services provided by Metavante, securities losses and losses from the sale of ARM loans, single charter expenses and expenses incurred for the withdrawn IPO of Metavante.

The following is a summary of the unusual items reported in 2001 and 2000 and the comparative operating income, earnings per share and return on average equity based on operating income for 2001, 2000, and 1999.

	Pre-tax effect	2001	2000	1999
	($ in millions, except per share data)			
Income as reported		$337.5	$315.1	$354.5
Nonoperating losses and expenses:				
Metavante:				
Reduction in force and realignment	$11.0			

Investment losses	16.0			
Acquisition related	45.0			
IPO expenses--2000	4.5			
Total Metavante	76.5	43.4	3.1	--
Balance Sheet Management:				
Investment losses	50.6		32.9	
Losses from sale of ARM loans	3.1		2.0	
Auto lease residual value write-downs	25.0	15.8		
Charter Consolidation:				
2001	12.0	8.5		
2000	9.1		6.2	
Change in accounting:				
Derivative and hedging activities	0.7	0.4		
Conversion services--Metavante	3.8		2.3	
Total nonoperating losses and expenses		68.1	46.5	--
Operating income		$405.6	$361.6	$354.5
Operating income per share:				
Basic		$ 3.85	$ 3.44	$ 3.32
Diluted		3.72	3.32	3.14
Operating income to average equity		16.70%	16.84%	16.32%

20

The following reconciles operating income to operating income before amortization of intangibles ("tangible operating income"). Amortization includes amortization of goodwill and core deposit premiums and is net of negative goodwill accretion and the income tax benefit or expense, 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. As more fully discussed in Note 1 to the Consolidated Financial Statements in Item 8, beginning January 1, 2002, intangibles with indefinite lives including certain goodwill will no longer be amortized in accordance with SFAS 142. The effect of SFAS 142 is depicted as pro forma operating income in the following table:

Summary Consolidated Tangible Operating Income and Financial Statistics
($ in millions, except per share data)

	2001	2000	1999
Operating income	$405.6	$361.6	$354.5
SFAS142 amortization, net of tax	15.4	14.7	18.1
Pro forma operating income	421.0	376.3	372.6
Other amortization, net of tax	5.6	4.5	5.7
Tangible operating income	$426.6	$380.8	$378.3
Tangible operating income per share			
Basic	$ 4.05	$ 3.62	$ 3.55
Diluted	3.91	3.50	3.35
Return on average tangible assets	1.64%	1.54%	1.69%

Return on average tangible equity..	20.90	20.78	20.49

Operating Income Statement Components as a Percent of Average Total Assets

The following table presents a summary of the major elements of the consolidated operating income statements for the years ended December 31, 2001, 2000 and 1999. Each of the elements is stated as a percent of consolidated average total assets outstanding for the respective year and, where appropriate, is converted to a fully taxable equivalent basis (FTE). The results exclude the special charges in 2001 and 2000 as previously discussed.

	2001	2000	1999
Interest income....................	6.60%	7.10%	6.72%
Interest expense...................	(3.29)	(4.29)	(3.49)
Net interest income................	3.31	2.81	3.23
Provision for loan and lease losses	(0.21)	(0.12)	(0.11)
Net securities losses..............	--	--	(0.02)
Other income.......................	3.87	3.93	3.91
Other expense......................	(4.54)	(4.35)	(4.56)
Income before income taxes.........	2.43	2.27	2.45
Income taxes.......................	(0.89)	(0.83)	(0.89)
Operating income to average assets.	1.54%	1.44%	1.56%

Net Interest Income

Net interest income in 2001 amounted to $842.8 million compared with net interest income of $673.0 million in 2000, an increase of $169.8 million or 25.2%.

Average earning assets in 2001 amounted to $23.9 billion compared to $22.8 billion in 2000, an increase of $1.1 billion or 4.9%. Average loans and leases accounted for all of the growth in earning assets. During the latter part of the third quarter of 2000, the Corporation realigned its available for sale investment securities portfolio through the sale and purchase of approximately $1.6 billion of U.S. Government Agency securities.

Average interest bearing liabilities increased $0.6 billion or 3.2% in 2001 compared to 2000. Average interest bearing deposits decreased $0.6 billion. Average short-term borrowings increased $405 million while average long-term borrowings increased $784 million. Average noninterest bearing deposits increased $247 million or 9.3% compared to the prior year.

The growth and composition of the Corporation's average loan and lease portfolio for the current year and prior two years are reflected in the following table ($ in millions):

	2001	2000	1999	Percent Growth 2001 vs 2000	Percent Growth 2000 vs 1999
Commercial:					
Commercial	$ 5,478.3	$ 4,975.5	$ 4,359.9	10.1%	14.1%
Commercial real estate:					
Commercial mortgages	4,740.7	4,182.6	3,845.3	13.3	8.8
Construction	521.9	433.3	329.8	20.4	31.4
Total commercial real estate	5,262.6	4,615.9	4,175.1	14.0	10.6
Commercial lease financing	390.3	353.2	335.0	10.5	5.4
Total commercial	11,131.2	9,944.6	8,870.0	11.9	12.1
Personal:					
Residential real estate:					
Residential mortgages	2,384.9	2,945.2	2,461.6	(19.0)	19.6
Construction	127.6	114.5	100.2	11.4	14.2
Total residential real estate	2,512.5	3,059.7	2,561.8	(17.9)	19.4
Consumer loans:					
Student	116.0	185.2	257.9	(37.3)	(28.2)
Credit card	177.5	165.6	139.2	7.2	19.0
Home equity loans and lines	2,739.4	2,282.6	1,902.4	20.0	20.0
Other	888.6	894.9	807.9	(0.7)	10.8
Total consumer loans	3,921.5	3,528.3	3,107.4	11.1	13.5
Personal lease financing	635.9	585.3	370.0	8.7	58.2
Total personal	7,069.9	7,173.3	6,039.2	(1.4)	18.8
Total consolidated average loans and leases	$18,201.1	$17,117.9	$14,909.2	6.3%	14.8%

Compared to 2000, average loans and leases increased $1.1 billion or 6.3%. Approximately 44% or $0.5 billion of average loan growth was due to the acquisitions of National City Bancorporation in Minnesota and branch acquisitions in Arizona, which were all accounted for using the purchase method of accounting. At the time of purchase, over $1 billion in loans were acquired. Excluding the acquisitions, total commercial loan

growth amounted to $0.8 billion and was driven by commercial real estate loan and commercial real estate construction loan growth of $0.6 billion. Average personal loans declined $0.2 billion, excluding acquisitions, largely due to accelerated prepayments combined with the strategy to sell new production of residential mortgages. For the second year in a row, home equity loans and lines exhibited double digit growth fueled in part by the acquisition of home equity loans and lines in support of its private-label banking services in the fourth quarter of 2000.

Generally, the Corporation sells residential real estate loan production in the secondary market. Residential real estate loans originated and sold to investors amounted to $2.4 billion in 2001 compared to $0.6 billion in 2000. At

December 31, 2001, the Corporation had approximately $0.3 billion of mortgage loans held for sale. During the third quarter of 2000, the Corporation began securitizing its monthly production of indirect automobile loans. Auto loans securitized and sold in 2001 amounted to $382 million. Approximately $46 million and $150 million of student loans were sold in 2001 and 2000, respectively. The Corporation anticipates that it will continue to divest of lower yielding assets through sale or securitization in future periods.

The growth and composition of the Corporation's consolidated average deposits for the current year and prior two years are reflected below ($ in millions):

	2001	2000	1999	Percent Growth 2001 vs 2000	Percent Growth 2000 vs 1999
Bank issued deposits:					
Noninterest bearing:					
Commercial......................	$ 1,909.3	$ 1,693.5	$ 1,720.3	12.7%	(1.6)%
Personal........................	606.8	580.2	558.7	4.6	3.8
Other...........................	379.0	374.7	384.6	1.1	(2.6)
Total noninterest bearing.........	2,895.1	2,648.4	2,663.6	9.3	(0.6)
Interest bearing:					
Activity accounts:					
Savings & NOW.................	1,775.6	1,845.9	2,027.6	(3.8)	(9.0)
Money market..................	5,468.9	4,575.5	4,232.8	19.5	8.1
Foreign activity..............	588.6	414.8	334.6	41.9	24.0
Total activity accounts.........	7,833.1	6,836.2	6,595.0	14.6	3.7
Time deposits:					
Other CDs & time..............	3,213.9	3,415.2	3,433.9	(5.9)	(0.5)
CDs greater than $100.........	761.4	875.8	821.0	(13.1)	6.7
Total time deposits............	3,975.3	4,291.0	4,254.9	(7.4)	0.8
Total interest bearing...........	11,808.4	11,127.2	10,849.9	6.1	2.6
Total bank issued deposits.........	14,703.5	13,775.6	13,513.5	6.7	1.9
Wholesale deposits:					
Money market......................	262.9	666.4	597.3	(60.5)	11.6
Brokered CDs......................	1,478.4	1,430.6	876.5	3.3	63.2
Foreign time......................	745.8	1,625.2	1,169.6	(54.1)	39.0
Total wholesale deposits...........	2,487.1	3,722.2	2,643.4	(33.2)	40.8
Total consolidated average deposits	$17,190.6	$17,497.8	$16,156.9	(1.8)%	8.3%

Average bank issued deposits increased $0.9 billion or 6.7% in 2001 compared with 2000. Approximately $0.4 billion or 38% of the growth was attributable to acquisitions. Excluding the impact of acquisitions, average noninterest bearing deposits increased $0.2 billion and interest bearing activity accounts increased $0.4 billion. Money market savings, especially money market index accounts exhibited the greatest growth in bank issued deposits in 2001 compared to 2000. Average bank issued money market index savings increased $1.0 billion or 23.3% excluding acquisitions while other interest bearing activity accounts declined $0.1 billion. Average bank issued 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 elected not to pursue.

During 2000, M&I disposed of three branches. Deposits and loans aggregating approximately $111 million and $8 million, respectively were divested in 2000. As part of its private-label banking services, the Corporation acquired $354 million of deposits late in 2000.

The growth in bank issued deposits and shift in deposit mix provided a benefit to the net interest margin in 2001. Both commercial and retail banking contributed to the success experienced in growing bank issued deposits. The Corporation believes additional deposit growth can be achieved by continuing to focus on developing deeper relationships through the sale of treasury management products and services, continued use of customer and prospect lists modeled for successful cross selling, successfully implementing newly developed retention strategies and continuing to provide incentive plans focused on growing deposits and deepening relationships.

Average wholesale deposits declined $1.3 billion or 34%, excluding acquisitions. The decline reflects, in part, the Corporation's greater use of borrowings which is a part of its overall strategy to reduce interest rate risk as well as not renewing a contractual institutional relationship that would have re-priced to levels above comparable funding alternatives.

During 2001, the Corporation's banking segment issued $547 million of debt under its bank note program consisting of $250 million of senior bank notes--Extendible Liquidity Securities ("EXLs") and $297 million of subordinated debt. See Note 12, Short-term Borrowings and Note 13, Long-term Borrowings in Notes to Consolidated Financial Statements contained in Item 8 herein for further discussion regarding bank notes. At December 31, 2001, bank notes, which are included in short-term borrowings and long-term borrowings, amounted to $1.8 billion. In addition, the banking segment increased its borrowings from the Federal Home Loan Bank in 2001 by obtaining $685 million of floating and fixed rate advances. During 2001, the Corporation issued $250 million of Series E medium-term notes. Approximately $68.0 million of the Corporation's other series medium-term notes matured in 2001.

The net interest margin (FTE) as a percent of average earning assets was 3.67% in 2001 compared to 3.08% in 2000, an increase of 59 basis points. The yield on earning assets decreased 48 basis points from 7.79% in 2000 to 7.31% in 2001 while the cost of interest bearing liabilities decreased 120 basis points from 5.49% in 2000 to 4.29% in 2001. Less reliance on higher-cost funding sources, growth in lower-cost bank issued deposits, improved loan spreads and the liability sensitive repricing characteristics of the Corporation's balance sheet in the declining rate environment experienced in 2001 all contributed to the margin improvement. Offsetting this improvement was the impact of the common stock acquired in conjunction with the Corporation's treasury buyback program.

The yield on loans and leases was 7.48% in 2001 compared to 8.14% in 2000, a decrease of 66 basis points. Despite the loan growth and wider spreads previously discussed, interest income on a FTE basis declined $32.7 million in

2001 compared to 2000.

The increase in the yield on the investment security portfolio reflects the realignment of the portfolio previously discussed, however, balance run-off in the portfolio, which reflects in part increased prepayment activity, resulted in a decline in interest income on a FTE basis of $5.4 million.

The decrease in the rates paid on interest bearing liabilities contributed approximately $252.0 million of the decrease in interest expense while the increase in volume offset the benefit by approximately $43.3 million in 2001 compared to the prior year.

On January 1, 2001, the Corporation adopted the new accounting standard for accounting for derivative financial instruments and hedging activities as explained in Notes 2 and 20 in Notes to Consolidated Financial Statements contained in Item 8 herein. The new standard requires that those derivative instruments be recognized in the Corporation's Consolidated Balance Sheets as assets or liabilities at their fair value. For 2001, the effect on net interest income resulting from the derivative financial instruments designated as hedges was a positive $2.7 million compared with a negative $3.5 million in 2000.

The Corporation anticipates that the net interest margin will continue to expand into the first quarter of 2002, however, the rate of growth is expected to slow as the Corporation continues to manage its balance sheet interest rate sensitivity. In addition, the amount of growth is dependent on loan and deposit growth, spreads and the general interest rate environment.

Net interest income in 2000 amounted to $673.0 million compared with net interest income of $705.3 million in 1999, a decrease of $32.3 million.

Average earning assets in 2000 amounted to $22.8 billion compared to $20.6 billion in 1999, an increase of $2.2 billion or 10.9%. Average loans and leases increased $2.2 billion or 14.8% . The remainder of the increase was distributed evenly between investment securities and short-term investments. During the latter part of the third quarter of 2000, the Corporation realigned its available for sale investment securities portfolio through the sale and purchase of approximately $1.6 billion of U.S. Government Agency securities. The benefit of these transactions was realized beginning in the fourth quarter of 2000.

Average interest bearing liabilities increased $2.3 billion or 13.1% in 2000 compared to 1999. Average interest bearing deposits increased $1.4 billion or 10.0%. Average short-term borrowings increased $735 million while average long-term borrowings increased $170 million. The increase in borrowings reflects, in part, greater use of senior and subordinated notes by the banking affiliates. Average noninterest bearing deposits were relatively unchanged compared to the prior year. The increase in average interest bearing liabilities in 2000 reflects funding of earning asset growth along with the effect of treasury share repurchases.

Compared to 1999, average loans and leases increased $2.2 billion or 14.8%. Total commercial loan growth amounted to $1.1 billion or 12.1% and was driven by commercial loan growth of $616 million and commercial real estate loan and commercial real estate construction growth of $441 million. Average personal loan growth amounted to $1.1 billion or 18.8%. Home equity loans and lines accounted for $380 million, residential mortgages accounted for $484 million and lease financing receivables accounted for $215 million of the growth in retail loans.

Generally, the Corporation sells fixed rate residential real estate loans and in 2000 began selling a portion of ARM loan production in the secondary market. Residential real estate loans originated and sold to investors amounted to $0.6 billion in 2000 compared to $1.1 billion in 1999. As part of its announced balance sheet management restructuring, the Corporation sold $300.8 million of portfolio ARM loans. ARM loans securitized and recorded as available for sale securities late in 2000 amounted to $511 million. Auto loans securitized and sold in 2000 amounted to $223 million.

Due to strong earning asset growth, particularly loan growth, the Corporation made greater uses of wholesale deposits in 2000 compared to the prior year. Wholesale deposits increased $1.1 billion or 40.8%, of which, foreign time deposits accounted for $0.5 billion of the increase while brokered CDs increased $0.6 billion.

Money market savings, especially money market index accounts, exhibited the greatest growth in bank issued deposits in 2000 compared to 1999. Average bank issued money market savings increased $343 million or

8.1%. Average bank issued Eurodollar activity and bank issued time deposits increased $80 million and $36 million, respectively, while average savings and NOW decreased $182 million in 2000 compared to the prior year. As previously discussed, noninterest-bearing deposits were relatively unchanged year over year.

During 1999, the Corporation's banking affiliates began issuing bank notes. At December 31, 2000, bank notes, which are included in short-term borrowings and long-term borrowings, amounted to $1.4 billion. During 2000, the Corporation filed a registration statement to issue up to $500 million of medium-term Series E notes. Approximately $21.2 million of the Corporation's other series medium-term notes matured in 2000.

The net interest margin (FTE) as a percent of average earning assets was 3.08% in 2000 compared to 3.58% in 1999, a decrease of 50 basis points. The yield on earning assets increased 36 basis points from 7.43% in 1999 to 7.79% in 2000 while the cost of interest bearing liabilities increased 92 basis points from 4.57% in 1999 to 5.49% in 2000. The continued reliance on higher-cost funding sources and lower loan spreads resulted in the margin decline.

The yield on loans and leases was 8.14% in 2000 compared to 7.77% in 1999, an increase of 37 basis points. The increase in yield and the strong loan growth previously discussed contributed over 90% of the increase in interest income on an FTE basis.

The remaining increase in interest on earning assets was primarily attributable to investment securities. The total yield on the taxable investment security portfolio increased by approximately 20 basis points in 2000 compared to 1999.

The increase in the rates paid on interest bearing liabilities contributed approximately $161.5 million and the increase in volume accounted for approximately $122.2 million of the increase in interest paid on interest bearing liabilities in 2000 compared to the prior year. In addition to the use of higher-cost funds for earning asset growth, interest expense was adversely affected by the repurchase of treasury shares.

For 2000, the effect on net interest income resulting from the derivative financial instruments designated as hedges was a negative $3.5 million compared with a positive $7.0 million in 1999.

Average Balance Sheets and Analysis of Net Interest Income

The Corporation's consolidated average balance sheets, interest earned and interest paid, and the average interest rates earned and paid for each of the last three years are presented in the following table ($ in thousands):

	2001			2000		
	Average Balance	Interest Earned/ Paid	Average Yield or Cost (3)	Average Balance	Interest Earned/ Paid	Average Yield o Cost (3
Loans and leases (1,2)..........	$18,201,142	$1,361,048	7.48%	$17,117,909	$1,393,723	8.14%
Investment securities:						
Taxable......................	3,926,737	270,336	7.05	4,063,773	272,536	6.62
Tax exempt (1)...............	1,269,175	91,206	7.26	1,327,159	94,371	7.16
Interest bearing deposits in other banks....................	35,535	1,614	4.54	24,850	2,066	8.31
Funds sold and security resale agreements..............	52,401	2,529	4.83	99,126	6,429	6.49
Trading securities (1)..........	21,284	896	4.21	30,926	1,523	4.92
Other short-term investments...................	415,921	12,669	3.05	141,511	8,363	5.91
Total interest earning assets...........	23,922,195	1,740,298	7.31%	22,805,254	1,779,011	7.79%
Cash and demand deposits due from banks................	651,367			615,015		
Premises and equipment, net.....	391,633			376,286		
Other assets....................	1,658,203			1,478,688		
Allowance for loan and lease losses..................	(253,089)			(233,466)		
Total assets.............	$26,370,309			$25,041,777		
Money market savings deposits.......................	$ 5,731,794	$ 198,341	3.46%	$ 5,241,772	$ 277,813	5.30%
Savings and interest bearing demand deposits................	1,775,596	20,733	1.17	1,845,916	29,812	1.62
Other time deposits.............	5,023,701	244,345	4.86	5,458,234	318,229	5.83
CDs greater than $100, brokered and callable CDs...........................	1,764,417	103,480	5.86	2,303,442	146,162	6.35
Total interest bearing deposits...............	14,295,508	566,899	3.97	14,849,364	772,016	5.20
Short-term borrowings...........	3,944,160	188,587	4.78	3,538,846	224,187	6.34
Long-term borrowings............	1,962,801	110,842	5.65	1,178,805	78,773	6.68
Total interest bearing						

liabilities.............	20,202,469	866,328	4.29%	19,567,015	1,074,976	5.49%
Noninterest bearing deposits....	2,895,083			2,648,419		
Other liabilities...............	843,198			678,269		
Shareholders' equity............	2,429,559			2,148,074		
Total liabilities and shareholders' equity..................	$26,370,309			$25,041,777		
Net interest income.......		$ 873,970			$ 704,035	
Net yield on interest earning assets...........			3.67%			3.08%

Notes:

(1) Fully taxable equivalent basis, assuming a Federal income tax rate of 35% for all years presented, and excluding disallowed interest expense.
(2) Loans and leases on nonaccrual status have been included in the computation of average balances.
(3) Based on average balances excluding fair value adjustments for available for sale securities.

Analysis of Changes in Interest Income and Interest Expense

The effect on interest income and interest expense due to volume and rate changes in 2001 and 2000 are outlined in the following table. Changes not due solely to either volume or rate are allocated to rate ($ in thousands):

	2001 versus 2000			2000 versus 199		
	Increase (Decrease) Due to Change in			Increase (Decrease) Due to Change in		
	Average Volume (2)	Average Rate	Increase (Decrease)	Average Volume (2)	Average Rate	(
Interest on earning assets:						
Loans and leases (1)....................	$ 88,175	$(120,850)	$ (32,675)	$171,615	$ 63,362	
Investment securities:						
Taxable..............................	(18,563)	16,363	(2,200)	(5,238)	8,106	
Tax-exempt (1).......................	(4,511)	1,346	(3,165)	8,421	398	
Interest bearing deposits in other banks.	888	(1,340)	(452)	180	702	
Funds sold and security resale agreements............................	(3,032)	(868)	(3,900)	1,661	1,010	
Trading securities (1)..................	(474)	(153)	(627)	(323)	(48)	
Other short-term investments............	16,218	(11,912)	4,306	2,154	1,694	
Total interest income change......	$ 78,701	$(117,414)	$ (38,713)	$178,470	$ 75,224	
Expense on interest bearing liabilities:						

Money market savings deposits.........	$ 25,971	$(105,443)	$ (79,472)	$ 17,494	$ 55,171
Savings and interest bearing demand deposits....................	(1,139)	(7,940)	(9,079)	(2,999)	(714)
Other time deposits..................	(25,333)	(48,551)	(73,884)	26,680	36,584
CDs greater than $100, brokered and callable CDs...................	(34,228)	(8,454)	(42,682)	33,137	20,799
Total interest bearing deposits..........	(34,729)	(170,388)	(205,117)	74,312	111,840
Short-term borrowings...................	25,697	(61,297)	(35,600)	37,265	44,629
Long-term borrowings....................	52,371	(20,302)	32,069	10,622	5,005
Total interest expense change.....	$ 43,339	$(251,987)	$(208,648)	$122,199	$161,474

Notes:
(1) Fully taxable equivalent basis, assuming a Federal income tax rate of 35% for all years presented, and excluding disallowed interest expense.
(2) Based on average balances excluding fair value adjustments for available for sale securities.

28

Summary of Loan and Lease Loss Experience and Credit Quality

The following tables present comparative credit quality information as of and for the year ended December 31, 2001, as well as selected comparative years:

Consolidated Credit Quality Information
December 31, ($000's)

	2001	2000	1999	1998	1997
Nonperforming Assets by Type					
Loans and Leases:					
Nonaccrual...................................	$166,434	$121,425	$106,387	$101,346	$ 66,9
Renegotiated................................	378	614	708	978	1,3
Past Due 90 Days or More.....................	6,982	7,371	9,975	7,631	8,2
Total Nonperforming Loans and Leases...........	173,794	129,410	117,070	109,955	76,5
Other Real Estate Owned.........................	6,796	3,797	6,230	8,751	15,5
Total Nonperforming Assets................	$180,590	$133,207	$123,300	$118,706	$ 92,0
Allowance for Loan and Lease Losses..............	$268,198	$235,115	$225,862	$226,052	$208,6
Consolidated Statistics					
Net Charge-offs to Average Loans and Leases.......	0.22%	0.12%	0.17%	0.07%	0.
Total Nonperforming Loans and Leases to Total Loans and Leases............................	0.90	0.74	0.72	0.79	0.
Total Nonperforming Assets to Total Loans and Leases and Other Real Estate Owned.............	0.94	0.76	0.75	0.85	0.
Allowance for Loan and Lease Losses to Total Loans and Leases..................................	1.39	1.34	1.38	1.62	1.
Allowance for Loan and Lease Losses to Nonperforming Loans and Leases.................	154	182	193	206	2

Major Categories of Nonaccrual Loans and Leases ($000's)

	December 31, 2001			December 31, 2000		
	Nonaccrual	% of Loan Type	% of Nonaccrual	Nonaccrual	% of Loan Type	% of Nonaccrual
Commercial and Lease Financing...	$ 82,297	1.3%	49.4%	$ 51,886	0.9%	42.7%
Real Estate						
Construction and Land Development	720	0.1	0.4	2,896	0.5	2.4
Commercial Real Estate...........	34,546	0.7	20.8	35,011	0.7	28.9
Residential Real Estate..........	47,783	0.9	28.7	29,895	0.7	24.6
Total Real Estate.............	83,049	0.7	49.9	67,802	0.7	55.9
Personal and Lease Financing.....	1,088	0.1	0.7	1,737	0.1	1.4
Total.........................	$166,434	0.9%	100.0%	$121,425	0.7%	100.0%

29

Reconciliation of Consolidated Allowance for Loan and Lease Losses ($000's)

	2001	2000	1999	1998	1997
Allowance for Loan and Lease Losses At Beginning of Year..	$235,115	$225,862	$226,052	$208,651	$161,659
Provision for Loan and Lease Losses..............	54,115	30,352	25,419	27,090	17,633
Allowance of Banks and Loans Acquired............	19,151	1,270	--	--	42,773
Allowance Transfer for Loan Securitizations.......	--	(1,022)	--	--	--
Loans and Leases Charged-off:					
Commercial....................................	22,773	10,623	17,275	6,401	8,474
Real Estate--Construction.....................	186	4	157	352	87
Real Estate--Mortgage.........................	11,795	9,848	5,719	5,115	3,907
Personal......................................	10,965	8,216	7,121	7,886	7,868
Leases..	2,890	1,327	2,285	1,191	1,166
Total Charge-offs................................	48,609	30,018	32,557	20,945	21,502
Recoveries on Loans and Leases:					
Commercial....................................	4,135	4,696	2,696	6,708	4,176
Real Estate--Construction.....................	43	57	6	164	53
Real Estate--Mortgage.........................	1,419	1,458	1,413	1,369	1,097
Personal......................................	2,567	2,199	2,244	2,690	2,501
Leases..	262	261	589	325	261
Total Recoveries.................................	8,426	8,671	6,948	11,256	8,088
Net Loans and Leases Charged-off.................	40,183	21,347	25,609	9,689	13,414
Allowance for Loan and Lease Losses at End of Year	$268,198	$235,115	$225,862	$226,052	$208,651

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. OREO acquired in satisfaction of debts amounted to $6.5 million, $2.7 million and $5.1 million at December 31, 2001, 2000 and 1999, respectively. Branch premises held for sale amounted to $0.3 million, $1.1 million and $1.1 million at the end of 2001, 2000 and 1999, respectively.

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 December 31, 2001, nonperforming loans and leases amounted to $173.8 million or 0.90% of consolidated loans and leases compared to $129.4 million or 0.74% at December 31, 2000 and $117.1 million or 0.72% at December 31, 1999. Acquisitions increased nonperforming loans by $26.5 million at the time the acquisitions were completed, which was in the third quarter of 2001. Excluding acquisitions, nonperforming loans were relatively unchanged during the second half of the current year. Nonaccrual loans increased $45.0 million at year end 2001 compared to year end 2000. Nonaccrual commercial loans and leases accounted for $30.4 million of the increase and nonaccrual residential real estate loans accounted for $17.9 million of the

increase. Nonaccrual commercial mortgages were relatively unchanged while nonaccrual construction and land development and personal loans declined $2.2 million and $0.6 million, respectively.

Net charge-offs amounted to $40.2 million or 0.22% of average loans and leases in 2001 compared with $21.3 million or 0.12% of average loans and leases in 2000 and $25.6 million or 0.17% of average loans and leases in 1999.

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

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

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

Special reserve. The Corporation's senior lending management also allocates reserves for special situations, which are unique to the measurement period. These include environmental factors, such as economic conditions in certain geographical or industry segments of the portfolio, economic trends in the retail lending sector and peer-group loss history. Reserves allocated are based on estimates of loss that senior lending management has isolated based on these economic trends or conditions. At December 31, 2001, special reserves have been established for exposures to the airline and travel industries due to the significant uncertainties brought about by the terrorism of this past September and reduction in business travel in response to the slower economy. The Corporation, given its geographic marketplace, also has exposure to the manufacturing, paper and allied products and dairy sectors, all of which have been impacted more significantly by the economic slowdown than other sectors and for which the Corporations has allocated additional reserves. While most loans in these categories are still performing, the current economic slowdown has resulted in deteriorating operating results and reduced collateral values that could adversely impact recoveries in the event the loans or leases were liquidated.

Based on the above loss estimates, senior lending and financial management determine their best estimate of the required reserve. Management's evaluation of the factors described above resulted in an allowance for loan and lease losses of $268.2 million at December 31, 2001 compared to $235.1 million at December 31, 2000 and $225.9 million at December 31, 1999. The resulting provisions for loan and lease losses are the amounts required to establish the allowance for loan and lease losses to the required level after taking into consideration charge-offs and recoveries. Management recognizes there are significant estimates in the process and the ultimate losses could be significantly different from those currently estimated.

Charge-offs for 2002 will continue to be affected by the factors previously discussed. The Corporation anticipates nonperforming loans will increase and charge-off levels will continue to be at the upper end of recent

historical levels for at least six months, and possibly longer depending on the economy, but below the level experienced in the fourth quarter of 2001 (0.35%). However, negative economic events, adverse developments in industry segments within the portfolio or deterioration of a large loan or loans could have significant adverse impacts on the actual loss levels. There are no other known specific issues or industry of concern or material loans believed to be in imminent danger of deteriorating or defaulting which would give rise to a large near-term charge-off.

Other Income

Total other income amounted to $1,002.8 million in 2001 compared to $933.2 million in 2000.

Other income in 2001 includes approximately $16.0 million of investment securities losses associated with equity investments held by Metavante relating to the mortgage origination business as well as an equity investment whose technology was replaced by Metavante's acquisitions of Derivion and CyberBills.

Other income in 2000 includes $50.6 million of investment securities losses resulting from the realignment of the Corporation's investment security portfolio as previously discussed.

Excluding these nonoperating items, total other income in 2001 amounted to $1,018.9 million compared to $983.7 million in 2000, an increase of $35.2 million or 3.6%.

Total data processing services revenue amounted to $559.8 million in 2001 compared to $546.0 million in 2000, an increase of $13.8 million or 2.5%. Excluding one large buyout fee recognized in the third quarter of 2000, total data processing services revenue increased $27.5 million or 5.2%. e-Finance revenue increased $29.2 million or 32.1%, excluding the 2000 buyout fee, which reflects the impact of acquisitions as well as growth in electronic bill presentment and payment and electronic banking products for businesses and consumers. Financial technology solutions, the traditional outsourcing business, increased $10.1 million or 2.4% primarily due to buyout fees. This largest source of data processing services revenue is not expected to grow much faster in the near term due to continued bank consolidation and the weaker economy. Other data processing revenue declined primarily due to lower professional services revenue.

Item processing revenue decreased $3.8 million. During 2001 the Corporation sold certain item processing relationships and also sold four Midwest item processing centers.

Fees from trust services were $120.8 million in 2001 compared to $117.7 million in 2000, an increase of $3.1 million or 2.7%. Trust revenues have continued to remain flat throughout each quarter this year due to the impact of volatile equity markets and continued movement of funds from high fee equity funds to lower fee fixed income and money market funds. New sales and the impact of the National City acquisition resulted in an increase in assets under management of 7.1% which served to stabilize this source of revenue in 2001.

Service charges on deposits increased $12.1 million or 16.4% and amounted to $86.0 million in 2001 compared to $73.9 million in 2000. Service charges on commercial demand accounts were the primary driver of the increase and reflect the Corporation's focus on deposit growth as well as the impact from acquisitions. The Corporation has implemented initiatives to produce higher absolute levels of service charge fee income, but believes it is unlikely that the growth will be at levels comparable to the year-over-year growth reflected in 2001.

Mortgage banking revenue was $46.2 million in 2001 compared with $18.9 million in 2000, an increase of $27.3 million. Gains from sales of mortgages to the secondary market and mortgage related fees accounted for the increase. As previously discussed, mortgage loans originated and sold in 2001 were four times the volume originated and sold in 2000.

Capital markets revenue decreased $9.4 million in 2001 compared to the prior year. Net gains from the sale of investments, which vary from period to period, accounted for the decline.

In addition to the increase in net realizable value, life insurance revenue in 2000 includes death benefit gains of $0.6 million.

Net securities losses in 2001, excluding the effect of the losses previously discussed, amounted to $1.1 million and principally represent losses by the banking segment.

Other noninterest income amounted to $121.8 million in 2001 compared to $126.7 million in 2000, a decrease of $4.9 million. Revenue associated with the monthly securitization of auto loans increased $9.9 million. Gains from the sale of branches and other assets sales were $14.5 million less in 2001 compared to the prior year.

Total other income amounted to $933.2 million in 2000 compared to $883.1 million in 1999. Excluding securities losses of $50.6 million associated with the realignment of investment securities previously discussed, total other income in 2000 amounted to $983.8 million or an increase of $100.7 million or 11.4%.

Total data processing services revenue amounted to $546.0 million in 2000 compared to $494.8 million in 1999, an increase of $51.2 million or 10.4%. e-Finance fees increased $40.3 million or 62.5% and reflect a full year of revenue from the electronic banking services acquisitions in 1999 as well as growth in electronic bill payment services. e-Finance fees also include a $13.7 million buyout fee due to one large fee recognized in the third quarter of 2000. Financial technology solutions increased $14.6 million or 3.5% and reflect a full year of revenue from the plastic card personalization and procurement services acquisition in 1999 as well as revenue associated with increased volumes in electronic funds distribution. Other revenues decreased $3.6 million due to a decrease in professional services.

Item processing revenue increased $11.2 million due to the addition of a large customer that converted its item processing in the fourth quarter of 1999.

Fees from trust services were $117.7 million in 2000 compared to $101.0 million in 1999, an increase of $16.7 million or 16.6%. All product lines reflected revenue growth. At December 31, 2000, total trust assets were $1.2 billion higher than the previous year. Assets under management increased $1.0 billion or 9% and proprietary mutual fund balances increased $0.5 billion or 11%.

Mortgage banking revenue was $18.9 million in 2000 compared with $29.1 million in 1999, a decrease of $10.2 million. Gains from sales of mortgages to the secondary market and mortgage related fees declined $9.2 million and loan-servicing fees decreased $1.0 million.

Capital markets revenue increased $7.6 million in 2000 compared to the prior year. Net gains from the sale of investments, which vary from period to period, accounted for $7.8 million of the increase.

Net securities gains in 2000, excluding the effect of the losses incurred from the investment security portfolio re-alignment previously discussed, amounted to $1.1 million and principally represents gains from the sale of certain equity securities by the banking segment.

Other noninterest income amounted to $126.7 million in 2000 compared to $114.2 million in 1999, an increase of $12.5 million. Revenue associated with auto securitizations which began in 2000 amounted to $3.9 million. Gains from the sale of branches and other assets sales were $7.2 million greater in 2000 compared to 1999. Other increases in commissions and fees in 2000 offset the death benefit gain on life insurance policies of $6.0 million recognized in 1999.

Other Expense

Total other expense amounted to $1,290.4 million in 2001, an increase of $184.9 million or 16.7% from $1,105.5 million in 2000. Both 2001 and 2000 contain certain nonoperating charges which consisted of the following:

2001 Charges

$12.0 million was spent to complete the single charter initiative. Such costs consisted of programming changes required to support operations and processes to achieve the scale required in the single charter environment, consulting fees and other professional fees, costs incurred to eliminate duplicate loan and deposit customer accounts and other affiliate shareholder matters and costs associated with employee relocation, retention and severance. This initiative was completed in the second quarter of 2001. The total cost incurred for this initiative, which began in the third quarter of 2000, was approximately $21.1 million which was approximately $3.0 million less than originally estimated.

A special $25.0 million charge was taken to write-down residual values associated with the Corporation's indirect auto lease portfolio. Although there are no guarantees that there will not be further residual value write-downs, the Corporation believes it has taken the necessary steps to reduce the likelihood of material future write-downs.

$11.0 million of charges were taken for Metavante's reduction in force and realignment which consisted of the closing of selected regional offices in Idaho, Maryland, Virginia and Green Bay, Wisconsin, and a general reduction in force across all classes of employees in the Milwaukee metropolitan area. Approximately 400 positions were eliminated. Total costs consisted primarily of severance of $9.6 million, lease termination and other occupancy exit costs of $0.7 million and professional fees including outplacement services of $0.4 million. Approximately $10.5 million of the costs were paid in 2001.

$9.8 million in charges were taken in conjunction with the acquisitions of Derivion and CyberBills by Metavante. $2.8 million of prepaid maintenance fees and capitalized software costs associated with other technologies that were replaced by the new and enhanced bill presentment and payment technology obtained in the acquisitions were written-off in the second quarter of 2001. Transition costs associated with the integration totaled approximately $7.0 million and were recognized as incurred in the third and fourth quarters of 2001.

$34.5 million in charges were taken in conjunction with Metavante's acquisition of Brokat's North American Internet banking operations. Four locations and five technology platforms were 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.

The remaining loss recognized was primarily due to the disposal of a subsidiary of Metavante.

2000 Charges

$3.1 million loss resulted from the sale of portfolio ARM loans.

$4.5 million of Metavante IPO expenses. Such expenses included registration costs and professional fees incurred in preparation of an initial registration statement as well as professional fees for tax and benefit plan consulting, market assessments, other strategic consulting and name change. Such expenses also included costs that normally would be netted against the IPO proceeds had it proceeded as originally planned.

$9.1 million of single charter expenses as previously discussed.

The following table shows other expense as reported in the Consolidated Statements of Income contained in Item 8 and operating expenses for the years ended December 31, 2001 and 2000. Operating expenses exclude the nonoperating items previously discussed.

	Year Ended December 31, 2001			Year Ended December 31, 2000			Ope Expen 2001
	As Reported	Non-operating Items	Operating Expenses	As Reported	Non-operating Items	Operating Expenses	Amoun
	($ in millions)			($ in millions)			
Other Expense:							
Salaries and employee benefits.	$ 694.1	$15.6	$ 678.5	$ 627.4	$ --	$ 627.4	$ 51.
Net occupancy..................	71.3	7.5	63.8	54.8	--	54.8	9.
Equipment......................	118.2	1.5	116.7	114.0	--	114.0	2.
Software expenses..............	39.8	--	39.8	30.0	--	30.0	9.
Processing charges.............	40.0	2.0	38.0	32.1	--	32.1	5.
Supplies and printing..........	20.6	--	20.6	19.9	--	19.9	0.
Professional services..........	31.6	0.8	30.8	34.0	--	34.0	(3.
Shipping and handling..........	44.8	0.2	44.6	41.9	--	41.9	2.
Amortization of intangibles....	38.5	1.3	37.2	32.5	--	32.5	4.
Other..........................	191.5	64.1	127.4	118.9	16.7	102.2	25.
Total Other Expense.............	$1,290.4	$93.0	$1,197.4	$1,105.5	$16.7	$1,088.8	$108.

Excluding the above, operating expenses amounted to $1,197.4 million in 2001 compared to $1,088.8 million in 2000, an increase of $108.6 million or 10.0%.

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 special charges) divided by the sum of total other income (excluding securities gains or losses other than Capital Markets revenue) and net interest income on a fully taxable equivalent basis. The

Corporation's efficiency ratios for the years ended December 31, 2001, 2000, and 1999 were:

Efficiency Ratios	2001	2000	1999
Consolidated Corporation..........................	63.2%	64.6%	63.8%
Consolidated Corporation Excluding Metavante:			
Including Intangible Amortization........	53.3%	55.0%	53.7%
Excluding Intangible Amortization........	51.1%	53.3%	51.3%

Operating salaries and benefits expense amounted to $678.5 million for 2001 compared to $627.4 million in 2000, an increase of $51.1 million or 8.1%. The expense for providing healthcare benefits to employees and retirees increased 34.6% in 2001 compared to the prior year and accounted for $13.2 million of the growth in salaries and benefits. Incentive commissions and compensation increased $11.8 million or 19.4% due to increased loan production, deposit growth and compensation based on other performance measures including the Corporation's common stock performance. Excluding these items, salary and benefit expense increased 4.9% in the current year and was driven by the banking segment which reflects, in part, the impact of the National City acquisition in August. The increase due to acquisitions was offset by the reduction in force and realignment announced in June and as a result, Metavante's year over year salaries and benefits expense was relatively unchanged.

Metavante's operating expense growth, driven in part by acquisitions, accounted for $19.9 million or approximately 71% of the corporate-wide operating expense growth in net occupancy, equipment, software, processing and supplies and printing.

The decline in professional services operating expense was also driven by Metavante. This area was specifically identified for cost-savings as part of Metavante's reduction in force and realignment implemented during the second quarter of 2001 and reflects the focus on acquisitions and in-house resources for technology development.

Amortization of intangibles excluding nonoperating items, increased $4.7 million. Amortization of loan servicing rights, especially mortgage servicing rights which are sensitive to the increased prepayment and refinancing activity experienced during 2001, accounted for $4.1 million of the increase. The remainder was attributable to acquisitions. See Note 1 to the Consolidated Financial Statements contained in Item 8 for a discussion of the new accounting standard on goodwill and intangibles that went into effect on January 1, 2002.

Other operating expenses amounted to $127.4 million in 2001 compared to $102.2 million in the prior year, an increase of $25.2 million or 24.7%.

Other expense is affected by the capitalization of costs, net of amortization, associated with software development and data processing conversions. A lower amount of capitalized software development costs and capitalized conversion costs net of their respective amortization resulted in an increase in other operating expense and accounted for approximately $18.6 million of the total increase in other operating expense. Advertising and customer related expense in the banking segment increased $6.8 million which reflects the impact of acquisitions as well as programs to enhance deposit and loan growth.

Total other expense amounted to $1,105.5 million in 2000, an increase of $70.5 million or 6.8% from $1,035.0 million in 1999. Other expense in 2000 includes $16.7 million of nonoperating items as previously discussed. Excluding those items, operating expenses amounted to $1,088.8 million in 2000 compared to $1,035.0 million in 1999, an increase of $53.8 million or 5.2%.

The increase in expenses is primarily attributable to the Corporation's nonbanking businesses, particularly its data processing business segment Metavante. Metavante's expense growth of approximately $30.3 million or 6.4% in 2000 compared to 1999 represents over half of the Corporation's total operating expense growth.

Total salaries and benefits expense amounted to $627.4 million for 2000 compared to $587.7 million in 1999, an increase of $39.7 million or 6.8%. Metavante contributed approximately $40.5 million to the increase. Compared to 1999, Metavante had over 500 more full-time equivalent employees and contract programmers in 2000 in response to the continued growth in the electronic banking and electronic payment services businesses. Salaries and benefits of the Corporation's banking segment increased $10.3 million or 4.4%. Incentive compensation based on the Corporation's common stock performance decreased $11.3 million.

Metavante's expense growth, driven in part by continued investment in infrastructure, accounted for $16.5 million or all of the corporate-wide expense growth in net occupancy, equipment, software, processing, supplies and printing and professional services.

The increase in shipping and handling reflects the increase in item processing revenue especially from a large new customer as previously discussed.

Amortization of intangibles decreased $5.6 million. Amortization of core deposit premiums decreased $2.9 million. A decrease in goodwill and other amortization associated with acquisitions by Metavante was offset by increases in amortization of mortgage loan and auto loan servicing rights.

Other operating expenses amounted to $102.2 million in 2000 compared to $105.4 million in the prior year, a decrease of $3.2 million or 3.1%. Auto lease residual impairment and off-lease inventory write-downs amounted to $8.6 million.

Other expense is affected by the capitalization of costs, net of amortization, associated with software development and data processing conversions. The amount of capitalized software development costs and capitalized conversion costs net of their respective amortization increased resulting in a decrease in other operating expenses of $13.0 million in 2000 compared to 1999.

36

Income Tax Provision

The provision for income taxes was $163.1 million in 2001, $152.9 million in 2000 and $173.4 million in 1999. The effective tax rate in 2001 was 32.6% compared to 32.5% in 2000 and 32.9% in 1999 and was relatively unchanged.

Liquidity & Capital Resources

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

The Corporation's most readily available source of liquidity is its investment portfolio. Investment securities available for sale, which totaled $3.4 billion at December 31, 2001, represent a highly accessible source of liquidity. The Corporation's portfolio of held-to-maturity investment securities, which totaled $1.0 billion at December 31, 2001, provides liquidity from maturities and amortization payments. The Corporation's mortgages held-for-sale provide additional liquidity. These loans, which aggregated $0.3 billion at December 31, 2001, represent recently funded home mortgage loans that are prepared for delivery to investors, which generally occurs within thirty to ninety days after the loan has been funded.

Depositors within M&I's defined markets are another source of liquidity. Core deposits (demand, savings, money market and consumer time deposits) averaged $13.9 billion in 2001. The Corporation's banking affiliates may also access the federal funds markets or utilize collateralized borrowings such as treasury demand notes or FHLB advances. Additionally, the banking affiliates may use brokered deposits.

As discussed in Note 9 to the Consolidated Financial Statements contained in Item 8, the Corporation's banking affiliates make limited use of off-balance sheet structures as an alternate source of liquidity.

The Corporation's lead bank ("Bank") has implemented a bank note program which permits it to issue up to $5.0 billion of short-term and medium-term notes which are offered and sold only to institutional investors. This program is intended to enhance liquidity by enabling the Bank to sell its debt instruments in private markets in the future without the delays which would otherwise be incurred. As shown and discussed in Notes 12 and 13 in the Notes to the Consolidated Financial Statements contained in Item 8, short-term and longer-term bank notes outstanding at December 31, 2001, amounted to $1.8 billion.

The national capital markets represent a further source of liquidity to M&I. M&I has filed a shelf registration which is intended to permit M&I to raise funds through sales of Corporate medium-term notes with a relatively short lead time. Under the shelf registration, the Corporation may issue up to $0.5 billion of medium-term Series E notes with maturities ranging from 9 months to 30 years and at fixed or floating rates. At December 31, 2001, Series E notes outstanding amounted to $0.3 billion. Additionally, the Corporation has a commercial paper program. At December 31, 2001, commercial paper outstanding amounted to $0.3 billion.

Short-term borrowings represent contractual debt obligations with maturities of one year or less and amounted to $5.9 billion at December 31, 2001. Other obligations include maturities of longer-term borrowings as described in Note 13, future minimum lease payments on facilities and equipment as described in Note 10 and commitments to extend credit and letters of credit as described in Note 18 of the Notes to Consolidated Financial Statements contained in Item 8, respectively. Since many commitments to extend credit expire without being drawn upon and letters of credit are contingent commitments, the amounts outstanding at any time do not necessarily represent future cash requirements. Under Federal Reserve Board policy, the Corporation is expected to act as a source of financial strength to each subsidiary bank in circumstances when it might not do so absent such policy.

Shareholders' equity was $2.49 billion or 9.1% of total consolidated assets at December 31, 2001, compared to $2.24 billion or 8.6% of total consolidated assets at December 31, 2000. The increase associated with earnings, net of dividends paid, and the increase due to common stock issued in the National City acquisition was offset by the effect of treasury share repurchases.

The Corporation and its affiliates continue to have a strong capital base and the Corporation's regulatory capital ratios continue to be significantly above the defined minimum regulatory ratios. See Note 14 to the Consolidated Financial Statements contained in Item 8 herein for the Corporation's comparative capital ratios and the capital ratios of its significant subsidiaries.

Federal and state banking laws place certain restrictions on the amount of dividends and loans which a bank may make to its parent company. Such restrictions have not had, and are not expected to have, any material effect on the Corporation's ability to meet its cash obligations.

The Corporation has a Stock Repurchase Program under which up to 6 million shares can be repurchased annually. During 2001 and 2000, the Corporation repurchased 4.7 million and 3.2 million shares at an aggregate cost of $273.3 million and $156.3 million, respectively.

During 1999, the holder of the Corporation's Series A convertible preferred stock converted 348,944 shares of Series A into 3,832,957 shares of common stock which were issued from the Corporation's treasury stock.

The Corporation has generally financed its growth through the retention of earnings and the issuance of long-term debt. It is expected that future growth can be financed through internal earnings retention, additional long-term debt offerings, or the issuance of additional common or preferred stock or other capital instruments.

Metavante IPO

In July 2000, the Corporation announced that it had filed a registration statement with the Securities and Exchange Commission for the IPO of its Metavante subsidiary. In November 2000, the Corporation withdrew the IPO due to adverse market conditions and the near term slow down in financial account processing markets.

Year 2000

Year 2000 (Y2K) was the term used to describe the fact that many existing computer programs used only two digits to identify a year in a date field. These programs were designed and developed without considering the impact of the upcoming change in the century. If not corrected, many computer applications could have failed or created erroneous results by or at the year 2000. The term also refers to devices with imbedded technology that are time sensitive and may fail to recognize year 2000 correctly. This issue affected virtually all companies and organizations. The transition to Year 2000 was successful and there were no material adverse consequences to its systems or customers during the transition.

The majority of Metvante's contracts did not provide for additional reimbursement over and above the previously contracted maintenance amounts. The Corporation estimates that the total net direct cost for the year 2000 effort was approximately $37.4 million with Metavante representing approximately 94% of that amount. Approximately $12.1 million was expensed in 1999.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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. For additional information on the Corporation's derivative financial instruments and foreign exchange position, see Notes 19 and 20 to the Consolidated Financial Statements contained in Item 8 herein.

Interest Rate Risk

The Corporation uses financial modeling techniques to identify potential changes in income under a variety of possible interest rate scenarios. Financial institutions, by their nature, bear interest rate and liquidity risk as a necessary part of the business of managing financial assets and liabilities. The Corporation has designed strategies to 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 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 pre-tax income for the calendar year. Since future interest rate moves are difficult to predict, the following table presents two potential scenarios--a gradual increase of 100bp across the entire yield curve over the course of the year (+25bp per quarter), and a gradual decrease of 100bp across the entire yield curve over the course of the year (-25bp per quarter) for the balance sheet as of December 31, 2001:

Hypothetical Change in Interest Rates	Impact to 2002 Pretax Income
100 basis point gradual rise in rates...........	(3.9%)
100 basis point gradual decline in rates........	3.1%

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

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

Another component of interest rate risk is measuring the fair value at risk for a given change in market interest rates. The Corporation also uses computer modeling techniques to determine the present value of all asset and liability cash flows (both on- and off-balance sheet), adjusted for prepayment expectations, using a market discount rate. The net change in the present value of the assets and liability cash flows in different market rate environments is the amount of fair value at risk from those rate movements. As of December 31, 2001 the fair value of equity at risk for a gradual 100bp shift in rates was less than 6.0% of the market value of the Corporation.

Equity Risk

In addition to interest rate risk, the Corporation incurs market risk in the form of equity risk. M&I's Capital Markets Group invests in private, medium-sized companies to help establish new businesses or recapitalize existing ones and, to a lessor extent, invests in publicly traded equity securities. Exposure to the change in equity values for the nonpublic companies that are held in their portfolio exists, but due to the nature of the investments, cannot be quantified within acceptable levels of precision.

M&I Trust Services administers over $57 billion in assets and directly manages a portfolio of almost $13 billion. Exposure exists to changes in equity values due to the fact that fee income is partially based on equity balances. While this exposure is present, quantification remains difficult due to the number of other variables affecting fee income. Interest rate changes can also have an effect on fee income for the above stated reasons.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA FOR YEARS

ENDED DECEMBER 31, 2001, 2000, AND 1999

Consolidated Balance Sheets
December 31 ($000's except share data)

	2001	2000
Assets		
Cash and Cash Equivalents:		
Cash and Due from Banks	$ 617,183	$ 760,1
Federal Funds Sold and Security Resale Agreements	119,561	54,4
Money Market Funds	827,021	50,1
Total Cash and Cash Equivalents	1,563,765	864,6
Investment Securities:		
Trading Securities, at Market Value	6,119	15,3
Interest Bearing Deposits at Other Banks	41,668	43,5
Available for Sale, at Market Value	3,383,632	4,735,7
Held to Maturity, Market Value $1,049,952 ($1,124,756 in 2000)	1,032,093	1,112,5
Total Investment Securities	4,463,512	5,907,1
Loans and Leases, Net of Unearned Income of $178,734 ($215,125 in 2000)	19,295,372	17,587,0
Less: Allowance for Loan and Lease Losses	268,198	235,1
Net Loans and Leases	19,027,174	17,351,9
Premises and Equipment	393,030	392,9
Goodwill and Core Deposit Intangibles	555,189	310,9
Other Intangibles	32,896	34,3
Accrued Interest and Other Assets	1,218,168	1,215,6
Total Assets	$27,253,734	$26,077,7
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest Bearing	$ 3,558,571	$ 3,129,8
Interest Bearing	12,934,476	16,118,7
Total Deposits	16,493,047	19,248,6
Short-term Borrowings	5,857,242	2,814,7
Accrued Expenses and Other Liabilities	850,300	850,9
Long-term Borrowings	1,560,177	921,2
Total Liabilities	24,760,766	23,835,5
Shareholders' Equity:		
Series A Convertible Preferred Stock, $1.00 par value, 2,000,000 Shares Authorized; 336,370 Shares Issued; Liquidation Preference $33,637	336	3
Common Stock, $1.00 par value, 320,000,000 Shares Authorized; 117,301,755 Shares Issued (112,757,546 in 2000)	117,302	112,7
Additional Paid-in Capital	698,289	452,2
Retained Earnings	2,331,776	2,117,7
Accumulated Other Comprehensive Income, Net of Related Taxes	40,600	38,1
Less: Treasury Stock, at Cost, 13,352,817 Shares (9,910,839 in 2000)	673,494	458,4
Deferred Compensation	21,841	20,5
Total Shareholders' Equity	2,492,968	2,242,1
Total Liabilities and Shareholders' Equity	$27,253,734	$26,077,7

The accompanying notes are an integral part of the Consolidated Financial Statements.

41

Consolidated Statements of Income
Years ended December 31 ($000's except share data)

	2001	2000
Interest Income		
Loans and Leases	$1,358,802	$1,391,651
Investment Securities:		
Taxable	270,336	272,536
Exempt from Federal Income Taxes	62,273	65,429
Trading Securities	884	1,508
Short-term Investments	16,812	16,858
Total Interest Income	1,709,107	1,747,982
Interest Expense		
Deposits	566,899	772,016
Short-term Borrowings	188,587	224,187
Long-term Borrowings	110,842	78,773
Total Interest Expense	866,328	1,074,976
Net Interest Income	842,779	673,006
Provision for Loan and Lease Losses	54,115	30,352
Net Interest Income After Provision for Loan and Lease Losses	788,664	642,654
Other Income		
Data Processing Services:		
e-Finance Solutions	120,147	104,681
Financial Technology Solutions	435,700	425,589
Other Revenues	3,969	15,771
Total Data Processing Services	559,816	546,041
Item Processing	47,638	51,409
Trust Services	120,827	117,680
Service Charges on Deposits	85,980	73,872
Mortgage Banking	46,188	18,946
Capital Markets Revenue	10,642	20,022
Net Investment Securities Losses	(17,170)	(49,515
Life Insurance Revenue	27,053	27,993
Other	121,838	126,708
Total Other Income	1,002,812	933,156
Other Expense		
Salaries and Employee Benefits	694,089	627,394
Net Occupancy	71,322	54,788
Equipment	118,199	113,962
Software Expenses	39,790	30,013
Processing Charges	40,058	32,104

Supplies and Printing	20,591	19,932
Professional Services	31,583	33,974
Shipping and Handling	44,792	41,965
Amortization of Intangibles	38,466	32,478
Other	191,541	118,850
Total Other Expense	1,290,431	1,105,460
Income Before Income Taxes and Cumulative Effect of Changes in Accounting Principles	501,045	470,350
Provision for Income Taxes	163,124	152,948
Income Before Cumulative Effect of Changes in Accounting Principles	337,921	317,402
Cumulative Effect of Changes in Accounting Principles, Net of Income Taxes	(436)	(2,279
Net Income	$ 337,485	$ 315,123
Net Income Per Common Share		
Basic:		
Income Before Cumulative Effect of Changes in Accounting Principles	$ 3.20	$ 3.01
Cumulative Effect of Changes in Accounting Principles	--	(0.02
Net Income	$ 3.20	$ 2.99
Diluted:		
Income Before Cumulative Effect of Changes in Accounting Principles	$ 3.09	$ 2.91
Cumulative Effect of Changes in Accounting Principles	--	(0.02
Net Income	$ 3.09	$ 2.89

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Cash Flows
Years ended December 31 ($000's)

	2001	2000	199
Cash Flows From Operating Activities:			
Net Income	$ 337,485	$ 315,123	$ 35
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation and Amortization	61,894	69,197	8
Provision for Loan and Lease Losses	54,115	30,352	2
(Gains) Losses on Sales of Assets	(23,292)	7,047	(4
Proceeds from Sales of Trading Securities and Loans Held for Resale	5,412,432	4,529,322	4,76
Purchases of Trading Securities and Loans Held for Resale	(5,549,128)	(3,952,604)	(4,60
Other	(57,823)	30	4
Total Adjustments	(101,802)	683,344	26

Net Cash Provided by Operating Activities......................	235,683	998,467	62
Cash Flows From Investing Activities:			
Net Decrease in Shorter Term Securities........................	--	--	2
Proceeds from Sales of Securities Available for Sale...........	196,664	1,538,995	11
Proceeds from Maturities of Securities Available for Sale.......	1,818,294	677,075	95
Proceeds from Maturities of Securities Held to Maturity.........	79,040	58,675	7
Purchases of Securities Available for Sale......................	(282,481)	(2,030,511)	(1,38
Purchases of Securities Held to Maturity........................	(55)	(249)	(29
Decrease in Loans Due to Divestitures..........................	3,186	8,352	3
Net Increase in Loans..	(698,316)	(1,721,384)	(2,34
Purchases of Assets to be Leased................................	(576,150)	(573,833)	(42
Principal Payments on Lease Receivables........................	761,164	360,992	29
Purchases of Premises and Equipment, Net.......................	(44,620)	(78,817)	(6
Acquisitions Accounted for as Purchases, Net of Cash Equivalents Acquired and Investments..................................	(64,752)	(265)	(8
Other...	16,664	18,428	1
Net Cash Provided by (Used in) Investing Activities............	1,208,638	(1,742,542)	(3,10
Cash Flows From Financing Activities:			
Decrease in Deposits Due to Divestitures.......................	(10,059)	(100,791)	(8
Net (Decrease) Increase in Deposits............................	(3,788,763)	2,565,584	60
Proceeds from Issuance of Commercial Paper.....................	3,472,573	3,190,712	1,92
Principal Payments on Commercial Paper.........................	(3,499,459)	(3,115,064)	(1,74
Net Increase (Decrease) in Other Short-term Borrowings..........	2,280,201	(1,717,077)	2,22
Proceeds from Issuance of Long-term Debt.......................	1,487,373	536,587	28
Payment of Long-term Debt......................................	(319,839)	(368,469)	(37
Dividends Paid...	(122,777)	(111,379)	(10
Purchase of Common Stock.......................................	(267,438)	(156,319)	(31
Proceeds from the Issuance of Common Stock.....................	23,630	5,241	1
Other...	(691)	(113)	
Net Cash (Used in) Provided by Financing Activities............	(745,249)	728,912	2,44
Net Increase (Decrease) in Cash and Cash Equivalents...........	699,072	(15,163)	(2
Cash and Cash Equivalents, Beginning of Year...................	864,693	879,856	90
Cash and Cash Equivalents, End of Year.........................	$ 1,563,765	$ 864,693	$ 87
Supplemental Cash Flow Information:			
Cash Paid During the Year for:			
Interest..	$ 972,354	$ 984,883	$ 77
Income Taxes..	148,864	116,363	12

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity
($000's except share data)

Compre-	Additional	Treasury

	hensive Income	Preferred Stock	Common Stock	Paid-in Capital	Retained Earnings	Common Stock
Balance, December 31, 1998..........		$ 685	$112,757	$ 621,795	$1,664,123	$(194,04
Comprehensive Income:						
Net Income......................	$354,511	--	--	--	354,511	-
Unrealized Gains/(Losses) on Securities:						
Unrealized Securities Losses Net of Taxes of $51,914....................	(91,851)	--	--	--	--	-
Reclassification Adjustment for Gains Included in Net Income Net of Taxes of $538........	1,000	--	--	--	--	-
Total Unrealized Losses on Securities..............	(90,851)	--	--	--	--	-
Comprehensive Income................	$263,660	--	--	--	--	-
Issuance of 3,832,957 Treasury Common Shares on Conversion of 348,944 Shares of Preferred Stock............................		(349)	--	(160,635)	--	160,98
Issuance of 988,557 Treasury Common Shares Under Stock Option and Restricted Stock Plans............................		--	--	(16,806)	--	36,50
Acquisition of 5,109,028 Common Shares...........................		--	--	(82)	--	(317,95
Dividends Declared on Preferred Stock--$10.58 Per Share...........		--	--	--	(6,297)	-
Dividends Declared on Common Stock--$0.94 Per Share............		--	--	--	(98,193)	-
Net Change in Deferred Compensation......................		--	--	--	--	-
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes................		--	--	12,764	--	-
Other..............................		--	--	61	(16)	-
Balance, December 31, 1999..........		$ 336	$112,757	$ 457,097	$1,914,128	$(314,51

The accompanying notes are an integral part of the Consolidated Financial Statements.

Consolidated Statements of Shareholders' Equity
($000's except share data)

	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treas Comm Stoc
Balance, December 31, 1999.........		$336	$112,757	$457,097	$1,914,128	$(314
Comprehensive Income:						
Net Income.....................	$315,123	--	--	--	315,123	
Unrealized Gains/(Losses) on Securities:						
Unrealized Securities Gains Net of Taxes of $56,790......................	104,469	--	--	--	--	
Reclassification Adjustment For (Losses) Included in Net Income Net of Taxes of $18,091............	(33,593)	--	--	--	--	
Total Unrealized Gains on Securities..............	70,876	--	--	--	--	
Comprehensive Income...............	$385,999	--	--	--	--	
Issuance of 270,531 Treasury Common Shares Under Stock Option and Restricted Stock Plans............................		--	--	(6,897)	--	12
Acquisition of 3,239,686 Common Shares.....................		--	--	(67)	--	(156
Dividends Declared on Preferred Stock--$11.83 Per Share...........		--	--	--	(3,979)	
Dividends Declared on Common Stock--$1.035 Per Share...........		--	--	--	(107,400)	
Net Change in Deferred Compensation......................		--	--	--	--	
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of Amounts Recognized for Financial Reporting Purposes......		--	--	2,486	--	
Other..............................		--	--	(407)	(113)	
Balance, December 31, 2000.........		$336	$112,757	$452,212	$2,117,759	$(458

The accompanying notes are an integral part of the Consolidated Financial Statements.

45

Consolidated Statements of Shareholders' Equity
($000's except share data)

	Comprehensive Income	Preferred Stock	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock
Balance, December 31, 2000......		$336	$112,757	$452,212	$2,117,759	$(458,47
Comprehensive Income:						
Net Income..................	$337,485	--	--	--	337,485	-
Unrealized Gains (Losses) on Securities: Arising During the Period Net of Taxes of $18,646..............	34,004	--	--	--	--	-
Reclassification for Securities Transactions Included in Net Income Net of Taxes of $4,781......	(8,878)	--	--	--	--	-
Unrealized Gains (Losses)....	25,126	--	--	--	--	-
Net Gains (Losses) on Derivatives Hedging Variability of Cash Flows: Transition Adjustment Net of Taxes of $5,483..........	(10,182)					
Arising During the Period Net of Taxes of $10,940..............	(20,317)	--	--	--	--	-
Reclassification Adjustments For Hedging Activities Included in Net Income Net of Taxes of $4,225................	7,846	--	--	--	--	-
Net Gains (Losses)..........	(22,653)	--	--	--	--	-
Other Comprehensive Income......................	2,473	--	--	--	--	-
Comprehensive Income...........	$339,958	--	--	--	--	-
Issuance of 4,544,209 Common Shares in the 2001 Business Combination...........		--	4,545	263,110	--	-
Issuance of 1,335,284 Treasury Common Shares Under Stock Option and Restricted Stock Plans..........................		--	--	(27,683)	--	62,97
Acquisition of 4,777,262 Common Shares.................		--	--	(52)	--	(277,99
Dividends Declared on Preferred Stock--$12.97 Per Share........		--	--	--	(4,363)	-
Dividends Declared on Common Stock--$1.135 Per Share........		--	--	--	(118,414)	-
Net Change in Deferred Compensation...................		--	--	--	--	-
Income Tax Benefit for Compensation Expense for Tax Purposes in Excess of						

Amounts Recognized for Financial Reporting Purposes...	--	--	13,334	--	-
Other..........................	--	--	(2,632)	(691)	-
Balance, December 31, 2001......	$336	$117,302	$698,289	$2,331,776	$(673,49

The accompanying notes are an integral part of the Consolidated Financial Statements.

46

Notes to Consolidated Financial Statements

December 31, 2001, 2000, and 1999 ($000 except share data)

Marshall & Ilsley Corporation ("M&I" or the "Corporation") is a bank holding company that provides diversified financial services to a wide variety of corporate, institutional, government and individual customers. M&I's largest affiliates and principal operations are in Wisconsin; however, it has activities in other markets, particularly in certain neighboring Midwestern states, and in Arizona, Nevada and Florida. The Corporation's principal activities consist of banking and data processing services. Banking services, lending and accepting deposits from retail and commercial customers are provided through its lead bank M&I Marshall & Ilsley Bank which is headquartered in Wisconsin and one federally chartered thrift headquartered in Nevada. In addition to branches located throughout Wisconsin and Las Vegas, Nevada, banking services are provided in branches located throughout Arizona, the Minneapolis/St. Paul, Minnesota metropolitan area, and Naples, Florida, as well as on the Internet. Financial and data processing services and software sales are provided through the Corporation's subsidiary Metavante Corporation ("Metavante") and its nonbank subsidiaries. Other financial services provided by M&I include personal property lease financing; investment management and advisory services; commercial and residential mortgage banking; venture capital and financial advisory services; trust services to residents of Wisconsin, Arizona, Minnesota, Florida, North Carolina, Illinois and Nevada; and brokerage and insurance services.

1. Summary of Significant Accounting Policies

Estimates--The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Consolidation principles--The Consolidated Financial Statements include the accounts of Marshall & Ilsley Corporation and all subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation. Certain amounts in the 2000 and 1999 Consolidated Financial Statements have been reclassified to conform to the 2001 presentation.

Cash and cash equivalents--For purposes of the Consolidated Financial Statements, the Corporation defines cash equivalents as short-term investments which have an original maturity of three months or less and are readily convertible into cash.

Securities--Securities, when purchased, are designated as Trading, Investment Securities Held to Maturity, or Investment Securities Available for Sale and remain in that category until they are sold or mature. The specific identification method is used in determining the cost of securities sold.

Investment Securities Held to Maturity are carried at cost, adjusted for amortization of premiums and accretion of discounts. The Corporation designates investment securities as held to maturity only when it has the positive intent and ability to hold them to maturity. Investment Securities Available for Sale are carried at fair value with fair value adjustments net of the related income tax effects reported as a separate component of shareholders' equity. Trading Securities are carried at fair value, with adjustments to the carrying value reflected in the Consolidated Statements of Income.

Loans and leases--Interest on loans, other than direct financing leases, is recognized as income based on the loan principal outstanding during the period. Unearned income on financing leases is recognized over the lease term on a basis that results in an approximate level rate of return on the lease investment. Loans are generally placed on nonaccrual status when they are past due 90 days as to either interest or principal. When a loan is

placed on nonaccrual status, previously accrued and uncollected interest is charged to interest income on loans. A nonaccrual loan may be restored to an accrual basis when interest and principal payments are brought current and collectibility of future payments is not in doubt.

The Corporation defers and amortizes fees and certain incremental direct costs, primarily salary and employee benefit expenses, over the contractual term of the loan or lease as an adjustment to the yield. The unamortized net fees and costs are reported as part of the loan or lease balance outstanding.

The Corporation periodically reviews the residual values associated with its leasing portfolio. Declines in residual values that are judged to be other than temporary are recognized as a loss resulting in a reduction in the net investment in the lease. During 2001 and 2000, the Corporation determined that declines in residual values associated with its direct financing consumer automobile leases were other than temporary. Total residual value losses recognized amounted to $35,132 in 2001 and $12,143 in 2000.

Allowance for loan and lease losses--The allowance for loan and lease losses is maintained at a level believed adequate by management to absorb estimated probable losses in the loan and lease portfolio. Management's determination of the adequacy of the allowance is based on a continual review of the loan and lease portfolio, loan and lease loss experience, economic conditions, growth and composition of the portfolio, and other relevant factors. As a result of management's continual review, the allowance is adjusted through provisions for loan and lease losses charged against income.

Asset sales--The Corporation sells assets to unconsolidated entities that securitize the assets. The Corporation retains interests in the securitized assets in the form of servicing rights, interest-only strips, interest rate swaps and a cash reserve account. Gain or loss on sale of the assets depends in part on the carrying amount assigned to the assets sold and the retained interests. The value of the retained interests is based on the present value of future expected cash flows. Future expected cash flows represent management's best estimates of the key assumptions--credit losses, prepayment speeds, forward yield curves and discount rates--commensurate with the risks involved.

Premises and equipment--Land is recorded at cost. Premises and equipment are recorded at cost and depreciated principally on the straight-line method with annual rates varying from 10 to 50 years for buildings and 3 to 10 years for equipment. Long-lived assets, which are considered impaired, are carried at fair value and long-lived assets to be disposed of are carried at the lower of the carrying amount or fair value less cost to sell. Maintenance and repairs are charged to expense and betterments are capitalized.

Other real estate owned--Other real estate owned includes assets that have been acquired in satisfaction of debts and bank branch premises held for sale. Other real estate acquired in satisfaction of debts is recorded at fair value, less estimated selling costs, and bank branch premises are recorded at the lower of cost or fair value, less estimated selling costs, at the date of transfer. Valuation adjustments required at the date of transfer for assets acquired in satisfaction of debts are charged to the allowance for loan and lease losses, whereas any valuation adjustments on premises are reported in other expense. Subsequent to transfer, other real estate owned is carried at the lower of cost or fair value, less estimated selling costs, based upon periodic evaluations. Rental income from properties and gains on sales are included in other income, and property expenses, which include carrying costs, required valuation adjustments and losses on sales, are recorded in other expense. At December 31, 2001 and 2000, other real estate amounted to $6,796 and $3,797, respectively.

Mortgage servicing--Fees related to the servicing of mortgage loans are recorded as income when payments are received from mortgagors. Mortgage loans held for sale to investors are carried at the lower of cost or market,

determined on an aggregate basis, based on outstanding firm commitments received for such loans or on current market prices. Mortgage loans held for sale amounted to $289,667 at December 31, 2001 and $38,762 at December 31, 2000.

Data processing services--Data processing and related revenues are recognized as services are performed based on amounts billable under the contracts. Processing services performed that have not been billed to customers are accrued. Revenue includes shipping and handling costs associated with such income producing activities.

Revenues attributable to the licensing of software are generally recognized upon delivery and performance of certain contractual obligations, provided that no significant vendor obligations remain and collection of the resulting receivable is deemed probable. Service revenues from customer maintenance fees for ongoing customer support and product updates are recognized ratably over the term of the maintenance period. Service revenues from training and consulting are recognized when the services are performed. Conversion revenues associated with the conversion of customers' processing systems to Metavante's processing systems are deferred and amortized over the period of the related processing contract, generally five years. See Note 2 regarding the change in accounting for conversion revenues.

December 31, 2001, 2000, and 1999 ($000 except share data)

Direct costs associated with the production of computer software which will be marketed or used in data processing operations are capitalized and amortized on the straight-line method over the estimated economic life of the product, generally four years. Such capitalized costs are periodically evaluated for impairment and adjusted to net realizable value when impairment is indicated. Direct costs associated with customer system conversions to the data services operations are capitalized and amortized on the straight-line method over the terms of the related servicing contract. Routine maintenance of software products, design costs and development costs incurred prior to establishment of a product's technological feasibility for software to be sold, are expensed as incurred.

Net unamortized costs at December 31 were:

	2001	2000
Software	$110,791	$ 98,666
Conversions	43,477	56,142
Total	$154,268	$154,808

See Note 2 for the effect on conversion costs due to the change in accounting.

Amortization expense was $57,397, $40,731 and $23,836, for 2001, 2000 and 1999, respectively.

Intangibles--The Corporation recognizes as separate assets rights to service loans when the loans are purchased or originated and sold with servicing retained. Servicing rights are amortized over the periods during which the corresponding loan servicing revenues are anticipated to be generated. The Corporation evaluates and measures impairment of its capitalized mortgage servicing rights using stratifications based on the risk characteristics of the underlying loans. A valuation allowance is established through a charge to income to the extent that the fair value of any stratum of its loan servicing rights are less than its carrying value. The fair value of the Corporation's loan servicing rights is determined based on quoted market prices for comparable transactions, if available, or a valuation model that calculates the present value of expected future cash flows. Loan servicing rights amounted to $12,932 and $15,265 at December 31, 2001 and 2000, respectively. Amortization expense amounted to $6,678, $2,598 and $1,431 in 2001, 2000 and 1999.

Identifiable intangibles resulting from acquisitions primarily consist of core deposit premiums and other identifiable intangibles arising from purchase acquisitions by the Corporation's Metavante subsidiary, such as purchased data processing contract rights or customer lists. Purchased data processing contract rights represent the costs to acquire the rights to data processing and software distribution. Such costs are generally amortized over the average contract lives. These identifiable intangibles amounted to $19,964 and $19,089 at December 31, 2001 and 2000, respectively. Amortization expense amounted to $3,935 in 2001, $5,112 in 2000 and $4,394 in 1999. Core deposit premiums are amortized in proportion to acquired deposit run-off which generally results in an accelerated basis over periods ranging up to 15 years. Core deposit premiums amounted to $30,441 and $15,146 at December 31, 2001 and 2000, respectively. Amortization expense amounted to $6,541, $6,487 and $9,407 in 2001, 2000 and 1999, respectively.

Goodwill arising from business combinations consummated prior to June 30, 2001 is amortized on the straight-line basis over periods ranging from 10 to 25 years. Goodwill arising from business combinations consummated after June 30, 2001 is not amortized. Goodwill arising from certain banking acquisitions, in which the fair value of the liabilities assumed exceed the fair value of the assets acquired, is amortized in proportion to the run-off of the acquired longer-term earning assets. Goodwill amounted to $524,748 at December 31, 2001 and $295,784 at December 31, 2000.

The Corporation continually evaluates whether later events and circumstances have occurred to indicate that the carrying value of intangibles should be reduced for possible impairment and utilizes estimates of undiscounted net income over the remaining life to measure recoverability.

The Corporation also has negative goodwill included in other liabilities. Negative goodwill amounted to $1,247 and $2,809 at December 31, 2001 and 2000, respectively. The negative goodwill was accreted on a straight-line basis over a period of 10 years and amounted to $1,562 in 2001, 2000, and 1999, respectively.

Long-term borrowings--The guaranteed preferred beneficial interest of the Corporation's special purpose finance subsidiary, which holds as its sole asset junior subordinated deferrable interest debentures issued by the Corporation, is classified as long-term borrowings and shown net of its related discount. The distributions, including the related accretion of discount, are classified as interest expense for purposes of the Consolidated Financial Statements.

Derivative financial instruments--Derivative financial instruments, including certain derivative instruments embedded in other contracts, are carried in the Consolidated Balance Sheet as either an asset or liability measured at its fair value. The fair value of the Corporation's derivative financial instruments is determined based on quoted market prices for comparable transactions, if available, or a valuation model that calculates the present value of expected future cash flows.

Changes in the fair value of derivative financial instruments are recognized currently in earnings unless specific hedge accounting criteria are met. For derivative financial instruments designated as hedging the exposure to changes in the fair value of a recognized asset or liability (fair value hedge), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. For derivative financial instruments designated as hedging the exposure to variable cash flows of a forecasted transaction (cash flow hedge), the effective portion of the derivative financial instrument's gain or loss is initially reported as a component of other comprehensive income and is subsequently reclassified into earnings when the forecasted transaction affects earnings. The ineffective portion of the gain or loss is reported in earnings immediately.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

At inception of a hedge, the Corporation formally documents the hedging relationship as well as the Corporation's risk management objective and strategy for undertaking the hedge, including identification of the hedging instrument, the hedged transaction, the nature of the risk being hedged, and how the hedging instrument's effectiveness in hedging the exposure will be assessed.

The adjustment of the carrying amount of an interest bearing hedged asset or liability in a fair value hedge is amortized into earnings when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If a cash flow hedge is discontinued because it is probable that the original forecasted transaction will not occur, the net gain or loss in accumulated other comprehensive income is immediately reclassified into earnings.

Cash flows from derivative financial instruments are reported in the Consolidated Statements of Cash Flows as operating activities.

Foreign exchange contracts--Foreign exchange contracts include such commitments as foreign currency spot, forward, future and option contracts. Foreign exchange contracts and the premiums on options written or sold are carried at market value with changes in market value included in other income.

Treasury Stock--Treasury stock acquired is recorded at cost and is carried as a reduction of shareholders' equity in the Consolidated Balance Sheets. Treasury stock issued is valued based on average cost. The difference between the consideration received upon issuance and the average cost is charged or credited to additional paid-in capital.

New accounting pronouncements--

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations. SFAS 141 replaces Accounting Principles Board ("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 accounting method. The provisions of this statement apply to all business combinations initiated after June 30, 2001, and 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 No. 142, Goodwill and Other Intangible Assets. This statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supercedes APB Opinion No. 17, Intangible Assets. SFAS 142 prescribes the accounting and reporting for intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) upon their acquisition. SFAS 142 also prescribes how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements.

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

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

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

This standard also increases disclosures about goodwill and intangible assets and requires information about the changes in the carrying amount of goodwill from period to period (in the aggregate and by reportable segment), the carrying amount of intangible assets by major intangible asset class for those assets subject to amortization and for those not subject to amortization, and the estimated intangible amortization expense for the next five years.

The provisions of SFAS 142 are required to be applied by the Corporation starting January 1, 2002 except goodwill and intangible assets acquired after June 30, 2001, which were subject immediately to the nonamortization and amortization provisions of the statement. In addition, the Corporation has six months from the date it initially applies this standard to complete the first step of the transitional goodwill impairment test; however, the amounts used in the transitional goodwill impairment test shall be measured as of January 1, 2002. Impairment losses for goodwill and indefinite-lived intangible assets that arise due to initial application of this standard (resulting from a transitional impairment test) are to be reported as a change in accounting principle.

Pro forma 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:

	Year Ended December 31, ($000's)		
	2001	2000	1999
Income before cumulative effect of changes in accounting principles.	$337,921	$317,402	$354,511
Adjustments:			
Goodwill amortization, net of taxes.	16,917	16,258	19,612
Negative goodwill amortization.	(1,562)	(1,562)	(1,562

December 31, 2001, 2000, and 1999 ($000 except share data)

Total adjustments	15,355	14,696	18,050
Pro forma income before cumulative effect of changes in accounting principles	$353,276	$332,098	$372,561
Pro forma earnings per share:			
Income before cumulative effect of changes in accounting principles:			
Basic	$ 3.35	$ 3.15	$ 3.49
Diluted	3.24	3.05	3.30

The amount of goodwill that will continue to be amortized is $3,385 at December 31, 2001.

The Corporation has not yet completed its determination of how the impairment provisions of the standard applied to the five identified Reporting Units with recorded goodwill will affect its financial statements.

2. Change in Method of Accounting

On January 1, 2001, the Corporation adopted SFAS 133, Accounting for Derivative Instruments and Hedging Activities. SFAS 133 established 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 value be recognized currently in earnings unless specific hedge accounting criteria are met. 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 20 for additional information regarding the Corporation's use of derivative financial instruments.

During 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. Under SAB 101, certain conversion services provided by Metavante did not qualify as discrete earnings events. As a result, the revenue and the cost of providing those services should be deferred and recognized on a straight-line basis over the term of the total processing contract. The cumulative change in accounting represents the impact of applying the guidance to services provided in previous years and resulted in the following:

Conversion revenue deferred	$ 46,224
Conversion cost deferred	(42,413)
Net revenue deferred	3,811
Income tax benefit	1,532
Cumulative effect of change in accounting principles	$ 2,279

3. Earnings Per Share

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):

	Year Ended December 31, 20		
	Income (Numerator)	Average Shares (Denominator)	P Sh Am
Net income	$337,485		
Convertible preferred dividends	(4,363)		
Basic earnings per share			
Income available to common shareholders	333,122	104,206	$3
Effect of dilutive securities			
Convertible preferred stock	4,363	3,844	
Stock option, restricted stock and performance plans	--	1,082	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions	$337,485	109,132	$3

	Year Ended December 31, 20		
	Income (Numerator)	Average Shares (Denominator)	P Sh Am
Net income..	$315,123		
Convertible preferred dividends....................................	(3,979)		
Basic earnings per share			
Income available to common shareholders...........................	311,144	104,027	$2
Effect of dilutive securities			
Convertible preferred stock.......................................	3,979	3,844	
Stock option, restricted stock and performance plans............	--	1,012	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions.	$315,123	108,883	$2

	Year Ended December 31, 19		
	Income (Numerator)	Average Shares (Denominator)	P Sh Am
Net income..	$354,511		
Convertible preferred dividends....................................	(6,297)		
Basic earnings per share			
Income available to common shareholders...........................	348,214	104,859	$3
Effect of dilutive securities			
Convertible preferred stock.......................................	6,297	6,543	
Stock option, restricted stock and performance plans............	--	1,603	
Diluted earnings per share			
Income available to common shareholders plus assumed conversions.	$354,511	113,005	$3

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 for the years ended December 31, are as follows:

Years Ended December 31,	Price Range	Shares
2001.........................	$ 55.313-$70.063	4,134,543
2000.........................	48.125- 70.063	3,657,113
1999.........................	67.000- 70.063	66,000

4. Business Combinations

On December 20, 2001, the Corporation's Metavante subsidiary acquired all of the outstanding common stock of 401kservices.com, inc., in a transaction accounted for using the purchase method of accounting. 401kservices.com, inc. is a third-party administrator of 401(k), pension and profit-sharing plans for companies located throughout the United States. The Company is headquartered in Appleton, Wisconsin with offices in Arizona and California. Metavante acquired the common stock of the Company for $17.9 million in cash subject to additional payments contingent upon certain 2002 incremental revenues. The cumulative maximum purchase price is $30.0 million. Contingency payments, if made, will be charged to goodwill. There was no in-process research and development acquired in this transaction. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to $14.1 million.

On September 19, 2001, the Corporation's Metavante subsidiary acquired substantially all of the assets and assumed certain liabilities of the North American Internet banking unit of Brokat Technologies AG ("Brokat"), in a transaction accounted for as a purchase. The Brokat transaction added technology for consumer, business and corporate e-Banking applications. Total purchase price was approximately $18.5 million in cash. There was no in-process research and development acquired in this transaction. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to $19.7 million.

In conjunction with this acquisition, Metavante began consolidating a number of its electronic banking products onto a single technology platform. Also, certain data operations centers will be consolidated over time into one data operations center. The costs, recorded in the third quarter of 2001, associated with the consolidation of five technology platforms and consolidation of four data centers amounted to $34.5 million and consisted of severance of $3.8 million, facility closure charges of $10.2 million and write-offs of existing technology and software, which were replaced by the Brokat technology and software, of $20.5 million.

On August 1, 2001, the Corporation acquired the common stock of National City Bancorporation, ("National City"), a Minneapolis, Minnesota-based bank holding company. National City, and its significant subsidiaries National City Bank of Minneapolis, with branches in Minneapolis and Edina, Minnesota, and Diversified Business Credit, Inc., had consolidated total assets of approximately $1.1 billion at completion of the merger. The Corporation issued 4.5 million shares of its common stock in exchange for the outstanding common stock of National City in a tax-free reorganization using the purchase method of accounting. The core deposit intangible recorded in this transaction amounted to $14.5 million. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to $114.1 million. Exit liabilities recorded in this transaction amounted to $5.0 million, consisting of $2.3 million for severance of duplicative positions and $2.7 million of costs to convert National City's systems to the Corporation's systems.

Also during the third quarter of 2001, the Corporation acquired for cash twelve branches located in Arizona which had total assets of $538 million, loans of approximately $345 million and deposits of approximately $455 million at the time of acquisition. These transactions were accounted for under the purchase method of accounting. The core deposit intangible recorded in these transactions amounted to $7.4 million. Total goodwill amounted to $53.1 million.

On June 20, 2001, the Corporation's Metavante subsidiary acquired certain assets and assumed certain liabilities of CyberBills, Inc. for approximately $14.6 million in cash in a transaction accounted for under the purchase method of accounting. CyberBills, Inc. was an electronic bill and presentment application service provider, offering comprehensive bill management services that allow consumers and businesses to view, pay, manage and automate all of their bills-paper or electronic-online. There was no in-process research and development acquired in this transaction. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to $25.3 million.

On June 1, 2001, the Corporation's Metavante subsidiary acquired all of the outstanding common and preferred stock of Derivion Corporation ("Derivion") for approximately $12.8 million in cash in a transaction accounted for under the purchase method of accounting. Through three core electronic billing applications, Derivion enables billers of all sizes to automate and streamline bill delivery, payment and customer-care processes. There was no in-process research and development acquired in this transaction. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to $25.7 million.

In conjunction with the CyberBills and Derivion transactions, Metavante incurred approximately $7.2 million in charges to write-off other technologies and investments replaced by these acquisitions in the second quarter of 2001. In addition, approximately $3.5 million of transition related charges were incurred in each of the third and fourth quarters of 2001, respectively.

On October 1, 1999, the Corporation, through its Metavante subsidiary, acquired certain assets of Cardpro Services, Inc., a provider of plastic card personalization and procurement services located in Illinois. The assets were acquired for cash in a transaction accounted for using the purchase method of accounting. Goodwill amounted to $2.9 million. Additional payments, contingent upon earnings, may be made through 2005. The total cumulative maximum payout over the contingency period is $2.16 million. Contingency payments, if made, will be charged to goodwill. There was no in-process research and development acquired in this transaction.

On April 1, 1999, the Corporation, through its Metavante subsidiary, completed the acquisition of the assets, operational processes and customer relationships of the Electronic Banking Services business unit of ADP in a cash transaction using the purchase method of accounting. The acquired software products and outsourcing solutions are designed to provide businesses with access to their banking information and transactions through a spectrum of delivery methods. Goodwill amounted to $44.0 million. There was no in-process research and development acquired in this transaction.

Pending Acquisitions as of December 31, 2001

December 31, 2001, 2000, and 1999 ($000 except share data)

On December 4, 2001, the Corporation entered into a definitive agreement to acquire Century Bancshares, Inc., of Eden Prairie, Minnesota, the privately held holding company for Century Bank, N.A. for $66 million payable in a combination of cash and shares of M&I common stock. Century Bank, N.A. has approximately $325 million in assets and has three branches in the Minneapolis area: Eden Prairie, Coon Rapids and St. Louis Park. The transaction is expected to close in the first quarter of 2002, subject to regulatory and shareholder approvals.

On November 19, 2001, the Corporation entered into a definitive agreement to acquire Richfield State Agency, Inc., of Richfield, Minnesota, the privately held holding company for Richfield Bank & Trust Co. for approximately $157 million payable in a combination of cash and shares of M&I common stock. Richfield Bank & Trust Co. has approximately $695 million in assets and has seven branches throughout the Minneapolis/St. Paul metropolitan area, including Richfield, Minneapolis, St. Paul, Bloomington, Burnsville, Edina and Chanhassen. This transaction is also expected to close in the first quarter of 2002, subject to regulatory and shareholder approvals.

5. Cash and Due from Banks

At December 31, 2001, $10,052 of cash and due from banks was restricted, primarily due to requirements of the Federal Reserve System to maintain certain reserve balances.

6. Securities

The book and market values of securities at December 31 were:

	2001		2000	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Investment Securities Available for Sale:				
U.S. Treasury and government agencies.	$2,268,681	$2,346,566	$3,303,366	$3,342,952
States and political subdivisions.....	170,130	176,167	143,883	151,041
Mortgage backed securities...........	172,139	175,471	342,385	342,171
Other................................	675,303	685,428	887,702	899,558
Total..............................	$3,286,253	$3,383,632	$4,677,336	$4,735,722
Investment Securities Held to Maturity:				
States and political subdivisions.....	$1,028,555	$1,046,414	$1,107,476	$1,119,687
Other................................	3,538	3,538	5,069	5,069
Total..............................	$1,032,093	$1,049,952	$1,112,545	$1,124,756

The unrealized gains and losses of securities at December 31 were:

	2001		2000	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
Investment Securities Available for Sale:				
U.S. Treasury and government agencies.	$78,089	$ 204	$42,371	$2,785
States and political subdivisions.....	6,093	56	7,158	--
Mortgage backed securities...........	3,332	--	786	1,000
Other................................	10,185	60	11,940	84
Total..............................	$97,699	$ 320	$62,255	$3,869
Investment Securities Held to Maturity:				
States and political subdivisions.....	$24,740	$6,881	$17,850	$5,639
Other................................	--	--	--	--
Total..............................	$24,740	$6,881	$17,850	$5,639

The book value and market value of securities by contractual maturity at December 31, 2001 were:

	Investment Securities Available for Sale		Investment Securities Held to Maturity	
	Amortized Cost	Market Value	Amortized Cost	Market Value
Within one year............	$ 796,619	$ 805,892	$ 70,135	$ 71,040
From one through five years	1,969,332	2,041,935	353,242	366,011
From five through ten years	249,257	258,025	204,002	210,212
After ten years............	271,045	277,780	404,714	402,689
Total..................	$3,286,253	$3,383,632	$1,032,093	$1,049,952

The gross realized gains and losses amounted to $30,117 and $36,876 in 2001, $22,876 and $52,861 in 2000, and $12,074 and $4,382 in 1999, respectively. Net securities gains of $10,411, $19,530 and $11,775 in 2001, 2000 and 1999, respectively, are included in the line Capital Markets Revenue in the Consolidated Statements of Income.

At December 31, 2001, securities with a value of approximately $701,226 were pledged to secure public deposits, short-term borrowings, and for other purposes required by law.

Approximately $511 million of adjustable rate mortgage loans ("ARMs") were securitized, resulting in the balances being transferred to investment securities available for sale during 2000. The Corporation has agreed to guarantee the first 4% of the loan pools securitized through government agencies against potential loss for transfers occurring prior to 2000. These are noncash transactions for purposes of the Consolidated Statements of Cash Flows.

57

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

7. Loans and Leases

Loans and Leases at December 31 were:

	2001	2000
Commercial, financial and agricultural.....	$ 5,716,061	$ 5,289,537
Real estate:		
Construction..........................	730,864	619,281
Residential mortgage...................	5,563,975	5,049,557
Commercial mortgage....................	5,099,093	4,359,812
Personal.................................	1,210,808	1,174,248
Lease financing..........................	962,356	1,094,652
Cash flow hedging instruments at fair value	12,215	--
Total loans and leases.............	$19,295,372	$17,587,087

The Corporation's lending activities are concentrated primarily in the Midwest. Approximately 6% of its portfolio consists of loans granted to customers located in Arizona. The Corporation had $1.1 million in foreign credits at December 31, 2001. The Corporation's loan portfolio consists of business loans extending across many industry types, as well as loans to individuals. As of December 31, 2001, total loans to any group of customers engaged in similar activities and having similar economic characteristics, as defined by standard industrial classifications, did not exceed 10% of total loans.

The Corporation evaluates the credit risk of each customer on an individual basis and, where deemed appropriate, collateral is obtained. Collateral varies by individual loan customer but may include accounts receivable, inventory, real estate, equipment, deposits, personal and government guaranties, and general security agreements. Access to collateral is dependent upon the type of collateral obtained. On an on-going basis, the Corporation monitors its collateral and the collateral value related to the loan balance outstanding.

An analysis of loans outstanding to directors and officers, including their related interests, of the Corporation and its significant subsidiaries for 2001 is presented in the following table. All of these loans were made in the ordinary course of business with normal credit terms, including interest rates and collateral. The beginning balance has been adjusted to reflect the activity of newly-appointed directors and executive officers.

Loans to directors and executive officers:

December 31, 2001, 2000, and 1999 ($000 except share data)

Balance, beginning of year	$ 105,444
New loans	184,236
Repayments	(195,350)
Balance, end of year	$ 94,330

8. Allowance for Loan and Lease Losses

An analysis of the allowance for loan and lease losses follows:

	2001	2000	1999
Balance, beginning of year	$235,115	$225,862	$226,052
Allowance of banks and loans acquired	19,151	1,270	--
Allowance transfer for loan securitization	--	(1,022)	--
Provision charged to expense	54,115	30,352	25,419
Charge-offs	(48,609)	(30,018)	(32,557)
Recoveries	8,426	8,671	6,948
Balance, end of year	$268,198	$235,115	$225,862

The allowance for loan and lease losses acquired in branch and bank acquisitions is consistent with the estimate of probable losses as determined by the seller financial institution.

As of December 31, 2001 and 2000, nonaccrual loans and leases totaled $166,434 and $121,425, respectively.

At December 31, 2001 and 2000, the Corporation's recorded investment in impaired loans and leases and the related valuation allowance are as follows:

	2001		2000	
	Recorded Investment	Valuation Allowance	Recorded Investment	Valuation Allowance
Total impaired loans and leases (Nonaccrual and renegotiated)	$166,812		$122,039	
Loans and leases excluded from individual evaluation	(61,290)		(34,167)	
Impaired loans evaluated	$105,522		$ 87,872	
Valuation allowance required	$ 40,980	$18,268	$ 5,727	$2,137
No valuation allowance required	64,542	--	82,145	--

Impaired loans evaluated...........................	$105,522	$18,268	$ 87,872	$2,137

The recorded investment in impaired loans for which no allowance is required is net of applications of cash interest payments and net of previous direct writedowns of $25,052 in 2001 and $21,332 in 2000 against the loan balance outstanding. The required valuation allowance is included in the allowance for loan and lease losses in the Consolidated Balance Sheets.

The average recorded investment in total impaired loans and leases for the years ended December 31, 2001 and 2000 amounted to $148,520 and $118,832, respectively.

Interest payments received on impaired loans and leases are recorded as interest income unless collection of the remaining recorded investment is doubtful at which time payments received are recorded as reductions of principal. Interest income recognized on total impaired loans and leases amounted to $10,295 in 2001, $6,410 in 2000, and $6,253 in 1999. The gross income that would have been recognized had such loans and leases been performing in accordance with their original terms would have been $12,846 in 2001, $11,415 in 2000, and $9,980 in 1999.

9. Asset Sales

The Corporation regularly sells assets, primarily indirect automobile loans to an unconsolidated multi-seller asset backed commercial paper conduit, in securitization transactions in accordance with SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. Servicing responsibilities and subordinated interests were retained. The Corporation receives annual servicing fees based on the loan balances outstanding and rights to future cash flows arising after investors in the securitization trust have received their contractual return and after certain administrative costs of operating the trust. The investors and the securitization trust have no recourse to the Corporation's other assets for failure of debtors to pay when due. The Corporation's retained interests are subordinate to investor's interests. Their value is subject to credit, prepayment and interest rate risks on the transferred financial assets.

59

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

During 2001 and 2000, the Corporation recognized gains and trading income of $11,034 and $3,155, respectively, on the securitization of loans. There was no such activity in 1999.

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

	2001	2000

Prepayment speed (CPR)...........	25.0%	25.0%
Weighted average life (in months)	20.8	20.5
Expected credit losses...........	0.12%	0.10%
Expected total credit losses.....	0.19	0.16
Residual cash flow discount rate.	12.0	12.0
Variable returns to transferees..	Forward one month LIBOR yield curve	

At December 31, 2001, key economic assumptions and the sensitivity of the current fair value of residual cash flows to immediate 10 percent and 20 percent adverse changes in those assumptions are as follows ($ in millions):

		Adverse Change in Assumptions	
		10%	20%
Carrying amount retained interests--automobile loans	$32.9		
Weighted average life (in months)..................	18.6		
Prepayment speed (per annum).......................	25.0%		
Impact on fair value of adverse change...........		$0.6	$1.3
Expected credit losses (annual rate)...............	0.12%		
Impact on fair value of adverse change...........		0.1	0.2
Residual cash flows discount rate (annual)..........	12.0%		
Impact on fair value of adverse change...........		0.3	0.5
Interest rate returns to transferees...............	Forward one month LIBOR yield cur		
Impact on fair value of adverse change...........		0.7	1.3

These sensitivities are hypothetical and should be used with caution. As the figures indicate, changes in fair value based on a 10 percent adverse variation in assumptions generally can not be extrapolated because the relationship of the change in assumption to the change in fair value may not be linear. Also, the effect of an adverse variation in a particular assumption on the fair value of the retained interest is calculated without changing any other assumption. Realistically, changes in one factor may result in changes in another (for example, increases in market interest rates may result in lower prepayments and increased credit losses), which might magnify or counteract the sensitivities.

Actual and projected credit losses represented 0.23% of total loans securitized as of December 31, 2001.

The following table summarizes certain cash flows received from and paid to the securitization trust for the year ended December 31, 2001:

	2001	2000
Proceeds from new securitizations..................	$389,794	$223,098
Servicing fees received...........................	2,610	533
Net charge-offs...................................	(491)	(31)
Cash collateral account transfers, net.............	(1,771)	(5,071)
Other cash flows received on retained interests, net	4,747	600

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

At December 31, 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 Managed
Loan balances....................................	$433,304	$224,083	$657,387
Principal amounts of loans 60 days or more past due	513	706	1,219
Net credit losses................................	556	1,220	1,776

The Corporation also sells, from time to time, available for sale investment securities that are highly rated and/or short-term commercial loans to an unconsolidated bankruptcy remote qualifying special purpose entity whose activities are limited to issuing highly rated asset-backed commercial paper with maturities up to 180 days which is used to finance the purchase of the investment securities and /or loans. The initial program limit is $2.0 billion. The Corporation's lead bank ("Bank") provides liquidity back-up in the form of Liquidity Purchase Agreements and credit enhancement for the loans sold in the form of a letter of credit. Under certain circumstances, these facilities would require the Bank to purchase sufficient investment securities or loans from the entity to accommodate maturing commercial paper, which could result in a loss to the Bank. However, based on the quality of the assets that were sold at no gain or loss, the Corporation believes that the probability of a purchase and recognition of loss is remote and if such a purchase would have been required at December 31, 2001, no gain or loss would have been recognized. In addition, the Bank acts as counterparty to interest rate swaps that enable the special purpose entity to hedge its interest rate risk. Such swaps are designated as trading in the Corporation's Consolidated Balance Sheet. At December 31, 2001, highly rated investment securities in the amount of $264.8 million and short-term commercial loans in the amount of $60.7 million were outstanding in the special purpose entity to support the outstanding commercial paper.

10. Premises and Equipment

The composition of premises and equipment at December 31 was:

	2001	2000
Land..	$ 51,243	$ 47,893
Buildings and leasehold improvements.........	368,936	347,566
Furniture and equipment.....................	466,819	458,242
	886,998	853,701
Less accumulated depreciation................	493,968	460,706
Total premises and equipment.............	$393,030	$392,995

December 31, 2001, 2000, and 1999 ($000 except share data)

Depreciation expense was $68,331 in 2001, $63,580 in 2000, and $62,845 in 1999.

The Corporation leases certain of its facilities and equipment. Rent expense under such operating leases was $64,889 in 2001, $56,555 in 2000, and $50,200 in 1999, respectively.

The future minimum lease payments under operating leases that have initial or remaining noncancellable lease terms in excess of one year for 2002 through 2006 are $30,155, $26,844, $20,902, $17,646, and $12,041, respectively.

11. Deposits

The composition of deposits at December 31 was:

	2001	2000
Noninterest bearing demand	$ 3,558,571	$ 3,129,834
Savings and NOW	7,867,106	7,486,094
CDs $100,000 and over	1,321,746	2,663,050
Other time deposits	2,962,724	3,532,310
Foreign deposits	782,900	2,437,339
Total deposits	$16,493,047	$19,248,627

At December 31, 2001 and 2000, brokered deposits amounted to $774.2 million and $2,566.4 million, respectively.

At December 31, 2001, the scheduled maturities for CDs $100,000 and over, other time deposits, and foreign deposits were:

2002	$4,281,608
2003	422,246
2004	190,913
2005	68,951
2006 and thereafter	103,652
	$5,067,370

12. Short-term Borrowings

Short-term borrowings at December 31 were:

December 31, 2001, 2000, and 1999 ($000 except share data)

	2001	2000
Funds purchased and security repurchase agreements	$1,090,150	$1,092,723
Cash flow hedge--Fed funds......................	21,262	--
U.S. Treasury demand notes......................	315,644	81,930
U.S. Treasury demand notes--special direct........	2,290,606	--
Senior bank notes--Puttable Reset Securities......	1,001,961	1,008,060
Senior bank notes..............................	--	99,988
Commercial paper...............................	314,989	322,161
Cash flow hedge--Commercial paper................	20,353	--
Current maturities of long-term borrowings........	800,772	209,355
Other..	1,505	514
Total short-term borrowings..................	$5,857,242	$2,814,731

U.S. Treasury demand notes--special direct represent secured borrowings of the lead banking subsidiary with a maximum term of 21 days.

Bank notes may be senior or subordinated in ranking and have maturities ranging from 7 days to 30 years at a fixed or floating rate up to a maximum of $5.0 billion aggregate principal amount outstanding at any time. The bank notes are offered through certain designated agents and are offered and sold only to institutional investors. The bank notes are sole obligations of the issuing bank and are not obligations of or guaranteed by the Corporation.

The senior bank notes--Puttable Reset Securities ("PRS")--will mature on December 1, 2007. In certain circumstances, the notes will be put back to the issuing bank at par prior to final maturity by the noteholders and the notes are subject to exercise of a call option by a certain broker-dealer. Beginning December 3, 2001 and each December 1 thereafter until and including December 1, 2006, the broker-dealer has the right to purchase all of the outstanding notes from the noteholders at a price equal to 100% of the principal amount of the notes and then remarket the notes at an interest rate that was previously agreed upon. However, if the broker-dealer does not purchase the notes on the aforementioned date(s), each holder of outstanding notes will be deemed to have put all of the holder's notes to the issuing bank at a price equal to 100% of the principal amount of the notes and the notes will be completely retired. The initial interest rate was 6.75% and, to the extent the notes are purchased and remarketed, the interest rate will reset each date the notes are remarketed at 6% plus an applicable credit spread as defined in the offering circular. On December 3, 2001, the interest rate reset to 6.15%. If the PRS are not resold due to a failed remarketing or a market disruption event, the Corporation would be obligated to pay the broker-dealer the fair market value of the call option. The call and put are considered clearly and closely related for purposes of recognition and measurement under SFAS 133.

The amount of other senior bank notes outstanding at December 31, 2000, represents the borrowing of one banking subsidiary at a fixed rate of 6.81% that matured in March of 2001.

December 31, 2001, 2000, and 1999 ($000 except share data)

Unused lines of credit, primarily to support commercial paper borrowings, were $75.0 million at December 31, 2001 and 2000, respectively.

13. Long-term Borrowings

Long-term borrowings at December 31 were:

	2001	2000
Corporation:		
6.375% subordinated notes due in 2003	$ 99,871	$ 99,794
Medium-term Series C, D and E notes	312,950	130,900
7.65% cumulative company-obligated mandatorily redeemable capital trust pass-through securities	199,193	199,160
Subsidiaries:		
Borrowings from Federal Home Loan Bank (FHLB):		
Floating rate advances	310,000	100,000
Fixed rate advances	554,372	260,151
Cash flow hedge	3,602	--
Senior bank notes	199,929	199,628
Senior bank notes-EXLs	249,608	--
Subordinated bank note	395,977	98,854
Nonrecourse notes	23,693	29,008
9.75% obligation under capital lease due through 2006	2,655	3,083
Other	9,099	10,053
	2,360,949	1,130,631
Less current maturities	800,772	209,355
Total long-term borrowings	$1,560,177	$ 921,276

The 6.375% subordinated notes are not redeemable prior to maturity and qualify as "Tier 2" or supplementary capital for regulatory capital purposes. Interest is payable semiannually.

At December 31, 2001, there were $14,000 of medium-term Series C notes outstanding. The medium-term Series C notes have fixed interest rates of 6.48% to 6.75% and mature at various amounts and times through 2002. No additional borrowings may occur under the Series C notes. At December 31, 2001, medium-term Series D notes outstanding amounted to $24,250 with fixed interest rates of 6.31% to 7.20% and $23,700 at three month LIBOR plus 26 basis points. Series D notes mature at various times and amounts through 2004. No additional borrowings may occur under the Series D notes. In May 2000, the Corporation filed a registration statement with the Securities and Exchange Commission to issue up to $500 million of medium-term Series E notes. These issues may have maturities ranging from 9 months to 30 years and may be at fixed or floating rates. At December 31, 2001, series E notes outstanding amounted to $251,000 with fixed rates of 5.75% to 7.19%. Series E notes outstanding mature in 2002 through 2006.

In December 1996, the Corporation formed M&I Capital Trust A (the "Trust") and issued $200 million in liquidation or principal amount of cumulative preferred capital securities. Holders of the capital securities are entitled to receive cumulative cash distributions at an annual rate of 7.65% payable semiannually.

Concurrently with the issuance of the capital securities, the Trust invested the proceeds, together with the consideration paid by the Corporation for the common interest in the Trust, in junior subordinated deferrable interest debentures ("subordinated debt") issued by the Corporation. The subordinated debt, which represents the sole asset of the Trust, bears interest at an annual rate of 7.65% payable semiannually and matures on December 1, 2026.

The subordinated debt is junior in right of payment to all present and future senior indebtedness of the Corporation. The Corporation may redeem the subordinated debt in whole or in part at any time on or after December 1, 2006 at specified call premiums, and at par on or after December 1, 2016. In addition, in certain circumstances the subordinated debt may be redeemed at par upon the occurrence of certain events. The Corporation's right to redeem the subordinated debt is subject to regulatory approval.

The Corporation has the right, subject to certain conditions, to defer payments of interest on the subordinated debt for extension periods, each period not exceeding ten consecutive semiannual periods. As a consequence of the Corporation's extension of the interest payment period, distributions on the capital securities would be deferred. In the event the Corporation exercises its right to extend an interest payment period, the Corporation is prohibited from making dividend or any other equity distributions during such extension period.

The payment of distributions, liquidation of the Trust or payment upon the redemption of the capital securities are guaranteed by the Corporation.

The Corporation, as owner of the common interest in the Trust, has the right at any time to terminate the Trust, subject to certain conditions. In circumstances other than maturity or redemption of the subordinated debt, the subordinated debt would be distributed to the holders of the Trust securities on a pro rata basis in liquidation of the holders' interests in the Trust.

The capital securities qualify as "Tier 1" capital for regulatory capital purposes.

Fixed rate FHLB advances have interest rates, which range from 4.51% to 8.47% and mature at various times in 2002 through 2012. A portion of the advances are subject to periodic principal payments. $28.5 million may be repaid without penalty at six month intervals. All other advances are subject to a prepayment penalty if they are repaid prior to maturity.

The floating rate advances mature in 2006. The interest rate is reset monthly based on the London Interbank Offered Rate ("LIBOR").

The Corporation is required to maintain unencumbered first mortgage loans and mortgage-related securities such that the outstanding balance of FHLB advances does not exceed 60% of the book value of this collateral. In addition, a portion of these advances are collaterized by FHLB stock.

The senior bank notes have a fixed interest rate of 7.25% and pay interest semi-annually. The notes mature in 2002.

The senior bank notes--EXLs are indexed to one month LIBOR plus a stated spread and mature in 2002. However, EXL noteholders have the ability to extend the maturity date through 2006. The stated spread increases annually through 2005.

The subordinated bank note has a fixed rate of 7.875% and matures in 2010. Interest is paid semi-annually. The subordinated bank note qualifies as "Tier 2" or supplementary capital for regulatory capital purposes.

The nonrecourse notes are reported net of prepaid interest and represent borrowings by the commercial leasing subsidiary from banks and other financial institutions. These notes have a weighted average interest rate of 8.40% at December 31, 2001 and are due in installments over varying periods through 2011. Lease financing receivables at least equal to the amount of the notes are pledged as collateral.

Scheduled maturities of long-term borrowings are: $356,579, $5,803, $4,230, and $565,240 for 2003 through 2006, respectively.

14. Shareholders' Equity

The Corporation has 5,000,000 shares of preferred stock authorized, of which the Board of Directors has designated 2,000,000 shares as Series A convertible, with a $100 value per share for conversion purposes. Series A is nonvoting preferred stock. The same cash dividends will be paid on Series A as would have been paid on the common stock exchanged for Series A. Except under limited circumstances, the holder may not sell, transfer or otherwise dispose of stock acquired by conversion, and then, only under prescribed conditions and subject to the Corporation's right of first refusal.

The holder has the option to convert Series A into common stock at the same ratio that the common stock was exchanged for Series A. During 1999, the holder of Series A converted 348,944 shares of Series A into 3,832,957 shares of common stock which were issued out of the Corporation's treasury common stock. This is a noncash transaction for purposes of the Consolidated Statements of Cash Flows. At December 31, 2001 and 2000, there were 336,370 shares of Series A outstanding which are convertible into 3,844,228 shares of common stock.

The preferred stock is treated as a common stock equivalent in all applicable per share calculations.

The Corporation sponsors a deferred compensation plan for its non-employee directors and the non-employee directors of its affiliates. Participants may elect to have their deferred fees used to purchase M&I common stock with dividend reinvestment. Such shares will be distributed to plan participants in accordance with the plan provisions. At December 31, 2001 and 2000, 301,693 and 288,858 shares of M&I common stock, respectively, were held in a grantor trust. The aggregate cost of such shares is included in Deferred Compensation as a reduction of shareholders' equity in the Consolidated Balance Sheets and amounted to $15,605 at December 31, 2001 and $14,940 at December 31, 2000.

In conjunction with previous acquisitions, the Corporation assumed certain deferred compensation and nonqualified retirement plans for former directors and executive officers of acquired companies. At December 31, 2001 and 2000, 81,987 and 93,552 common shares of M&I stock, respectively, were maintained in a grantor trust with such shares to be distributed to plan participants in accordance with the provisions of the plans. The aggregate cost of such shares of $3,264 and $3,731 at December 31, 2001 and 2000, respectively, is included in Deferred Compensation as a reduction of shareholders' equity in the Consolidated Balance Sheets.

The Corporation issues treasury common stock in conjunction with exercises of stock options and restricted stock, acquisitions, and conversions of convertible securities. Treasury shares are acquired from restricted stock forfeitures, shares tendered to cover tax withholding associated with stock option exercises and vesting of key restricted stock, mature shares tendered for stock option exercises in lieu of cash and open market purchases in accordance with approved share repurchase programs. The Corporation is currently authorized to repurchase up to 6.0 million shares per year. During 2001 and 2000, shares repurchased in accordance with the approved plan amounted to 4.7 million shares with an aggregate cost of $273.3 million in 2001 and 3.2 million shares with an aggregate cost of $156.3 million in 2000.

Federal banking regulatory agencies have established capital adequacy rules which take into account risk attributable to balance sheet assets and off-balance sheet activities. All banks and bank holding companies must meet a minimum total risk-based capital ratio of 8%. Of the 8% required, at least half must be comprised of core capital elements defined as "Tier 1" capital. The federal banking agencies also have adopted leverage capital guidelines which banking organizations must meet. Under these guidelines, the most highly rated banking organizations must meet a minimum leverage ratio of at least 3% "Tier 1" capital to total assets, while lower rated banking organizations must maintain a ratio of at least 4% to 5%. Failure to meet minimum capital requirements can initiate certain mandatory--and possibly additional discretionary--actions by regulators that, if undertaken, could have a direct material effect on the Consolidated Financial Statements.

At December 31, 2001 and 2000, the most recent notification from the Federal Reserve Board categorized the Corporation as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Corporation's category.

To be well capitalized under the regulatory framework, the "Tier 1" capital ratio must meet or exceed 6%, the total capital ratio must meet or exceed 10% and the leverage ratio must meet or exceed 5%.

The Corporation's risk-based capital and leverage ratios are as follows ($ in millions):

	Risk-Based Capital Ratios	
	As of December 31, 2001	As of December 31, 2000

	Amount	Ratio	Amount	Ratio
Tier 1 capital............................	$ 2,091.5	9.70%	$ 2,070.8	10.20%
Tier 1 capital adequacy minimum requirement	862.2	4.00	811.7	4.00
Excess....................................	$ 1,229.3	5.70%	$ 1,259.1	6.20%
Total capital.............................	$ 2,775.6	12.88%	$ 2,444.6	12.05%
Total capital adequacy minimum requirement.	1,724.3	8.00	1,623.5	8.00
Excess....................................	$ 1,051.3	4.88%	$ 821.1	4.05%
Risk-adjusted assets......................	$ 21,554.5		$ 20,293.6	

	Leverage Ratio			
	As of December 31, 2001		As of December 31, 2000	
	Amount	Ratio	Amount	Ratio
Tier 1 capital to adjusted total assets....	$ 2,091.5	7.93%	$ 2,070.8	8.25%
Minimum leverage adequacy requirement......	791.2-1,318.6	3.00-5.00	752.9-1,254.8	3.00-5.00
Excess....................................	$1,300.3 -772.9	4.93-2.93%	$1,317.9-816.0	5.25-3.25%
Adjusted average total assets.............	$ 26,371.4		$ 25,096.4	

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

All of the Corporation's banking subsidiaries' risk-based capital and leverage ratios meet or exceed the defined minimum requirements, and have been deemed well capitalized as of December 31, 2001 and 2000. The following table presents the risk-based capital ratios for the Corporation's lead banking subsidiary:

Subsidiary	Tier 1	Total	Leverage
M&I Marshall & Ilsley Bank			
December 31, 2001..	9.07%	12.30%	7.26%
December 31, 2000..	8.46	10.42	7.12

M&I Marshall & Ilsley Bank's risk-based capital ratios at December 31, 2000, have not been restated for the charter consolidations that occurred in the first and second quarters of 2001.

Banking subsidiaries are restricted by banking regulations from making dividend distributions above prescribed amounts and are limited in making loans and advances to the Corporation. At December 31, 2001, the retained earnings of subsidiaries available for distribution as dividends without regulatory approval was approximately $286.3 million.

15. Income Taxes

Total income tax expense for the years ended December 31, 2001, 2000, and 1999 was allocated as follows:

	2001	2000	1999
Income before income taxes and cumulative effect of changes in accounting principles	$163,124	$152,948	$173,428
Cumulative effect of changes in accounting principles	(235)	(1,532)	--
Shareholders' Equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(13,334)	(2,486)	(12,764)
Unrealized (losses) / gains on accumulated other comprehensive income	1,667	38,699	(51,376)
	$151,222	$187,629	$109,288

The current and deferred portions of the provision for income taxes were:

	2001	2000	1999
Current:			
Federal	$161,622	$115,789	$126,358
State	14,140	22,652	7,059
	175,762	138,441	133,417
Deferred:			
Federal	(8,039)	20,618	31,860
State	(4,599)	(6,111)	8,151
	(12,638)	14,507	40,011
Total provision for income taxes	$163,124	$152,948	$173,428

67

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

The following is a reconciliation between the amount of the provision for income taxes and the amount of tax computed by applying the statutory Federal income tax rate (35%):

	2001	2000	1999
Tax computed at statutory rates...............	$175,366	$164,623	$184,779
Increase (decrease) in taxes resulting from:			
Federal tax-exempt income....................	(19,855)	(19,428)	(18,145)
State income taxes, net of Federal tax benefit	6,202	10,824	10,050
Bank owned life insurance....................	(9,469)	(9,837)	(9,018)
Other..	10,880	6,766	5,762
Total provision for income taxes...........	$163,124	$152,948	$173,428

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

	2001	2000
Deferred tax assets:		
Deferred compensation......................................	$ 34,091	$ 29,356
Allowance for loan and lease losses.........................	108,535	93,507
Accrued postretirement benefits.............................	29,647	27,430
Conversion revenue deferred.................................	16,233	19,414
State NOLs...	61,561	48,926
Other..	71,598	41,385
Total deferred tax assets before valuation allowance.....	321,665	260,018
Valuation allowance..	(47,709)	(40,653)
Net deferred tax assets.................................	273,956	219,365
Deferred tax liabilities:		
Lease revenue reporting.....................................	166,675	134,373
Deferred expense, net of unearned income...................	59,826	61,647
Premises and equipment, principally due to depreciation......	9,880	12,216
Purchase accounting adjustments.............................	14,419	8,750
Accumulated other comprehensive income......................	21,926	20,259
Other..	40,569	38,859
Total deferred tax liabilities.........................	313,295	276,104
Net deferred tax liability.............................	$ 39,339	$ 56,739

The valuation allowance has been provided to reduce certain state deferred tax assets to the amount of tax benefit management believes it will more likely than not realize. At December 31, 2001 and 2000, the Corporation recognized $6,922 and $14,942, respectively of deferred tax assets related to state net operating losses that may be offset against future taxable income through 2016 and 2015, respectively. At December 31, 2001, the Corporation believes there is a greater than 50% chance that the carryforward may expire unused. However, as time passes the Corporation will be able to better assess the amount of tax benefit it will realize from using the carryforward. Accordingly, the tax benefit of the carryforward has been offset by a valuation allowance.

The amount of income tax (benefit)/expense related to net securities gains or losses amounted to $(3,201), $(9,512), and $3,292, in 2001, 2000, and 1999, respectively.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

16. Stock Option and Restricted Stock Plans

The Corporation has Executive Stock Option and Restricted Stock Plans which provide for the grant of nonqualified and incentive stock options, stock appreciation rights and rights to purchase restricted shares to key employees at prices ranging from not less than the par value of the common shares to the market value of the shares at the date of grant.

The nonqualified and incentive stock option plans generally provide for the grant of options to purchase shares of the Corporation's common stock for a period of ten years from the date of grant. Options granted generally become exercisable over a period of two or three years from the date of grant, however, options granted to directors of the Corporation vest immediately and options granted after 1996 provide accelerated or immediate vesting for grants to individuals who meet certain age and years of service criteria at the date of grant.

Activity relating to nonqualified and incentive stock options was:

	Number of Shares	Option Price Per Share	Weighted Average Exercise Price
Shares under option at December 31, 1998	6,249,935	$ 7.67-57.63	$33.38
Options granted........................	1,606,725	57.09-70.06	61.72
Options lapsed or surrendered...........	(81,789)	10.92-62.25	52.15
Options exercised......................	(967,557)	7.67-57.63	19.01
Shares under option at December 31, 1999	6,807,314	$ 7.68-70.06	$41.88
Options granted........................	1,756,350	41.52-62.19	44.26
Options lapsed or surrendered...........	(185,613)	13.38-67.00	48.72
Options exercised......................	(262,531)	7.68-57.00	19.95
Shares under option at December 31, 2000	8,115,520	$11.56-70.06	$42.95
Options granted........................	1,970,550	49.46-63.90	62.78
Options lapsed or surrendered...........	(218,151)	13.38-67.00	54.24
Options exercised......................	(1,116,787)	11.56-61.50	23.48
Shares under option at December 31, 2001	8,751,132	$12.40-70.06	$49.62

The range of options outstanding at December 31, 2001 were:

December 31, 2001, 2000, and 1999 ($000 except share data)

Price Range	Number of Shares Outstanding	Number of Shares Exercisable	Weighted-Average Exercise Price Outstanding	Weighted-Average Exercise Price Exercisable	Weighted-Average Remaining Contractual Life (In Years)
$12-25...	857,025	857,025	$20.20	$20.20	2.2
26-39...	899,103	899,103	29.58	29.58	4.5
40-52...	2,841,061	1,899,099	47.29	48.68	8.1
53-57...	822,263	800,363	56.92	57.00	6.0
58-62...	1,470,330	1,089,710	61.25	61.26	7.9
Over $62..	1,861,350	436,866	63.99	64.35	9.8
	8,751,132	5,982,166	$49.62	$46.28	7.3

Options exercisable at December 31, 2000 and 1999 were 5,986,582 and 5,031,588, respectively. The weighted average exercise price for options exercisable was $40.35 at December 31, 2000 and $35.96 at December 31, 1999.

Statement of Financial Accounting Standards No. 123 ("SFAS 123"), "Accounting for Stock-Based Compensation," establishes financial accounting and reporting standards for stock based employee compensation plans.

SFAS 123 defines a fair value based method of accounting for employee stock option or similar equity instruments. Under the fair value based method, compensation cost is measured at the grant date based on the fair value of the award using an option-pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option, the volatility of the underlying stock, expected dividends and the risk-free interest rate over the expected life of the option. The resulting compensation cost is recognized over the service period, which is usually the vesting period.

Compensation cost can also be measured and accounted for using the intrinsic value based method of accounting prescribed in Accounting Principles Board Opinion No. 25 ("APBO 25"), "Accounting for Stock Issued to Employees." Under the intrinsic value based method, compensation cost is the excess, if any, of the quoted market price of the stock at grant date or other measurement date over the amount paid to acquire the stock.

The largest difference between SFAS 123 and APBO 25 as it relates to the Corporation is the amount of compensation cost attributable to the Corporation's fixed stock option plans. Under APBO 25 no compensation cost is recognized for fixed stock option plans because the exercise price is equal to the quoted market price at the date of grant and therefore there is no intrinsic value. SFAS 123 compensation cost would equal the calculated fair value of the options granted.

As permitted by SFAS 123, the Corporation continues to measure compensation cost for such plans using the accounting method prescribed by APBO 25.

December 31, 2001, 2000, and 1999 ($000 except share data)

Had compensation cost for the Corporation's options granted after January 1, 1995 been determined consistent with SFAS 123, the Corporation's net income and earnings per share would have been reduced to the following pro forma amounts:

	2001	2000	1999
Net income:			
As reported............	$337,485	$315,123	$354,511
Pro forma..............	322,537	300,793	341,355
Basic earnings per share:			
As reported............	$ 3.20	$ 2.99	$ 3.32
Pro forma..............	3.05	2.85	3.20
Diluted earnings per share:			
As reported............	$ 3.09	$ 2.89	$ 3.14
Pro forma..............	2.97	2.78	3.03

The fair value of each option grant was estimated as of the date of grant using the Black-Scholes option pricing model. The resulting compensation cost was amortized over the vesting period

The grant date fair values and assumptions used to determine such value are as follows:

	2001	2000	1999
Weighted-average grant date fair value	$20.17	$13.82	$19.54
Assumptions:			
Risk-free interest rates..........	3.92-5.30%	5.14-6.79%	4.75-6.45%
Expected volatility...............	31.09-31.33%	24.36-31.33%	22.00-24.62%
Expected term (in years)..........	6.0	6.0	6.0
Expected dividend yield...........	2.13%	2.11%	1.56%

Activity relating to the Corporation's Restricted Purchase Rights was:

	December 31		
	2001	2000	1999
Restricted stock purchase rights outstanding--Beginning of Year..	--	--	--
Restricted stock purchase rights granted.................	40,000	8,000	21,000
Restricted stock purchase rights exercised...............	(40,000)	(8,000)	(21,000)

Restricted stock purchase rights outstanding--End of Year.	--	--	--
Weighted-average grant date market value..................	$ 55.94	$ 45.35	$ 64.41
Aggregate compensation expense............................	$ 934	$ 726	$ 534
Unamortized deferred compensation.........................	$ 2,972	$ 1,859	$ 2,387

Restrictions on stock issued pursuant to the exercise of stock purchase rights generally lapse within a seven year period. Accordingly, the compensation related to issuance of the rights is deferred and amortized over the vesting period. Unamortized deferred compensation is reflected as a reduction of shareholders' equity.

Shares reserved for the granting of options and stock purchase rights at December 31, 2001 were 3,414,414.

The Corporation also has a Long-term Incentive Plan. Under the plan, performance units may be awarded from time to time. Once awarded, additional performance units will be credited to each participant based on dividends paid by the Corporation on its common stock. At the end of a designated vesting period, participants will receive an amount equal to some percent (0%-275%) of the initial performance units credited plus those additional units credited as dividends based on the established performance criteria. Units awarded to certain executives of the Corporation were 58,100 in 2001, 46,850 in 2000, and 50,000 in 1999. The vesting period is three years from the date the performance units were awarded. At December 31, 2001, based on the performance criteria, approximately $3,820 would be due to the participants under the 1999 and 2000 awards. In addition, the amount payable to participants under the 1998 award, which was fully vested, was $9,340 at December 31, 2001.

17. Employee Retirement and Health Plans

The Corporation has a defined contribution retirement plan and an incentive savings plan for substantially all employees. The retirement plan provides for a guaranteed contribution to eligible participants equal to 2% of compensation. At the Corporation's option, a profit sharing amount may also be contributed and may vary from year to year up to a maximum of 6% of eligible compensation. Under the incentive savings plan, employee contributions up to 6% of eligible compensation are matched up to 50% by the Corporation based on the Corporation's return on equity as defined by the plan. Total expense relating to these plans was $39,942, $40,016, and $37,378 in 2001, 2000, and 1999, respectively.

The Corporation also has supplemental retirement plans to provide retirement benefits to certain of its key executives. Total expense relating to these plans amounted to $2,394 in 2001, $1,174 in 2000, and $174 in 1999.

The Corporation sponsors a defined benefit health plan that provides health care benefits to eligible current and retired employees. Eligibility for retiree benefits is dependent upon age, years of service, and participation in the health plan during active service. The plan is contributory and in 1997 the plan was amended. Employees hired or retained from mergers after September 1, 1997 will be granted access to the Corporation's plan upon retirement however, such retirees must pay 100% of the cost of health care benefits. The plan continues to contain other cost-sharing features such as deductibles and coinsurance. The plan is not funded.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

The changes during the year of the accumulated postretirement benefit obligation ("APBO") for retiree health benefits are as follows:

	2001	2000
APBO, beginning of year	$ 60,250	$46,867
Service cost	2,843	2,593
Interest cost on APBO	4,726	3,601
Actuarial losses	24,008	9,042
Change due to acquisitions/divestitures	356	--
Benefits paid	(2,564)	(1,853)
APBO, end of year	89,619	60,250
Unrecognized net (loss)/gain	(21,575)	2,432
Unrecognized prior service cost	1,380	1,584
Accrued postretirement benefit cost	$ 69,424	$64,266
Weighted average discount rate used in determining APBO	7.50%	8.00%

The assumed health care cost trend for 2002 was 6.00%. The rate was assumed to decrease gradually to 5.00% in 2006 and remain at that level thereafter.

Net periodic postretirement benefit cost for the years ended December 31, 2001, 2000, and 1999 includes the following components:

	2001	2000	1999
Service cost	$2,843	$2,593	$3,044
Interest on APBO	4,726	3,601	3,381
Net amortization and deferral	152	(944)	(157)
	$7,721	$5,250	$6,268

The assumed health care cost trend rate has a significant effect on the amounts reported for the health care plans. A one percentage point change on assumed health care cost trend rates would have the following effects:

	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	$ 1,311	$ (1,058)
Effect on postretirement benefit obligation	13,267	(11,133)

December 31, 2001, 2000, and 1999 ($000 except share data)

18. Financial Instruments with Off-Balance Sheet Risk

Financial instruments with off-balance sheet risk at December 31 were:

	2001	2000
Financial instruments whose amounts represent credit risk:		
Commitments to extend credit:		
To commercial customers..........................	$7,322,698	$6,397,068
To individuals....................................	2,007,197	1,778,514
Standby letters of credit, net of participations.......	976,438	606,539
Commercial letters of credit..........................	57,605	38,090
Mortgage loans sold with recourse......................	1,105	1,613

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates and may require payment of a fee. The majority of the Corporation's commitments to extend credit generally provide for the interest rate to be determined at the time the commitment is utilized. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

The Corporation evaluates each customer's credit worthiness on an individual basis. Collateral obtained, if any, upon extension of credit, is based upon management's credit evaluation of the customer. Collateral requirements and the ability to access collateral is generally similar to that required on loans outstanding as discussed in Note 7.

Standby and commercial letters of credit are contingent commitments issued by the Corporation to support the financial obligations of a customer to a third party. Standby letters of credit are issued to support public and private financing, and other financial or performance obligations of customers. Commercial letters of credit are issued to support payment obligations of a customer as buyer in a commercial contract for the purchase of goods. Letters of credit have maturities which generally reflect the maturities of the underlying obligations. The credit risk involved in issuing letters of credit is the same as that involved in extending loans to customers. If deemed necessary, the Corporation holds various forms of collateral to support letters of credit.

Certain mortgage loans sold to government agencies have limited recourse provisions.

19. Foreign Exchange Contracts

Foreign exchange contracts are commitments to purchase or deliver foreign currency at a specified exchange rate. The Corporation enters into foreign exchange contracts primarily in connection with trading activities to enable customers involved in international trade to hedge their exposure to foreign currency fluctuations and to minimize the Corporation's own exposure to foreign currency fluctuations resulting from the above. Foreign exchange contracts include such commitments as foreign currency spot, forward, future and, to a much lesser extent, option contracts. The risks in these transactions arise from the ability of the counterparties to perform under the terms of the contracts and the risk of trading in a volatile commodity. The Corporation actively monitors all transactions and positions against predetermined limits established on traders and types of currency to ensure reasonable risk taking.

The Corporation's market risk from unfavorable movements in currency exchange rates is minimized by essentially matching commitments to deliver foreign currencies with commitments to purchase foreign currencies.

73

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

At December 31, 2001, the Corporation's foreign currency position resulting from foreign exchange contracts by major currency was as follows ($000's US):

	Commitments To Deliver Foreign Exchange	Commitments To Purchase Foreign Exchange
Currency		
Euros	$180,895	$180,721
English Pound Sterling	80,183	79,894
Japanese Yen	71,895	71,788
Swiss Franc	30,188	30,159
Canadian Dollars	10,847	10,755
Norwegian Kroner	7,077	7,083
New Zealand Dollars	4,399	4,389
Swedish Kronor	3,351	3,323
Australian Dollars	1,220	1,207
All Other	354	385
Total	$390,409	$389,704
Average amount of contracts to deliver/purchase foreign exchange	$514,913	$514,172

These amounts do not represent the actual credit or market exposure.

20. Derivative Financial Instruments and Hedging Activities

Interest rate risk, the exposure of the Corporation's net interest income and net fair value of its assets and liabilities, to adverse movements in interest rates, is a significant market risk exposure that can have a material effect on the Corporation's financial position, results of operations and cash flows. The Corporation has policies to ensure that neither earnings nor fair value at risk exceed established guidelines and assesses these risks by continually identifying and monitoring changes in interest rates that may adversely impact expected future earnings and fair values.

The Corporation has designed strategies to confine these risks within the established limits and indentify appropriate risk/reward trade-offs in the financial structure of its balance sheet. These strategies include the use of derivative financial instruments to help achieve the desired balance sheet repricing structure while meeting the desired objectives of its customers.

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 December 31, 2001, interest rate swaps designated as trading consisted of $436.4 million in notional amount of receive-fixed/pay-floating with an aggregate positive fair value of $2.7 million and $422.1 million in notional amount of pay fixed/receive floating with an aggregate negative fair value of $2.9 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 Corporation has fixed rate callable CDs and fixed rate long-term debt which expose the Corporation to variability in fair values due to changes in market interest rates.

To limit the Corporation's exposure to changes in fair value due to changes in interest rates, the Corporation has entered into receive-fixed/pay-floating interest rate swaps with identical call features, thereby creating the effect of floating rate deposits and floating rate long-term debt. The Corporation has determined that the hedges on the long-term debt qualify for the special short-cut accounting prescribed by SFAS 133, resulting in no ineffectiveness.

The Corporation also has Agency collateralized mortgage backed investment securities designated as available for sale. The embedded prepayment options in the underlying mortgages expose the Corporation to variability in fair value in a changing interest rate environment. To limit its exposure to changes in fair value, the Corporation had designated purchased interest rate floors as a hedge against changes in fair value attributable to the embedded prepayment option.

During 2001, the Corporation sold the floors. The adjustment to the carrying amount of the hedged investment securities of $5.7 million is being accreted into earnings over the remaining life of the security using the interest method.

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

Fair Value Hedges
December 31, 2001

Hedged Item	Hedging Instrument	Notional Amount ($ in millions)	Fair Value ($ in millions)	Weighted Average Remaining Term (Years)
Callable CDs...........	Receive Fixed Swap	$ 65.0	$(0.1)	7.3
Medium Term Notes......	Receive Fixed Swap	190.0	1.4	4.7
Long-term Borrowings...	Receive Fixed Swap	200.0	17.2	24.9

The impact from fair value hedges to total net interest income for the year ended December 31, 2001 was a positive $14.8 million, of which $0.1 million was a result of ineffectiveness.

Cash Flow Hedges

The Corporation has variable rate loans and variable rate short-term borrowings which expose the Corporation to variability in interest payments due to changes in interest rates. The Corporation believes it is prudent to limit the variability of a portion of its interest receipts and payments. To meet this objective, the Corporation enters into various types of derivative financial instruments to manage fluctuations in cash flows

resulting from interest rate risk. At December 31, 2001, these instruments consisted of interest rate swaps. During 2001, the Corporation also employed an interest rate floor which expired at the end of the year.

The interest rate swaps change the variable-rate cash flow exposure on the loans and short-term borrowings to fixed-rate cash flows through the interest rate swaps.

The purchased interest rate floor protected the Corporation from decreases in interest rates that would result in decreased cash interest receipts from the variable rate loans. Under the agreement, the Corporation had the right to receive cash if interest rates decreased below a specified level.

Ineffectiveness arising from differences between the critical terms of the hedging instrument and hedged item are recorded in interest income or expense based on the transaction that gave rise to the ineffectiveness.

Changes in the fair value of the interest rate swaps or floor designated as cash flow hedges are reported in accumulated other comprehensive income. These amounts are subsequently reclassified to interest income or interest expense as a yield adjustment in the same period in which the related interest on the variable rate loans and short-term borrowings affects earnings.

The following table summarizes the Corporation's cash flow hedges at December 31, 2001.

Cash Flow Hedges
December 31, 2001

Hedged Item	Hedging Instrument	Notional Amount ($ in millions)	Fair Value ($ in millions)	Weighted Average Remaining Term (Years)
Variable Rate Loans	Receive Fixed Swap	$454.4	$ 12.2	1.4
Commercial Paper...	Pay Fixed Swap	200.0	(20.4)	4.9
Fed Funds Purchased	Pay Fixed Swap	650.0	(21.3)	3.0
FHLB Advances......	Pay Fixed Swap	310.0	(3.6)	4.6

The impact from cash flow hedges to total net interest income for the year ended December 31, 2001 was $12.1 million, of which $0.5 million was a result of ineffectiveness. The estimated reclass from accumulated other comprehensive income in the next twelve months is $27.6 million.

Credit risk arises from the potential failure of counterparties to perform in accordance with the terms of the contracts. The Corporation maintains risk management policies that define parameters of acceptable market risk within the framework of its overall asset/liability management strategies and monitor and limit exposure to credit risk. The Corporation believes its credit and settlement procedures serve to minimize its exposure to credit risk. Credit exposure resulting from derivative financial instruments is represented by their fair value amounts, increased by an estimate of potential adverse position exposure arising from changes over time in interest rates, maturities and other relevant factors. At December 31, 2001 the estimated credit exposure arising from derivative financial instruments was approximately $14.5 million.

For the years ended December 31, 2000 and 1999, the effect on net interest income resulting from derivative financial instruments was a negative $3.5 million and a positive $7.0 million, respectively.

21. Fair Value of Financial Instruments

The book values and estimated fair values for on and off-balance sheet financial instruments as of December 31, 2001 and 2000 are reflected below:

Balance Sheet Financial Instruments ($ in millions)

	2001		2000	
	Book Value	Fair Value	Book Value	Fair Value
Financial Assets:				
Cash and short-term investments..........	$ 1,605.4	$ 1,605.4	$ 908.2	$ 908.2

December 31, 2001, 2000, and 1999 ($000 except share data)

Trading securities......................	6.1	6.1	15.3	15.3
Investment securities available for sale.	3,383.6	3,383.6	4,735.7	4,735.7
Investment securities held to maturity...	1,032.1	1,050.0	1,112.5	1,124.8
Net loans and leases....................	19,027.2	19,754.7	17,352.0	17,877.1
Interest receivable.....................	137.8	137.8	211.1	211.1
Financial Liabilities:				
Deposits................................	16,493.0	16,624.3	19,248.6	19,496.3
Short-term borrowings...................	5,056.5	5,056.5	2,605.4	2,605.4
Long-term borrowings....................	2,360.9	2,680.8	1,130.6	1,252.8
Interest payable........................	97.5	97.5	203.5	203.5

Where readily available, quoted market prices are utilized by the Corporation. If quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The calculated fair value estimates, therefore, cannot be substantiated by comparison to independent markets and, in many cases, could not be realized upon immediate settlement of the instrument. SFAS 107 excludes certain financial instruments and all nonfinancial assets and liabilities from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the entire Corporation.

The following methods and assumptions are used in estimating the fair value for financial instruments.

Cash and Short-term Investments

The carrying amounts reported for cash and short-term investments approximates the fair values for those assets.

Trading and Investment Securities

Fair value is based on quoted market prices or dealer quotes where available. See Note 6, Securities, for additional information. Estimated fair values for residual interests in the form of interest-only strips from automobile loan securitizations are based on discounted cash analysis as described in Note 9.

Loans

Loans that reprice or mature within three months of December 31 were assigned fair values based on their book value. Market values were used on performing loans where available. Most remaining loan balances were assigned fair values based on a discounted cash flow analysis. The discount rate was based on the treasury yield curve, with rate adjustments for credit quality, cost and profit factors.

Deposits

The fair value for demand deposits or any interest bearing deposits with no fixed maturity date was considered to be equal to the carrying value. Time deposits with defined maturity dates were considered to have a fair value equal to the book value if the maturity date was within three months of December 31. The remaining time deposits were assigned fair values based on a discounted cash flow analysis using discount rates which approximate interest rates currently being offered on time deposits with comparable maturities.

Borrowings

Short-term borrowings are carried at cost which approximates fair value. Long-term debt was generally valued using a discounted cash flow analysis with a discount rate based on current incremental borrowing rates for similar types of arrangements or, if not readily available, based on a build up approach similar to that used for loans and deposits. Long-term borrowings include their related current maturities.

Off-Balance Sheet Financial Instruments ($ in millions)

Fair values of loan commitments and letters of credit have been estimated based on the equivalent fees, net of expenses, that would be charged for similar contracts and customers at December 31.

	2001	2000
Loan commitments....................	$5.6	$6.8
Letters of credit...................	6.2	4.8

See Note 18 for additional information on off-balance sheet financial instruments.

22. Business 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 Metavante Corporation ("Metavante") subsidiary, formerly the Data Services Division of the Corporation, was created on July 1, 2000. Certain assets and liabilities of the Data Services Division which represent the payment services or item processing line of business, were transferred to the Banking segment. Current year information and all prior periods presented have been restated for the transfer for the Banking segment and the Data Services Segment.

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. Intersegment revenues may be based on cost, current market prices or negotiated prices between the providers and receivers of services.

Based on the way the Corporation organizes its segments, the Corporation has determined that it has two reportable segments.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

Banking

Banking represents the aggregation of two separately chartered banks headquartered in Wisconsin, one federally chartered thrift headquartered in Nevada, an asset-based lending subsidiary headquartered in Minnesota and an operational support subsidiary which includes item processing as previously discussed. 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.

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)

2001	Commercial Banking	Retail Banking	Investments and Other	Total Banking
Revenue:				
Net interest income.........	$398.6	$353.2	$ 91.0	$ 842.8
Other revenue..............	82.0	96.3	143.1	321.4
Total revenues...........	$480.6	$449.5	$234.1	$1,164.2
Percent of total...............	41.3%	38.6%	20.1%	100.0%
Operating income...............	$207.5	$ 86.5	$ 81.1	$ 375.1
Percent of total...........	55.3%	23.1%	21.6%	100.0%
Return on tangible equity...	24.05%	15.54%		20.52%
2000				
Revenue:				
Net interest income.........	$352.8	$344.6	$(18.2)	$ 679.2
Other revenue..............	56.2	71.4	156.5	284.1
Total revenues...........	$409.0	$416.0	$138.3	$ 963.3
Percent of total...............	42.5%	43.2%	14.3%	100.0%
Operating income...............	$159.5	$ 98.5	$ 45.2	$ 303.2

Percent of total	52.6%	32.5%	14.9%	100.0%
Return on tangible equity	20.76%	19.08%		18.44%
1999				
Revenue:				
Net interest income	$337.0	$323.2	$ 40.6	$ 700.8
Other revenue	54.5	60.0	130.1	244.6
Total revenues	$391.5	$383.2	$170.7	$ 945.4
Percent of total	41.4%	40.5%	18.1%	100.0%
Operating income	$157.4	$ 94.1	$ 55.5	$ 307.0
Percent of total	51.3%	30.6%	18.1%	100.0%
Return on tangible equity	23.29%	20.29%		20.05%

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

Data Services--Metavante

Data Services includes Metavante as well as 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, Data Services derives revenue from the Corporation's credit card merchant operations. The majority of Data Services revenue is derived from internal and external processing.

All Others

M&I's primary other operating segments include 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 and Capital Markets Group provides venture capital and advisory services.

Total Revenues by type in All Others consist of the following ($ in millions):

	2001	2000	1999
Trust Services	$121.1	$120.1	$103.6
Residential Mortgage Banking	43.5	26.6	33.5

Capital Markets	13.1	22.7	16.8
Brokerage and Insurance	21.4	22.1	20.2
Commercial Leasing	13.2	10.3	10.9
Commercial Mortgage Banking	3.1	2.2	1.6
Others	5.7	6.6	6.4
Total	$221.1	$210.6	$193.0

80

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

The following represents the Corporation's operating segments as of and for the years ended December 31, 2001, 2000 and 1999. Intrasegment revenues, expenses and assets have been eliminated.

	Year Ended December 31, 2001 ($ in millions)						
	Banking	Metavante	Others	Corporate Overhead	Reclass-ifications Elim-inations	Consol-idated Operating Income	Non-Operat Charg
Net Interest Income	$ 842.8	$ (3.7)	$ 27.4	$ (23.7)	$ --	$ 842.8	$
Fees-unaffiliated customers	287.9	557.6	171.7	2.7	(1.0)	1,018.9	(16
Fees-affiliated customers	33.5	61.4	22.0	--	(116.9)	--	
Total revenue	1,164.2	615.3	221.1	(21.0)	(117.9)	1,861.7	(16
Expenses-unaffiliated customers	481.1	518.1	111.8	87.2	(0.7)	1,197.5	93
Expenses-affiliated customers	75.5	17.0	29.8	(5.1)	(117.2)	--	
Total expenses	556.6	535.1	141.6	82.1	(117.9)	1,197.5	93
Provision for loan and lease losses	51.9	--	2.2	--	--	54.1	
Operating income before taxes	555.7	80.2	77.3	(103.1)	--	610.1	(109
Income tax expense	180.6	33.1	29.3	(38.5)	--	204.5	(41
Operating income	$ 375.1	$ 47.1	$ 48.0	$ (64.6)	$ --	$ 405.6	$ (67
Identifiable assets	$26,256.7	$754.6	$832.1	$ 359.4	$(949.1)	$27,253.7	$
Depreciation and amortization	$ (15.7)	$ 92.7	$(19.5)	$ 4.4	$ --	$ 61.9	$
Purchase of premises and equipment, net	$ 21.1	$ 18.3	$ 1.5	$ 3.7	$ --	$ 44.6	$
Return on Average Tangible Equity	20.52%	23.76%	19.08%			20.90%	

Return on Average Equity.....	17.25%	16.39%	18.93%			16.70%	

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

	Year Ended December 31, 2000 ($ in millions)						
	Banking	Metavante	Others	Corporate Overhead	Reclass-ifications Elim-inations	Consol-idated Operating Income	Non-Operat Charg
Net Interest Income..........	$ 679.2	$ (2.8)	$ 21.4	$(24.8)	$ --	$ 673.0	$ -
Fees-unaffiliated customers...................	262.2	542.5	175.0	3.9	0.1	983.7	(50.
Fees-affiliated customers....	21.9	64.0	14.2	0.1	(100.2)	--	-
Total revenue................	963.3	603.7	210.6	(20.8)	(100.1)	1,656.7	(50.
Expenses-unaffiliated customers...................	431.7	499.6	105.5	55.1	(3.2)	1,088.7	16.
Expenses-affiliated customers	61.9	8.6	28.3	(1.9)	(96.9)	--	-
Total expenses...............	493.6	508.2	133.8	53.2	(100.1)	1,088.7	16.
Provision for loan and lease losses......................	29.9	--	0.5	--	--	30.4	-
Operating income before taxes.......................	439.8	95.5	76.3	(74.0)	--	537.6	(67.
Income tax expense...........	136.6	39.6	30.4	(30.6)	--	176.0	(23.
Operating income.............	$ 303.2	$ 55.9	$ 45.9	$(43.4)	$ --	$ 361.6	$(44.
Identifiable assets..........	$24,874.9	$636.3	$634.4	$241.7	$(309.6)	$26,077.7	$ -
Depreciation and amortization	$ (3.0)	$ 86.6	$(18.6)	$ 4.2	$ --	$ 69.2	$ -
Purchase of premises and equipment, net..............	$ 28.9	$ 45.9	$ 2.8	$ 1.2	$ --	$ 78.8	$ -
Return on Average Tangible Equity............	18.44%	29.00%	20.62%			20.78%	
Return on Average Equity.....	15.33%	21.52%	20.45%			16.84%	

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

Year Ended December 31, 1999 ($ in millions)

	Banking	Metavante	Others	Corporate Overhead	Reclass-ifications Elim-inations	Consol-idated Operating Income	Non-Operating Charges	Cons I B Acc C
Net Interest Income..	$ 700.8	$ (4.1)	$ 22.8	$(14.2)	$ --	$ 705.3	$ --	$
Fees-unaffiliated customers...........	228.1	492.7	152.4	9.8	--	883.0	--	
Fees-affiliated customers...........	16.5	56.1	17.8	0.1	(90.5)	--	--	
Total revenue........	945.4	544.7	193.0	(4.3)	(90.5)	1,588.3	--	1
Expenses-unaffiliated customers...........	403.4	469.4	101.6	62.4	(1.8)	1,035.0	--	1
Expenses-affiliated customers...........	61.4	3.5	26.2	(2.4)	(88.7)	--	--	
Total expenses.......	464.8	472.9	127.8	60.0	(90.5)	1,035.0	--	1
Provision for loan and lease losses....	25.0	--	0.4	--	--	25.4	--	
Operating income before taxes........	455.6	71.8	64.8	(64.3)	--	527.9	--	
Income tax expense...	148.6	31.5	25.6	(32.3)	--	173.4	--	
Operating income.....	$ 307.0	$ 40.3	$ 39.2	$(32.0)	$ --	$ 354.5	$ --	$
Identifiable assets..	$23,128.0	$475.1	$651.6	$174.6	$(59.6)	$24,369.7	$ --	$24
Depreciation and amortization........	$ 26.9	$ 73.8	$(18.2)	$ 3.7	$ --	$ 86.2	$ --	$
Purchase of premises and equipment, net..	$ 28.3	$ 35.2	$ 2.3	$ 1.1	$ --	$ 66.9	$ --	$
Return on Average Tangible Equity.....	20.05%	21.93%	18.88%			20.49%		
Return on Average Equity.............	16.30%	15.52%	18.71%			16.32%		

Nonrecurring charges in 2001 reflect one-time charges related to changes and acquisitions at the Corporation's Metavante subsidiary, auto lease residual write-downs and charges associated with completing the consolidation of M&I's banking charters.

Nonrecurring charges in 2000 reflect one-time charges related to the Corporation's Metavante subsidiary IPO, losses from the sale of available for sale investment securities and loans as part of the Corporation's balance sheet management and charges associated with the consolidation of banking charters.

December 31, 2001, 2000, and 1999 ($000 except share data)

23. Condensed Financial Information--Parent Corporation Only

On July 1, 2000, the Corporation contributed certain assets and liabilities of its Data Services division as well as its investment in two related nonbank subsidiaries into a new subsidiary, Metavante, and contributed the remainder of the division's assets and liabilities (consisting of the payment services or item processing business) to its banking support subsidiary. These are noncash transactions for purposes of the Condensed Statements of Cash Flows. The Condensed Statements of Income reflect the operating activity of the Data Services division through the six months ended June 30, 2000.

Condensed Balance Sheets
December 31

	2001	2000
Assets		
Cash and cash equivalents	$ 258,671	$ 145,480
Indebtedness of nonbank affiliates	396,834	249,408
Investments in affiliates:		
Banks	2,249,278	2,062,316
Nonbanks	586,655	558,278
Premises and equipment, net	8,447	7,281
Other assets	120,640	115,222
Total assets	$3,620,525	$3,137,985
Liabilities and Shareholders' Equity		
Commercial paper issued	$ 335,342	$ 322,161
Other liabilities	174,015	137,595
Long-term borrowings:		
7.65% Junior Subordinated Deferrable Interest Debentures due to M&I Capital Trust A	205,379	205,346
Other	412,821	230,694
Total long-term borrowings	618,200	436,040
Total liabilities	1,127,557	895,796
Shareholders' equity	2,492,968	2,242,189
Total liabilities and shareholders' equity	$3,620,525	$3,137,985

Scheduled maturities of long-term borrowings are $48,450 in 2002, $113,000 in 2003, $1,000 in 2004, $500 in 2005, and $250,000 in 2006. See Note 13 for a description of the junior subordinated debt due to M&I Capital Trust A.

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

Condensed Statements of Income
Years Ended December 31

	2001	2000	
Income			
Cash dividends:			
Bank affiliates	$345,900	$117,812	$1
Nonbank affiliates	75,713	22,961	
Interest from affiliates	19,978	30,320	
Data processing income	--	304,365	5
Service fees and other	57,632	67,794	
Total income	499,223	543,252	8
Expense			
Interest	43,758	57,409	
Salaries and employee benefits	46,018	186,075	3
Administrative and general	36,411	128,653	2
Single Charter	4,695	2,960	
Total expense	130,882	375,097	5
Income before income taxes, cumulative effect of changes in accounting principles and equity in undistributed net income of affiliates	368,341	168,155	3
Provision (benefit) for income taxes	(17,800)	10,893	
Income before cumulative effect of changes in accounting principles and equity in undistributed net income of affiliates	386,141	157,262	2
Cumulative effect of changes in accounting principles, net of income taxes	--	(2,279)	
Income before equity in undistributed net income of affiliates	386,141	154,983	2
Equity in undistributed net income of affiliates, net of dividends paid:			
Banks	(16,724)	113,368	1
Nonbanks	(31,932)	46,772	(
Net income	$337,485	$315,123	$3

Notes to Consolidated Financial Statements--(Continued)

December 31, 2001, 2000, and 1999 ($000 except share data)

Condensed Statements of Cash Flows
Years Ended December 31

	2001	2000
Cash Flows From Operating Activities		
Net income	$ 337,485	$ 315,123
Noncash items included in income:		
Equity in undistributed net loss (income) of affiliates	48,656	(160,140)
Depreciation and amortization	4,691	35,526
Other	20,399	(26,682)
Net cash provided by operating activities	411,231	163,827
Cash Flows From Investing Activities		
Increases in indebtedness of affiliates	(3,207,948)	(1,906,477)
Decreases in indebtedness of affiliates	3,114,987	2,125,433
Increases in investments in affiliates	(24,600)	(36,177)
Net capital expenditures	(3,376)	(19,500)
Acquisitions accounted for as purchases, net of cash equivalents acquired and investments	35,018	--
Other	(9)	(5,993)
Net cash (used in) provided by investing activities	(85,928)	157,286
Cash Flows From Financing Activities		
Dividends paid	(122,777)	(111,379)
Proceeds from issuance of commercial paper	3,472,573	3,190,712
Principal payments on commercial paper	(3,499,459)	(3,115,064)
Proceeds from issuance of long-term debt	250,000	1,000
Payments on long-term debt	(67,950)	(23,561)
Purchase of common stock	(267,438)	(156,319)
Proceeds from exercise of stock options	23,630	5,241
Other	(691)	(113)
Net cash used in financing activities	(212,112)	(209,483)
Net increase (decrease) in cash and cash equivalents	113,191	111,630
Cash and cash equivalents, beginning of year	145,480	33,850
Cash and cash equivalents, end of year	$ 258,671	$ 145,480

86

Quarterly Financial Information (Unaudited)

Following is unaudited financial information for each of the calendar quarters during the years ended December 31, 2001 and 2000.

	Quarter Ended			
	Dec. 31	Sept. 30	June 30	March 31

2001				
Total Interest Income	$401,974	$423,252	$431,447	$452,434
Net Interest Income	237,288	218,478	201,234	185,779
Provision for Loan and Lease Losses	20,109	12,206	10,737	11,063
Income before Income Taxes and Change in Accounting	162,168	122,158	85,818	130,901
Income before Change in Accounting	108,321	83,315	59,683	86,602
Change in Accounting, Net of Income Taxes	--	--	--	(436)
Net Income	108,321	83,315	59,683	86,166
Net Income Per Share:*				
Basic Before Change in Accounting	$ 1.02	$ 0.78	$ 0.57	$ 0.83
Basic	1.02	0.78	0.57	0.83
Diluted Before Change in Accounting	0.98	0.75	0.55	0.80
Diluted	0.98	0.75	0.55	0.80
2000				
Total Interest Income	$457,503	$443,265	$432,589	$414,625
Net Interest Income	174,765	164,065	165,055	169,121
Provision for Loan and Lease Losses	8,979	5,938	9,616	5,819
Income before Income Taxes and Change in Accounting	125,104	74,634	133,882	136,730
Income before Change in Accounting	84,330	51,610	90,747	90,715
Change in Accounting, Net of Income Taxes	--	--	--	(2,279)
Net Income	84,330	51,610	90,747	88,436
Net Income Per Share:*				
Basic Before Change in Accounting	$ 0.80	$ 0.49	$ 0.86	$ 0.86
Basic	0.80	0.49	0.86	0.84
Diluted Before Change in Accounting	0.78	0.47	0.83	0.83
Diluted	0.78	0.47	0.83	0.81

----
*May not add due to rounding

	2001	2000	1999	1998	1997
Common Dividends Declared					
First Quarter	$0.265	$0.240	$0.220	$0.200	$0.185
Second Quarter	0.290	0.265	0.240	0.220	0.200
Third Quarter	0.290	0.265	0.240	0.220	0.200
Fourth Quarter	0.290	0.265	0.240	0.220	0.200
	$1.135	$1.035	$0.940	$0.860	$0.785

Price Range of Stock
(Low and High Close)

	2001	2000	1999	1998	1997
First Quarter					
Low	$48.04	$43.88	$55.38	$53.25	$32.75

High	55.20	60.44	59.25	59.50	40.25
Second Quarter					
Low	48.91	41.52	54.75	50.44	35.06
High	54.35	55.31	71.94	61.63	42.50
Third Quarter					
Low	50.99	43.56	55.88	44.00	40.88
High	59.56	51.63	69.75	59.00	52.63
Fourth Quarter					
Low	52.66	38.63	57.81	40.50	50.06
High	64.12	51.49	69.31	58.44	62.13

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Shareholders and the Board of Directors of Marshall & Ilsley Corporation:

We have audited the accompanying consolidated balance sheets of Marshall & Ilsley Corporation (a Wisconsin corporation) and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, shareholders' equity and cash flows for the years ended December 31, 2001, 2000 and 1999. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Marshall & Ilsley Corporation and subsidiaries as of December 31, 2001 and 2000, and the results of their operations and their cash flows for the years ended December 31, 2001, 2000 and 1999, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 2 to the Consolidated Financial Statements, effective January 1, 2001, the Corporation changed its method of accounting for derivative instruments.

As discussed in Note 2 to the Consolidated Financial Statements, effective January 1, 2000, the Corporation changed its method of accounting for certain conversion services.

/s/ ARTHUR ANDERSEN LLP

Milwaukee, Wisconsin,
January 17, 2002

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

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 23, 2002, except for information as to executive officers which is set forth in Part I of this report.

ITEM 11. EXECUTIVE COMPENSATION

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 23, 2002.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 23, 2002.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated herein by reference to M&I's definitive proxy statement for the Annual Meeting of Shareholders to be held on April 23, 2002.

PART IV

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

(a) 1. Financial Statements

Consolidated Financial Statements:
- Balance Sheets--December 31, 2001 and 2000
- Statements of Income--years ended December 31, 2001, 2000 and 1999
- Statements of Cash Flows--years ended December 31, 2001, 2000 and 1999
- Statements of Shareholders' Equity--years ended December 31, 2001, 2000 and 1999
- Notes to Consolidated Financial Statements
- Quarterly Financial Information (Unaudited)
- Report of Independent Public Accountants

2. Financial Statement Schedules

All schedules are omitted because they are not required, not applicable or the required information is contained elsewhere.

3. Exhibits

See Index to Exhibits of this Form 10-K which is incorporated herein by reference.

(b) Reports on Form 8-K

Not applicable.

SIGNATURES

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

MARSHALL & ILSLEY CORPORATION

By: /s/ DENNIS J. KUESTER

Dennis J. Kuester
Chief Executive Officer, President
and a Director

Date: March 6, 2002

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

/s/ MARK F. FURLONG

Mark F. Furlong
Executive Vice President, Chief
Financial Officer and Secretary
(Principal Financial Officer) Date: March 6, 2002

/s/ PATRICIA R. JUSTILIANO

Patricia R. Justiliano
Senior Vice President and
Corporate Controller
(Principal Accounting Officer) Date: March 6, 2002

Directors: Richard A. Abdoo, David L. Andreas, Oscar C. Boldt, Wendell F. Bueche, Jon F. Chait, Timothy E. Hoeksema, Bruce E. Jacobs, Burleigh E. Jacobs, Donald R. Johnson, Ted D. Kellner, James A. Kress, Dennis J. Kuester, Katharine C. Lyall, Edward L. Meyer, Jr., San W. Orr, Jr., Peter M. Platten, III, Robert A. Schaefer, John S. Shiely, James A. Urdan, George E. Wardeberg and James B. Wigdale.

By /s/ MARK F. FURLONG Date: March 6, 2002

Mark F. Furlong
As Attorney-In-Fact*

----

* Pursuant to authority granted by powers of attorney, copies of which are filed herewith.

MARSHALL & ILSLEY CORPORATION

INDEX TO EXHIBITS
(Item 14(a)3)

ITEM

(3) (a) Restated Articles of Incorporation, as amended, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, SEC File No. 1-15403

(b) By-laws, as amended, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000, SEC File No. 1-15403

(4) (a) Indenture between M&I and Chemical Bank (as successor to Manufacturers Hanover Trust Company) dated as of November 15, 1985 ("Senior Indenture"), incorporated by reference to M&I's Registration Statement on Form S-3 (Registration No. 33-21377), as supplemented by the First Supplemental Indenture to the Senior Indenture dated as of May 31, 1990, incorporated by reference to M&I's Current Report on Form 8-K dated May 31, 1990, and as supplemented by the Second Supplemental Indenture to the Senior Indenture dated as of July 15, 1993, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, SEC File No. 1-15403

(b) Form of Medium Term Notes, Series C, Series D and Series E issued pursuant to the Senior Indenture, included in Exhibit 4(a)

(c) Indenture between M&I and Chemical Bank dated as of July 15, 1993 ("Subordinated Indenture"), incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended June 30, 1993, SEC File No. 1-15403

(d) Form of Subordinated Note issued pursuant to the Subordinated Indenture, included in Exhibit 4(c)

(e) Designation of Rights and Preferences of holders of Series A Preferred Stock, incorporated by reference to M&I's Current Report on Form 8-K dated May 20, 1985, SEC File No. 1-15403

(f) Amended and Restated Declaration of Trust dated as of December 9, 1996 among Marshall & Ilsley Corporation, as Sponsor, The Chase Manhattan Bank, as Institutional Trustee, Chase Manhattan Bank Delaware, as Delaware Trustee, the Regular Trustees identified thereon, and the holders from time to time of undivided interests in the assets of the Trust, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809

(g) Indenture, dated as of December 9, 1996, between Marshall & Ilsley Corporation and The Chase Manhattan Bank, as Indenture Trustee, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809

(h) First Supplemental Indenture, dated as of December 9, 1996, between Marshall & Ilsley Corporation and The Chase Manhattan Bank, as Indenture Trustee, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809

(i) Form of Capital Security Certificate for M&I Capital Trust A, included as Exhibit A-2 to Exhibit 4(h)

(j) Capital Securities Guarantee Agreement, dated as of December 9, 1996, between Marshall & Ilsley Corporation and The Chase Manhattan Bank, as Guarantee Trustee, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809

(k) Registration Rights Agreement dated December 2, 1996, by and among

Marshall & Ilsley Corporation, M&I Capital Trust A and Salomon Brothers Inc, as Representative of the Initial Purchasers, incorporated by reference to M&I's Registration Statement on Form S-4 dated January 15, 1997, SEC Reg. No. 333-19809

(l) Form of Subordinated Debt Security, included as part of Exhibit 4(j)

92

(m) Issuing and Paying Agency Agreement, dated as of September 17, 1999, between M&I Marshall & Ilsley Bank, M&I Bank of Southern Wisconsin, M&I Bank Northeast, M&I Bank Fox Valley, M&I Thunderbird Bank, M&I Bank South, M&I Mid-State Bank and M&I Community State Bank and The Chase Manhattan Bank, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, SEC File No. 1-15403

(10) (a) 1983 Executive Stock Option and Restricted Stock Plan, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, SEC File No. 1-15403*

(b) 1985 Executive Stock Option and Restricted Stock Plan, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1987, SEC File No. 1-15403*

(c) M&I Marshall & Ilsley Bank Supplementary Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1983, SEC File No. 1-15403*

(d) Deferred Compensation Trust between Marshall & Ilsley Corporation and Bessemer Trust Company dated April 28, 1987, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, SEC File No. 1-15403*

(e) 1989 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1988, as amended by M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1990, SEC File No. 1-15403*

(f) Marshall & Ilsley Corporation Supplemental Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, SEC File No. 1-15403*

(g) Marshall & Ilsley Trust Company Supplemental Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1991, SEC File No. 1-15403*

(h) Marshall & Ilsley Corporation 1993 Executive Stock Option Plan, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1995, SEC File No. 1-15403.*

(i) Marshall & Ilsley Corporation 1995 Directors Stock Option Plan, incorporated by reference to M&I's Proxy Statement for the 1995 Annual Meeting of Shareholders, SEC File No. 1-15403*

(j) Marshall & Ilsley Corporation Assumption Agreement dated May 31, 1994 assuming rights, obligations and interests of Valley Bancorporation under various stock option plans, incorporated by reference to M&I's Registration Statement on Form S-8 (Reg. No. 33-53897)*

(k) Valley Bancorporation 1992 Outside Directors' Stock Option Plan, incorporated by reference to the Valley 1992 Proxy Statement*

(l) Employment agreement between M&I and Mr. Peter M. Platten, III, incorporated by reference to M&I's Registration Statement on Form S-4 (Reg. No. 33-51753)*

(m) Letter agreement dated January 25, 1994 between Valley Bancorporation and Mr. Peter M. Platten, III incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1994, SEC File No. 1-15403*

(n) Marshall & Ilsley Corporation 1997 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Proxy Statement for the 1997 Annual Meeting of Shareholders*

(o) Marshall & Ilsley Corporation Executive Deferred Compensation Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-15403*

(p) Deferred Compensation Trust II between Marshall & Ilsley Corporation and Marshall & Ilsley Trust Company, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-15403*

(q) Marshall & Ilsley Corporation Annual Executive Incentive Compensation Plan, incorporated by reference to M&I's Proxy Statement for the 1997 Annual Meeting of Shareholders*

(r) Marshall & Ilsley Corporation Amended and Restated Supplementary Retirement Benefits Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1996, SEC File No. 1-15403*

(s) Security Capital Corporation 1993 Incentive Stock Option Plan, incorporated by reference to M&I's Registration Statement on Form S-8 (Reg. No. 333-36909)*

(t) Security Bank S.S.B. Deferred Compensation Plans for Key Executive Officers and Directors, incorporated by reference to Security Capital Corporation's Registration Statement on Form S-1 (Reg. No. 33-68982)*

(u) Security Bank S.S.B. Supplemental Pension Plan, incorporated by reference to Security Capital Corporation's Registration Statement on Form S-1 (Reg. No. 33-68982)*

(v) Directors Deferred Compensation Plan, incorporated by reference to M&I's Proxy Statement for the 1998 Annual Meeting of Shareholders*

(w) Marshall & Ilsley Corporation 1994 Long-Term Incentive Plan for Executives, as amended, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 1997, SEC File No. 1-15403*

(x) Marshall & Ilsley Corporation Amended and Restated Executive Deferred Compensation Plan, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403*

(y) Marshall & Ilsley Corporation Amended and Restated 1997 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403*

(z) Marshall & Ilsley Corporation Amended and Restated 1994 Long-Term Incentive Plan for Executives, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403*

(aa) Marshall & Ilsley Corporation Amended and Restated Annual Executive Incentive Compensation Plan, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 1999, SEC File No. 1-15403*

(bb) Marshall & Ilsley Corporation 2000 Executive Stock Option and Restricted Stock Plan, incorporated by reference to M&I's Proxy Statement for the 2000 Annual Meeting of Shareholders*

(cc) Early Retirement and Consulting Agreements dated as of September 18, 2000 between Marshall & Ilsley Corporation and G.H. Gunnlaugsson, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000, SEC File No. 1-15403*

(dd) Form of Change of Control Agreements between M&I and Messrs. Wigdale, Kuester, Bolger and Delgadillo, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, SEC File No. 1-15403*

(ee) Form of Change of Control Agreements between M&I and Ms. Justiliano and Messrs. O'Neill, Renard, Roberts, Root, Sherman, Williams and Wilson, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, SEC File No. 1-15403*

94

(ff) Amended and Restated Marshall & Ilsley Corporation Nonqualified Retirement Benefit Plan, incorporated by reference to M&I's Annual Report on Form 10-K for the fiscal year ended December 31, 2000, SEC File No. 1-15403*

(gg) Change of Control Agreement, dated April 16, 2001, between M&I and Mr. Furlong, incorporated by reference to M&I's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001, SEC File No. 1-15403*

(hh) Letter Agreement and Consulting and Noncompetition Agreement, dated October 18, 2001, between M&I and Mr. Andreas*

(ii) Change of Control Agreement, dated January 10, 2001, between M&I and Mr. Hogan*

(11) Computation of Net Income Per Common Share, incorporated by reference to Note 3 of Notes to Consolidated Financial Statements included in Item 8, Consolidated Financial Statements

(12) Computation of Ratio of Earnings to Fixed Charges

(21) Subsidiaries

(23) Consent of Arthur Andersen LLP

(24) Powers of Attorney

M&I will provide a copy of any instrument defining the rights of holders of long-term debt to the Commission upon request.

----

* Management contract or compensatory plan or arrangement.