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MARSHALL & ILSLEY CORP/WI/

Form 10-Q

August 09, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2005

OR

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

For the transition period from _____ to _____

Commission file number 1-15403

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

Wisconsin
(State or other jurisdiction of
Incorporation or organization)

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

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

53202
(Zip Code)

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

None
(Former name, former address and former fiscal year,
if changed since last report)

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

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Exchange Act).

Yes No

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

Class Outstanding at
July 31, 2005

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Common Stock, \$1.00 Par Value

232,803,375

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

| | June 30, 2005 | December 31, 2004 | June 20 |
|--|------------------|----------------------|------------|
| | ----- | ----- | ----- |
| Assets | | | |
| ----- | | | |
| Cash and cash equivalents: | | | |
| Cash and due from banks | \$ 976,073 | \$ 838,668 | \$ 82 |
| Federal funds sold and security resale agreements | 217,139 | 72,515 | 25 |
| Money market funds | 51,410 | 76,955 | 5 |
| | ----- | ----- | ----- |
| Total cash and cash equivalents | 1,244,622 | 988,138 | 1,13 |
| Investment securities: | | | |
| Trading securities, at market value | 22,539 | 18,418 | 2 |
| Interest bearing deposits at other banks | 14,362 | 23,105 | 2 |
| Available for sale, at market value | 5,572,628 | 5,358,999 | 5,14 |
| Held to maturity, market value \$698,534 (\$765,101 December 31, and \$802,354 June 30, 2004) | 668,107 | 726,386 | 76 |
| | ----- | ----- | ----- |
| Total investment securities | 6,277,636 | 6,126,908 | 5,96 |
| Loans held for sale | 193,092 | 81,662 | 8 |
| Loans and leases: | | | |
| Loans and leases, net of unearned income | 31,952,759 | 29,455,110 | 27,11 |
| Less: Allowance for loan and lease losses | 360,138 | 358,110 | 35 |
| | ----- | ----- | ----- |
| Net loans and leases | 31,592,621 | 29,097,000 | 26,75 |
| Premises and equipment, net | 448,730 | 467,225 | 43 |
| Goodwill and other intangibles | 2,159,624 | 2,126,433 | 1,26 |
| Accrued interest and other assets | 1,567,395 | 1,550,036 | 1,42 |
| | ----- | ----- | ----- |
| Total Assets | \$ 43,483,720 | \$ 40,437,402 | \$ 37,07 |
| | ===== | ===== | ===== |
| Liabilities and Shareholders' Equity | | | |
| ----- | | | |
| Deposits: | | | |
| Noninterest bearing | \$ 5,088,947 | \$ 4,888,426 | \$ 4,70 |
| Interest bearing | 20,972,493 | 21,566,661 | 20,51 |
| | ----- | ----- | ----- |
| Total deposits | 26,061,440 | 26,455,087 | 25,22 |
| Federal funds purchased and security repurchase agreements | 1,705,817 | 1,488,855 | 1,26 |
| Other short-term borrowings | 3,456,383 | 2,041,181 | 2,29 |
| Accrued expenses and other liabilities | 1,576,211 | 1,535,866 | 1,14 |

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| | | | |
|---|---------------|---------------|----------|
| Long-term borrowings | 6,470,684 | 5,026,599 | 3,70 |
| Total liabilities | 39,270,535 | 36,547,588 | 33,63 |
| Shareholders' equity: | | | |
| ----- | | | |
| Series A convertible preferred stock, \$1.00 par value; 2,000,000 shares authorized | -- | -- | |
| Common stock, \$1.00 par value; 244,432,222 shares issued (244,432,222 shares at December 31, 2004 and 240,832,522 shares at June 30, 2004) | 244,432 | 244,432 | 24 |
| Additional paid-in capital | 676,386 | 671,815 | 54 |
| Retained earnings | 3,763,977 | 3,508,477 | 3,27 |
| Accumulated other comprehensive income, net of related taxes | 15,508 | 23,338 | (5 |
| Less: Treasury stock, at cost: 14,782,208 shares (17,091,528 December 31, and 18,056,286 June 30, 2004) | 448,212 | 518,231 | 54 |
| Deferred compensation | 38,906 | 40,017 | 2 |
| Total shareholders' equity | 4,213,185 | 3,889,814 | 3,43 |
| Total Liabilities and Shareholders' Equity | \$ 43,483,720 | \$ 40,437,402 | \$ 37,07 |
| | ===== | ===== | ===== |

See notes to financial statements.

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

| | Three Months Ended June 30, | |
|-------------------------------------|--------------------------------|------------|
| | 2005 | 2004 |
| | ----- | ----- |
| Interest income | | |
| ----- | | |
| Loans and leases | \$ 461,532 | \$ 334,525 |
| Investment securities: | | |
| Taxable | 53,265 | 48,623 |
| Exempt from federal income taxes | 16,103 | 14,422 |
| Trading securities | 47 | 55 |
| Short-term investments | 2,294 | 404 |
| Total interest income | 533,241 | 398,029 |
| Interest expense | | |
| ----- | | |
| Deposits | 122,803 | 57,999 |
| Short-term borrowings | 28,391 | 14,260 |
| Long-term borrowings | 77,284 | 41,762 |
| Total interest expense | 228,478 | 114,021 |
| Net interest income | 304,763 | 284,008 |
| Provision for loan and lease losses | 13,725 | 9,227 |

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| | | |
|--|------------|------------|
| Net interest income after provision for loan and lease losses | 291,038 | 274,781 |
| Other income | | |
| ----- | | |
| Data processing services | 271,664 | 197,344 |
| Item processing | 10,716 | 10,902 |
| Trust services | 41,107 | 37,922 |
| Service charges on deposits | 23,936 | 25,083 |
| Gains on sale of mortgage loans | 9,489 | 8,976 |
| Other mortgage banking revenue | 984 | 2,725 |
| Net investment securities gains | 29,422 | 77 |
| Life insurance revenue | 8,055 | 7,096 |
| Other | 47,193 | 39,860 |
| | ----- | ----- |
| Total other income | 442,566 | 329,985 |
| Other expense | | |
| ----- | | |
| Salaries and employee benefits | 262,389 | 211,881 |
| Net occupancy | 20,789 | 18,238 |
| Equipment | 30,076 | 26,244 |
| Software expenses | 14,143 | 12,481 |
| Processing charges | 13,517 | 11,812 |
| Supplies and printing | 5,791 | 5,806 |
| Professional services | 12,802 | 10,288 |
| Shipping and handling | 16,751 | 18,087 |
| Amortization of intangibles | 8,106 | 5,438 |
| Other | 68,204 | 54,403 |
| | ----- | ----- |
| Total other expense | 452,568 | 374,678 |
| Income before income taxes | 281,036 | 230,088 |
| Provision for income taxes | 92,549 | 78,379 |
| | ----- | ----- |
| Net income | \$ 188,487 | \$ 151,709 |
| | ===== | ===== |
| Net income per common share | | |
| Basic | \$ 0.82 | \$ 0.68 |
| Diluted | 0.81 | 0.67 |
| Dividends paid per common share | \$ 0.240 | \$ 0.210 |
| Weighted average common shares outstanding (000's): | | |
| Basic | 228,630 | 221,950 |
| Diluted | 232,747 | 225,502 |

See notes to financial statements.

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

Six Months Ended
June 30,

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| | 2005 | 2004 |
|--|------------|------------|
| | ----- | ----- |
| Interest income | | |
| ----- | | |
| Loans and leases | \$ 878,376 | \$ 660,477 |
| Investment securities: | | |
| Taxable | 105,208 | 96,940 |
| Exempt from federal income taxes | 31,510 | 28,593 |
| Trading securities | 116 | 145 |
| Short-term investments | 3,638 | 947 |
| | ----- | ----- |
| Total interest income | 1,018,848 | 787,102 |
| Interest expense | | |
| Deposits | 226,293 | 113,548 |
| Short-term borrowings | 50,353 | 30,096 |
| Long-term borrowings | 145,658 | 80,814 |
| | ----- | ----- |
| Total interest expense | 422,304 | 224,458 |
| Net interest income | 596,544 | 562,644 |
| Provision for loan and lease losses | 21,851 | 18,254 |
| | ----- | ----- |
| Net interest income after provision for loan and lease losses | 574,693 | 544,390 |
| Other income | | |
| ----- | | |
| Data processing services | 544,031 | 383,468 |
| Item processing | 21,281 | 22,334 |
| Trust services | 81,453 | 74,172 |
| Service charges on deposits | 47,506 | 50,606 |
| Gains on sale of mortgage loans | 16,426 | 14,175 |
| Other mortgage banking revenue | 2,017 | 4,490 |
| Net investment securities gains (losses) | 35,271 | (452) |
| Life insurance revenue | 14,264 | 13,776 |
| Other | 89,851 | 80,845 |
| | ----- | ----- |
| Total other income | 852,100 | 643,414 |
| Other expense | | |
| ----- | | |
| Salaries and employee benefits | 500,921 | 415,809 |
| Net occupancy | 43,153 | 37,433 |
| Equipment | 61,086 | 54,412 |
| Software expenses | 27,495 | 23,706 |
| Processing charges | 28,442 | 24,861 |
| Supplies and printing | 12,287 | 11,512 |
| Professional services | 23,688 | 19,360 |
| Shipping and handling | 36,386 | 34,511 |
| Amortization of intangibles | 16,198 | 10,890 |
| Other | 139,358 | 104,512 |
| | ----- | ----- |
| Total other expense | 889,014 | 737,006 |
| Income before income taxes | 537,779 | 450,798 |
| Provision for income taxes | 179,712 | 152,980 |
| | ----- | ----- |
| Net income | \$ 358,067 | \$ 297,818 |
| | ===== | ===== |

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| | | | |
|--|----|---------|----------|
| Net income per common share | | | |
| Basic | \$ | 1.57 | \$ 1.34 |
| Diluted | | 1.54 | 1.32 |
| Dividends paid per common share | \$ | 0.450 | \$ 0.390 |
| Weighted average common shares outstanding (000's) : | | | |
| Basic | | 228,097 | 222,125 |
| Diluted | | 232,125 | 225,764 |

See notes to financial statements.

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

| | Six Months Ended June 30, | |
|---|------------------------------|--------------|
| | 2005 | 2004 |
| Net Cash Provided by Operating Activities | \$ 349,951 | \$ 418,748 |
| Cash Flows From Investing Activities: | | |
| Proceeds from sales of securities available for sale | 82,409 | 8,890 |
| Proceeds from maturities of securities available for sale | 575,259 | 740,921 |
| Proceeds from maturities of securities held to maturity | 58,468 | 51,142 |
| Purchases of securities available for sale | (857,602) | (1,183,926) |
| Net increase in loans | (2,526,610) | (2,118,630) |
| Purchases of assets to be leased | (142,589) | (104,414) |
| Principal payments on lease receivables | 100,071 | 151,108 |
| Purchases of premises and equipment, net | (18,022) | (28,519) |
| Acquisitions, net of cash and cash equivalents acquired | (15,910) | (165,673) |
| Other | 3,270 | 11,207 |
| Net cash used in investing activities | (2,741,256) | (2,637,894) |
| Cash Flows From Financing Activities: | | |
| Net (decrease) increase in deposits | (369,087) | 2,970,412 |
| Proceeds from issuance of commercial paper | 2,566,764 | 3,029,442 |
| Principal payments on commercial paper | (2,582,429) | (3,027,527) |
| Net increase (decrease) in other short-term borrowings | 1,197,465 | (1,444,961) |
| Proceeds from issuance of long-term borrowings | 2,030,041 | 1,178,185 |
| Payments of long-term borrowings | (123,569) | (117,094) |
| Dividends paid | (102,567) | (86,417) |
| Purchases of common stock | -- | (98,381) |
| Other | 31,171 | 39,759 |
| Net cash provided by financing activities | 2,647,789 | 2,443,418 |
| Net increase (decrease) in cash and cash equivalents | 256,484 | 224,272 |
| Cash and cash equivalents, beginning of year | 988,138 | 911,626 |
| Cash and cash equivalents, end of period | \$ 1,244,622 | \$ 1,135,898 |

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Supplemental cash flow information:

Cash paid during the period for:

| | | |
|--------------|------------|------------|
| Interest | \$ 355,298 | \$ 194,136 |
| Income taxes | 169,032 | 138,953 |

See notes to financial statements.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements
June 30, 2005 & 2004 (Unaudited)

1. The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's ("M&I" or "Corporation") 2004 Annual Report on Form 10-K. The unaudited financial information included in this report reflects all adjustments consisting only of normal recurring accruals and adjustments which are necessary for a fair statement of the financial position and results of operations as of and for the three and six months ended June 30, 2005 and 2004. The results of operations for the three and six months ended June 30, 2005 and 2004 are not necessarily indicative of results to be expected for the entire year. Certain amounts in the 2004 consolidated financial statements and analyses have been reclassified to conform with the 2005 presentation.

2. New Accounting Pronouncements

The Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 154, Accounting Changes and Error Corrections ("SFAS 154"). This statement is effective for accounting changes and corrections of errors made after January 1, 2006. SFAS 154 generally requires retrospective application of prior periods' financial statements of a voluntary change in accounting principle. However, this statement does not change the transition provisions of any existing accounting pronouncement, including those that are in a transition phase as of the effective date of SFAS 154.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004), Share-based Payment ("SFAS 123(R)"). SFAS 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation and supercedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees. SFAS 123(R) requires that compensation costs relating to share-based payment transactions be recognized in financial statements. That cost is measured based on the fair value of the equity or liability instruments issued. SFAS 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance based awards, share appreciation rights, and employee share purchase plans. SFAS 123(R) also provides guidance on measuring the fair value of share-based payment awards.

The Corporation was originally required to adopt SFAS 123(R) beginning in the third quarter of 2005. In April 2005, the Securities and Exchange Commission ("SEC") announced the adoption of a new rule that amends the compliance dates for SFAS 123(R). The

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new rule allows companies to implement SFAS 123(R) at the beginning of their next fiscal year. The Corporation plans to adopt SFAS 123(R) effective January 1, 2006.

On March 29, 2005 the SEC released Staff Accounting Bulletin No. 107, "Share-based Payment" ("SAB 107"). SAB 107 expresses views of the SEC Staff regarding the application of SFAS 123(R). SAB 107 is intended to assist both public entities in applying the provisions of SFAS 123(R) and investors and other users of financial statements in analyzing the information provided under SFAS 123(R).

On May 31, 2005, the FASB issued FSP EITF 00-19-1, "Application of EITF Issue No. 00-19 to Freestanding Financial Instruments Originally Issued as Employee Compensation." The guidance in this FSP should be applied in accordance with the effective date and transition provisions of Statement 123(R). This FSP clarifies that a requirement to deliver registered shares, in and of itself, will not result in liability classification for freestanding financial instruments originally issued as employee compensation.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

3. Comprehensive Income

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

| | Three Months Ended June 30, 2005 | | |
|---|----------------------------------|--------------------------|----------------------|
| | Before-Tax Amount | Tax (Expense) Benefit | Net-of-Tax Amount |
| Net income | | | \$ 188,48 |
| Other comprehensive income: | | | |
| Unrealized gains (losses) on securities: | | | |
| Arising during the period | \$ 49,028 | \$ (17,313) | 31,71 |
| Reclassification for securities transactions included in net income | (144) | 50 | (9 |
| Unrealized gains (losses) | 48,884 | (17,263) | 31,62 |
| Net gains (losses) on derivatives hedging variability of cash flows: | | | |
| Arising during the period | 403 | (141) | 26 |
| Reclassification adjustments for hedging activities included in net income | (34) | 12 | (2 |
| Net gains (losses) | \$ 369 | \$ (129) | 24 |
| Other comprehensive income (loss) | | | 31,86 |
| Total comprehensive income | | | \$ 220,34 |

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| | Three Months Ended June 30, 2004 | | |
|---|----------------------------------|--------------------------|---------------------|
| | Before-Tax Amount | Tax (Expense) Benefit | Net-of-Ta Amount |
| Net income | | | \$ 151,70 |
| Other comprehensive income: | | | |
| Unrealized gains (losses) on securities: | | | |
| Arising during the period | \$ (142,839) | \$ 50,282 | (92,55 |
| Reclassification for securities transactions included in net income | 10 | (3) | |
| Unrealized gains (losses) | (142,829) | 50,279 | (92,55 |
| Net gains (losses) on derivatives hedging variability of cash flows: | | | |
| Arising during the period | (4,286) | 1,500 | (2,78 |
| Reclassification adjustments for hedging activities included in net income | 7,991 | (2,797) | 5,19 |
| Net gains (losses) | \$ 3,705 | \$ (1,297) | 2,40 |
| Other comprehensive income (loss) | | | (90,14 |
| Total comprehensive income | | | \$ 61,56 |

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

| | Six Months Ended June 30, 2005 | | |
|---|--------------------------------|--------------------------|---------------------|
| | Before-Tax Amount | Tax (Expense) Benefit | Net-of-Ta Amount |
| Net income | | | \$ 358,06 |
| Other comprehensive income: | | | |
| Unrealized gains (losses) on securities: | | | |
| Arising during the period | \$ (26,691) | \$ 9,426 | (17,26 |
| Reclassification for securities transactions included in net income | (118) | 41 | (7 |
| Unrealized gains (losses) | (26,809) | 9,467 | (17,34 |
| Net gains (losses) on derivatives hedging variability of cash flows: | | | |
| Arising during the period | 11,594 | (4,058) | 7,53 |
| Reclassification adjustments for hedging activities included in net income | 3,040 | (1,064) | 1,97 |
| Net gains (losses) | \$ 14,634 | \$ (5,122) | 9,51 |
| Other comprehensive income (loss) | | | (7,83 |

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Total comprehensive income \$ 350,23

| | Six Months Ended June 30, 2004 | | |
|---|--------------------------------|--------------------------|----------------------|
| | Before-Tax Amount | Tax (Expense) Benefit | Net-of-Tax Amount |
| Net income | | | \$ 297,81 |
| Other comprehensive income: | | | |
| Unrealized gains (losses) on securities: | | | |
| Arising during the period | \$ (100,395) | \$ 35,385 | (65,01) |
| Reclassification for securities transactions included in net income | 10 | (3) | |
| Unrealized gains (losses) | (100,385) | 35,382 | (65,00) |
| Net gains (losses) on derivatives hedging variability of cash flows: | | | |
| Arising during the period | (989) | 346 | (64) |
| Reclassification adjustments for hedging activities included in net income | 16,985 | (5,945) | 11,04 |
| Net gains (losses) | \$ 15,996 | \$ (5,599) | 10,39 |
| Other comprehensive income (loss) | | | (54,60) |
| Total comprehensive income | | | \$ 243,21 |

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

| | Three Months Ended June 30, 2005 | | |
|--|----------------------------------|---------------------------------|---------------------|
| | Income (Numerator) | Average Shares (Denominator) | Per Share Amount |
| Basic Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 188,487 | 228,630 | \$ 0.82 |
| Effect of Dilutive Securities | | | |
| Stock Options, Restricted Stock and Other Plans | -- | 4,117 | |
| Diluted Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 188,487 | 232,747 | \$ 0.81 |

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Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

| | Three Months Ended June 30, 2004 | | |
|--|----------------------------------|---------------------------------|---------------------|
| | Income (Numerator) | Average Shares (Denominator) | Per Share Amount |
| Basic Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 151,709 | 221,950 | \$ 0.68 |
| Effect of Dilutive Securities | | | |
| Stock Options, Restricted Stock and Other Plans | -- | 3,552 | |
| Diluted Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 151,709 | 225,502 | \$ 0.67 |

| | Six Months Ended June 30, 2005 | | |
|--|--------------------------------|---------------------------------|---------------------|
| | Income (Numerator) | Average Shares (Denominator) | Per Share Amount |
| Basic Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 358,067 | 228,097 | \$ 1.57 |
| Effect of Dilutive Securities | | | |
| Stock Options, Restricted Stock and Other Plans | -- | 4,028 | |
| Diluted Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 358,067 | 232,125 | \$ 1.54 |

| | Six Months Ended June 30, 2004 | | |
|--|--------------------------------|---------------------------------|---------------------|
| | Income (Numerator) | Average Shares (Denominator) | Per Share Amount |
| Basic Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 297,818 | 222,125 | \$ 1.34 |
| Effect of Dilutive Securities | | | |
| Stock Options, Restricted Stock and Other Plans | -- | 3,639 | |
| Diluted Earnings Per Share | | | |
| Income Available to Common Shareholders | \$ 297,818 | 225,764 | \$ 1.32 |

Options to purchase shares of common stock not included in the computation of diluted net income per share because the exercise

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prices of the options were greater than the average market price of the common shares are as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-------------|-----------------------------|---------------------|---------------------------|---------------------|
| | 2005 | 2004 | 2005 | 2004 |
| Shares | 8 | 33 | 34 | 33 |
| Price Range | \$43.310 - \$44.200 | \$39.090 - \$41.150 | \$42.710 - \$44.200 | \$39.090 - \$41.150 |

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 options 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.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

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 they relate to the Corporation is the amount of compensation cost attributable to the Corporation's fixed stock option plans and employee stock purchase plan ("ESPP"). 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. Under APBO 25 no compensation cost is recognized for the ESPP because the discount (15%) and the plan meets the definition of a qualified plan under the Internal Revenue Code and meets the requirements of APBO 25. Under SFAS 123 the safe-harbor discount threshold is 5% for a plan to be non-compensatory. SFAS 123 compensation cost would equal the initial discount (15% of beginning of plan period price per share) plus the value of a one year call option on 85% of a share of stock for each share purchased.

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

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prescribed by APBO 25. See Note 2.

Had compensation cost for the Corporation's ESPP and 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 estimated pro forma amounts (\$000's except per share data):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|------------|------------------------------|------------|
| | 2005 | 2004 | 2005 | 2004 |
| Net Income, as reported | \$ 188,487 | \$ 151,709 | \$ 358,067 | \$ 297,000 |
| Add: Stock-based employee compensation expense included in reported net income, net of tax | 4,560 | 1,432 | 5,632 | 2,000 |
| Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of tax | (9,477) | (6,784) | (15,045) | (12,000) |
| Pro forma net income | \$ 183,570 | \$ 146,357 | \$ 348,654 | \$ 287,000 |
| Basic earnings per share: | | | | |
| As reported | \$0.82 | \$0.68 | \$1.57 | \$1.25 |
| Pro forma | 0.80 | 0.66 | 1.53 | 1.23 |
| Diluted earnings per share: | | | | |
| As reported | \$0.81 | \$0.67 | \$1.54 | \$1.24 |
| Pro forma | 0.78 | 0.65 | 1.50 | 1.22 |

The fair value of each option grant was estimated as of the date of grant using the Black-Scholes closed form option-pricing model for options granted prior to September 30, 2004. A form of a lattice option-pricing model was used for options granted after September 30, 2004.

5. Recently Announced Acquisitions

The following acquisitions, which are not considered to be material business combinations, were announced during the second quarter of 2005:

In May 2005, Metavante announced the signing of a definitive agreement to acquire Med-i-Bank, Inc. ("MBI") of Waltham, Massachusetts. MBI provides electronic payment services for employee benefit and consumer-directed healthcare accounts. MBI offers flexible spending accounts, health reimbursement arrangement and health savings account systems for third-party administrators and health plans. On July 22, 2005, Metavante completed the acquisition of all of the outstanding capital stock of MBI for \$150.5 million. Total consideration consisted of 2.9 million shares of the Corporation's common stock valued at \$133.8 million and \$16.7 million in cash. Initial goodwill, subject to the completion of appraisals and valuations of the assets acquired and liabilities assumed, amounted to \$123.4 million. The estimated identifiable intangible asset to be amortized (customer relationships) with an

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estimated useful life of 10 years amounted to \$25.0 million. The goodwill and intangibles resulting from this transaction are not deductible for tax purposes.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

In June 2005, Metavante signed a definitive agreement to acquire TREEV LLC ("TREEV"), of Herndon, Virginia. On August 8, 2005, Metavante completed the acquisition of all of the outstanding stock of TREEV for \$19.5 million. Total consideration consisted of 0.4 million shares of the Corporation's common stock valued at \$16.4 million and \$3.0 million in cash. TREEV provides browser-based document and report management software and consulting services to the financial-services industry in both lending and deposit environments. TREEV will complement Metavante's check-imaging products and services by providing solutions for document storage and retrieval, including electronic report storage.

In June 2005, Metavante agreed to buy GHR Systems, Inc. ("GHR") for \$65 million. This transaction will add consumer finance and mortgage loan origination solutions to Metavante's financial services lines. GHR of Wayne, Pennsylvania provides loan origination technologies for the residential mortgage and consumer finance industries, offering point of sale products for any channel together with comprehensive underwriting, processing and closing technologies. It is expected that this transaction will be funded with approximately \$55 million of the Corporation's common stock and \$10 million in cash. The transaction is expected to close in the third quarter of 2005 pending regulatory approval and satisfaction of other customary closing conditions.

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

| | June 30, 2005 | December 31, 2004 | June 30, 2004 |
|---|------------------|----------------------|------------------|
| | ----- | ----- | ----- |
| Investment securities available for sale: | | | |
| U.S. treasury and government agencies | \$ 4,254,711 | \$ 4,157,374 | \$ 4,096,353 |
| State and political subdivisions | 671,782 | 504,027 | 397,764 |
| Mortgage backed securities | 144,070 | 150,658 | 141,448 |
| Other | 502,065 | 546,940 | 509,046 |
| | ----- | ----- | ----- |
| Total | \$ 5,572,628 | \$ 5,358,999 | \$ 5,144,611 |
| | ===== | ===== | ===== |
| Investment securities held to maturity: | | | |
| State and political subdivisions | \$ 665,807 | \$ 724,086 | \$ 767,580 |
| Other | 2,300 | 2,300 | 2,319 |
| | ----- | ----- | ----- |
| Total | \$ 668,107 | \$ 726,386 | \$ 769,899 |
| | ===== | ===== | ===== |

The following table provides the gross unrealized losses and fair value, aggregated by investment category and the length of time the

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individual securities have been in a continuous unrealized loss position, at June 30, 2005 (\$000's):

| | Less than 12 months | | 12 months or more | | Total | |
|---------------------------------------|---------------------|-------------------|-------------------|-------------------|---------------------|-------------------|
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. treasury and government agencies | \$ 1,936,074 | \$ 14,752 | \$ 727,179 | \$ 14,305 | \$ 2,663,253 | \$ 28,057 |
| State and political subdivisions | 44,000 | 393 | 53,690 | 728 | 97,690 | |
| Mortgage backed securities | 92,158 | 804 | -- | -- | 92,158 | |
| Other | 6,999 | 1 | 972 | 10 | 7,971 | |
| Total | \$ 2,079,231 | \$ 15,950 | \$ 781,841 | \$ 15,043 | \$ 2,861,072 | \$ 28,057 |

The Corporation believes that the unrealized losses in the investment securities portfolio resulted from increases in market interest rates and not from deterioration in the creditworthiness of the issuer.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

7. The Corporation's loan and lease portfolio, including loans held for sale, consisted of the following (\$000's):

| | June 30, 2005 | December 31, 2004 | June 30, 2004 |
|---|------------------|----------------------|------------------|
| Commercial, financial and agricultural | \$ 9,147,994 | \$ 8,483,046 | \$ 7,785,955 |
| Cash flow hedging instruments at fair value | (4,549) | (1,583) | (26,772) |
| Commercial, financial and agricultural | 9,143,445 | 8,481,463 | 7,759,183 |
| Real estate: | | | |
| Construction | 2,984,601 | 2,265,227 | 1,875,852 |
| Residential mortgage | 9,313,118 | 8,548,029 | 7,720,641 |
| Commercial mortgage | 8,585,700 | 8,164,099 | 7,696,070 |
| Total real estate | 20,883,419 | 18,977,355 | 17,292,563 |
| Personal | 1,526,442 | 1,540,024 | 1,590,166 |
| Lease financing | 592,545 | 537,930 | 553,403 |
| Total loans and leases | \$ 32,145,851 | \$ 29,536,772 | \$ 27,195,315 |

8. Sale of Receivables

During the second quarter of 2005, automobile loans with principal balances of \$115.4 million were sold in securitization transactions.

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Net losses of \$1.9 million were recognized and are reported in Other income in the Consolidated Statements of Income. Other income associated with auto securitizations, primarily servicing fees, amounted to \$3.5 million in the current quarter.

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

| | |
|--|--|
| Prepayment speed (CPR) | 15-40 % |
| Weighted average life (in months) | 20.0 |
| Expected credit losses (based on original balance) | 0.22-0.74 % |
| Residual cash flow discount rate | 12.0 % |
| Variable returns to transferees | Forward one month LIBOR yield curve |

At June 30, 2005, securitized automobile loans and other automobile loans managed together with them, along with delinquency and credit loss information consisted of the following (\$000's):

| | Securitized | Portfolio | Total Managed |
|--------------------------------|-------------|------------|------------------|
| | ----- | ----- | ----- |
| Loan balances | \$ 950,358 | \$ 246,847 | \$ 1,197,205 |
| Principal amounts of loans | | | |
| 60 days or more past due | 908 | 443 | 1,351 |
| Net credit losses year to date | 1,010 | 342 | 1,352 |

9. Goodwill and Other Intangibles

The changes in the carrying amount of goodwill for the six months ended June 30, 2005 are as follows (\$000's):

| | Banking | Metavante | Others | Total |
|-------------------------------------|------------|--------------|----------|--------------|
| | ----- | ----- | ----- | ----- |
| Goodwill balance as of | | | | |
| January 1, 2005 | \$ 815,086 | \$ 978,418 | \$ 5,412 | \$ 1,798,916 |
| Goodwill acquired during the period | -- | 20,675 | -- | 20,675 |
| Purchase accounting adjustments | (114) | 20,270 | 3,598 | 23,754 |
| | ----- | ----- | ----- | ----- |
| Goodwill balance as of | | | | |
| June 30, 2005 | \$ 814,972 | \$ 1,019,363 | \$ 9,010 | \$ 1,843,345 |
| | ===== | ===== | ===== | ===== |

Goodwill acquired for the Metavante segment includes initial goodwill relating to the acquisition of Prime Associates, Inc. in the first quarter of 2005.

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Purchase accounting adjustments for Metavante for the six months ended June 2005 represent adjustments made to the initial estimates of fair value associated with the acquisitions of Kirchman Corporation, Advanced Financial Solutions, Inc. and its affiliated companies, NYCE Corporation, Response Data Corp., NuEdge Systems LLC, and VECTORsgl Holdings, Inc. Purchase accounting adjustments for Metavante also include the effect of a contingent payment made in the first quarter of 2005 in connection with the Printing For Systems, Inc. acquisition. Purchase accounting adjustments for the Others segment included the effect of a contingent payment made for an acquisition made by the Corporation's Trust subsidiary in 2004, net of the reduction of goodwill allocated to the sale of a small business line. Purchase accounting adjustments for the Banking segment was the reduction of goodwill allocated to a branch divestiture.

At June 30, 2005, the Corporation's other intangible assets consisted of the following (\$000's):

| | June 30, 2005 | | |
|--|-----------------------------|---------------------------------------|--------------------------|
| | Gross Carrying Amount | Accum- ulated Amort- ization | Net Carrying Value |
| Other intangible assets: | | | |
| Core deposit intangible | \$ 152,816 | \$ 74,538 | \$ 78,278 |
| Data processing contract rights/customer lists | 254,780 | 25,150 | 229,630 |
| Trust customers | 4,750 | 1,011 | 3,739 |
| Tradenname | 2,775 | 2,325 | 450 |
| Other Intangibles | 1,250 | 277 | 973 |
| | ----- | ----- | ----- |
| | \$ 416,371 | \$ 103,301 | \$ 313,070 |
| | ===== | ===== | ===== |
| Mortgage loan servicing rights | | | \$ 3,209 |
| | | | ===== |

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

| | June 30, 2005 | December 31, 2004 | June 30, 2004 |
|-----------------------------------|------------------|----------------------|------------------|
| Noninterest bearing demand | \$ 5,088,947 | \$ 4,888,426 | \$ 4,709,873 |
| Savings and NOW | 9,999,393 | 10,118,415 | 9,101,821 |
| Cash flow hedge-Brokered MMDA | (2,998) | (1,445) | -- |
| | ----- | ----- | ----- |
| Total Savings and NOW | 9,996,395 | 10,116,970 | 9,101,821 |
| CD's \$100,000 and over | 5,980,536 | 5,592,947 | 5,379,731 |
| Cash flow hedge-Institutional CDs | (13,944) | (8,977) | (8,613) |
| | ----- | ----- | ----- |
| Total CD's \$100,000 and over | 5,966,592 | 5,583,970 | 5,371,118 |

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| | | | |
|---------------------|---------------|---------------|---------------|
| Other time deposits | 3,006,936 | 2,721,214 | 2,632,467 |
| Foreign deposits | 2,002,570 | 3,144,507 | 3,410,007 |
| | ----- | ----- | ----- |
| Total deposits | \$ 26,061,440 | \$ 26,455,087 | \$ 25,225,286 |
| | ===== | ===== | ===== |

11. Derivative Financial Instruments and Hedging Activities

The following is an update of the Corporation's use of derivative financial instruments and its hedging activities as described in its Annual Report on Form 10-K for the year ended December 31, 2004. Generally there were no substantive changes in the types of derivative financial instruments the Corporation employs or its hedging activities in the six months ended June 30, 2005.

Trading Instruments and Other Free Standing Derivatives

Loan commitments accounted for as derivatives are not material to the Corporation and the Corporation does not employ any formal hedging strategies.

Trading and free-standing derivative contracts are not linked to specific assets and liabilities on the balance sheet or to forecasted transactions in an accounting hedge relationship and, therefore, do not qualify for hedge accounting under SFAS 133. They are carried at fair value with changes in fair value recorded as a component of other noninterest income.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

At June 30, 2005, free standing interest rate swaps consisted of \$1.8 billion in notional amount of receive fixed/pay floating with an aggregate negative fair value of \$1.7 million and \$1.0 billion in notional amount of pay fixed/receive floating with an aggregate positive fair value of \$1.5 million.

At June 30, 2005, interest rate caps purchased amounted to \$33.8 million in notional amount with a positive fair value of \$0.2 million and interest rate caps sold amounted to \$33.8 million in notional amount with a negative fair value of \$0.2 million.

At June 30, 2005, the notional value of interest rate futures designated as trading was \$4.1 billion with an immaterial fair value.

Fair Value Hedges

The following table presents updated information with respect to selected fair value hedges.

| Fair Value Hedges June 30, 2005 | | Notional Amount (\$ in millions) | Fair Value (\$ in millions) | Weighted Average Remaining Term (Yrs) |
|------------------------------------|-----------------------|---|--------------------------------------|---|
| Hedged Item | Hedging Instrument | | | |
| ----- | ----- | ----- | ----- | ----- |

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| | | | | |
|--------------------------|--------------------|----------|----------|-----|
| Fixed Rate CDs | Receive Fixed Swap | \$ 747.5 | \$ (9.7) | 9.2 |
| Medium Term Notes | Receive Fixed Swap | 366.9 | (1.6) | 8.1 |
| Fixed Rate Bank Notes | Receive Fixed Swap | 838.6 | 7.7 | 8.0 |
| Institutional CDs | Receive Fixed Swap | 120.0 | (0.1) | 1.5 |

The impact from fair value hedges to total net interest income for the three and six months ended June 30, 2005 was a positive \$9.1 million and \$19.1 million, respectively. The impact to net interest income due to ineffectiveness was immaterial.

Cash Flow Hedges

The following table updates the Corporation's cash flow hedges.

| Cash Flow Hedges June 30, 2005 | | Notional Amount (\$ in millions) | Fair Value (\$ in millions) | Weighted Average Remaining Term (Yrs) |
|-----------------------------------|-----------------------|---|--------------------------------------|---|
| Hedged Item | Hedging Instrument | | | |
| Variable Rate Loans | Receive Fixed Swap | \$ 1,150.0 | \$ (4.5) | 4.4 |
| Institutional CDs | Pay Fixed Swap | 2,305.0 | 13.9 | 1.1 |
| Federal Funds Purchased | Pay Fixed Swap | 300.0 | (6.2) | 1.9 |
| FHLB Advances | Pay Fixed Swap | 920.0 | 8.9 | 2.9 |
| Floating Rate Bank Notes | Pay Fixed Swap | 125.0 | (0.3) | 1.8 |
| Money Market Account | Pay Fixed Swap | 250.0 | 3.0 | 2.0 |

The impact to total net interest income from cash flow hedges, including amortization of terminated cash flow hedges was immaterial for the three months ended June 30, 2005 and \$3.0 million for the six months ended June 30, 2005. The impact due to ineffectiveness was immaterial.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

12. Postretirement Health Plan

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 and 2002 the plan was amended. Employees hired or retained from mergers after September 1, 1997

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will be granted access to the Corporation's plan upon becoming an eligible retiree; 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.

Net periodic postretirement benefit costs for the three and six month periods ended June 30, 2005 and 2004 included the following components (\$000's):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|-----------------------------|--------------------------------|----------|------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Service cost | \$ 552 | \$ 631 | \$ 1,105 | \$ 1,262 |
| Interest on APBO | 1,159 | 1,366 | 2,318 | 2,732 |
| Expected return on assets | (150) | -- | (299) | -- |
| Prior service amortization | (680) | (680) | (1,361) | (1,360) |
| Actuarial loss amortization | 264 | 562 | 528 | 1,125 |
| Other | -- | -- | -- | -- |
| | \$ 1,145 | \$ 1,879 | \$ 2,291 | \$ 3,759 |

Benefit payments and expenses, net of participant contributions, for the three and six months ended June 30, 2005 amounted to \$1.0 million and \$2.0 million, respectively.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

13. Segments

The following represents the Corporation's operating segments as of and for the three and six months ended June 30, 2005 and 2004. There have not been any changes to the way the Corporation organizes its segments. Fees - intercompany represent intercompany revenues charged to other segments for providing certain services. Expenses - intercompany represent fees charged by other segments for certain services received. For each segment, Expenses - intercompany are not the costs of that segment's reported intercompany revenues. Intersegment revenues, expenses and assets have been eliminated (\$ in millions):

| | Three Months Ended June 30, 2005 | | | | |
|---------------------|----------------------------------|-----------|--------|-----------------------|---|
| | Banking | Metavante | Others | Corporate Overhead | Reclass- ifications & Elimi- nations |
| Net interest income | \$ 307.2 | \$ (6.6) | \$ 6.1 | \$ (2.0) | \$ -- |
| Other income | | | | | |
| Fees - other | 91.9 | 271.7 | 70.7 | 8.3 | -- |

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| | | | | | |
|--|-------------|------------|----------|----------|--------------|
| Fees - intercompany | 14.2 | 23.1 | 5.6 | 21.6 | (64.5) |
| Total other income | 106.1 | 294.8 | 76.3 | 29.9 | (64.5) |
| Other expense | | | | | |
| Expenses - other | 158.5 | 227.6 | 32.9 | 34.7 | (1.1) |
| Expenses - intercompany | 41.5 | 9.5 | 12.0 | 0.4 | (63.4) |
| Total other expense | 200.0 | 237.1 | 44.9 | 35.1 | (64.5) |
| Provision for loan and lease losses | 13.4 | -- | 0.3 | -- | -- |
| Income (loss) before taxes | 199.9 | 51.1 | 37.2 | (7.2) | -- |
| Income tax expense (benefit) | 60.4 | 20.3 | 14.4 | (2.6) | -- |
| Segment income | \$ 139.5 | \$ 30.8 | \$ 22.8 | \$ (4.6) | \$ -- |
| Identifiable assets | \$ 41,164.6 | \$ 2,454.4 | \$ 759.5 | \$ 733.1 | \$ (1,627.9) |
| Return on average equity | 16.3 % | 19.7 % | 34.5 % | | |

Three Months Ended June 30, 2004

| | Banking | Metavante | Others | Corporate Overhead | Reclass- ifications & Elimi- nations |
|--|-------------|------------|----------|-----------------------|---|
| Net interest income | \$ 280.2 | \$ (0.9) | \$ 6.6 | \$ (1.9) | \$ -- |
| Other income | | | | | |
| Fees - other | 85.6 | 197.4 | 45.8 | 1.2 | -- |
| Fees - intercompany | 16.6 | 19.2 | 7.0 | 17.6 | (60.4) |
| Total other income | 102.2 | 216.6 | 52.8 | 18.8 | (60.4) |
| Other expense | | | | | |
| Expenses - other | 152.4 | 171.3 | 29.7 | 21.0 | 0.3 |
| Expenses - intercompany | 38.5 | 12.2 | 11.5 | (1.5) | (60.7) |
| Total other expense | 190.9 | 183.5 | 41.2 | 19.5 | (60.4) |
| Provision for loan and lease losses | 8.5 | -- | 0.7 | -- | -- |
| Income (loss) before taxes | 183.0 | 32.2 | 17.5 | (2.6) | -- |
| Income tax expense (benefit) | 60.0 | 12.6 | 6.9 | (1.1) | -- |
| Segment income | \$ 123.0 | \$ 19.6 | \$ 10.6 | \$ (1.5) | \$ -- |
| Identifiable assets | \$ 35,778.8 | \$ 1,218.0 | \$ 610.0 | \$ 624.2 | \$ (1,159.4) |
| Return on average equity | 16.4 % | 19.3 % | 16.8 % | | |

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2005 & 2004 (Unaudited)

| | Six Months Ended June 30, 2005 | | | | |
|-------------------------------------|--------------------------------|------------|----------|--------------------|----------------------------------|
| | Banking | Metavante | Others | Corporate Overhead | Reclassifications & Eliminations |
| Net interest income | \$ 603.9 | \$ (14.7) | \$ 11.1 | \$ (3.8) | \$ -- |
| Other income | | | | | |
| Fees - other | 179.1 | 544.1 | 118.9 | 10.0 | -- |
| Fees - intercompany | 28.8 | 45.2 | 10.3 | 43.3 | (127.6) |
| Total other income | 207.9 | 589.3 | 129.2 | 53.3 | (127.6) |
| Other expense | | | | | |
| Expenses - other | 312.1 | 457.0 | 64.0 | 56.4 | (0.5) |
| Expenses - intercompany | 80.8 | 19.9 | 24.5 | 1.9 | (127.1) |
| Total other expense | 392.9 | 476.9 | 88.5 | 58.3 | (127.6) |
| Provision for loan and lease losses | 21.2 | -- | 0.6 | -- | -- |
| Income (loss) before taxes | 397.7 | 97.7 | 51.2 | (8.8) | -- |
| Income tax expense (benefit) | 125.0 | 38.8 | 19.8 | (3.9) | -- |
| Segment income | \$ 272.7 | \$ 58.9 | \$ 31.4 | \$ (4.9) | \$ -- |
| Identifiable assets | \$ 41,164.6 | \$ 2,454.4 | \$ 759.5 | \$ 733.1 | \$ (1,627.9) |
| Return on average equity | 16.3 % | 19.7 % | 24.7 % | | |

| | Six Months Ended June 30, 2004 | | | | |
|-------------------------|--------------------------------|-----------|---------|--------------------|----------------------------------|
| | Banking | Metavante | Others | Corporate Overhead | Reclassifications & Eliminations |
| Net interest income | \$ 555.1 | \$ (1.1) | \$ 13.0 | \$ (4.3) | \$ -- |
| Other income | | | | | |
| Fees - other | 168.7 | 383.5 | 89.1 | 2.1 | -- |
| Fees - intercompany | 32.2 | 38.1 | 11.8 | 35.1 | (117.2) |
| Total other income | 200.9 | 421.6 | 100.9 | 37.2 | (117.2) |
| Other expense | | | | | |
| Expenses - other | 304.6 | 335.3 | 59.6 | 37.8 | (0.3) |
| Expenses - intercompany | 71.6 | 23.1 | 23.6 | (1.4) | (116.9) |

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| | | | | | |
|--|-------------|------------|----------|----------|--------------|
| Total other expense | 376.2 | 358.4 | 83.2 | 36.4 | (117.2) |
| Provision for loan and lease losses | 16.9 | -- | 1.4 | -- | -- |
| Income (loss) before taxes | 362.9 | 62.1 | 29.3 | (3.5) | -- |
| Income tax expense (benefit) | 118.9 | 24.4 | 11.4 | (1.7) | -- |
| Segment income | \$ 244.0 | \$ 37.7 | \$ 17.9 | \$ (1.8) | \$ -- |
| Identifiable assets | \$ 35,778.8 | \$ 1,218.0 | \$ 610.0 | \$ 624.2 | \$ (1,159.4) |
| Return on average equity | 16.3 % | 19.1 % | 14.2 % | | |

Total revenue, net interest income plus other income, by type in
Others consisted of the following:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|------------------------------|--------------------------------|---------|------------------------------|----------|
| | 2005 | 2004 | 2005 | 2004 |
| Trust Services | \$ 40.6 | \$ 37.2 | \$ 80.2 | \$ 72.7 |
| Residential Mortgage Banking | 6.1 | 9.0 | 11.1 | 15.2 |
| Capital Markets | 21.5 | 0.3 | 22.2 | (0.4) |
| Brokerage and Insurance | 7.2 | 6.7 | 14.3 | 13.5 |
| Commercial Leasing | 4.2 | 4.2 | 7.6 | 8.2 |
| Commercial Mortgage Banking | 1.6 | 1.4 | 2.8 | 3.0 |
| Others | 1.2 | 0.6 | 2.1 | 1.7 |
| Total revenue | \$ 82.4 | \$ 59.4 | \$ 140.3 | \$ 113.9 |

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

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

| | Three Months Ended June 30, | |
|------------------------------|--------------------------------|------------|
| | 2005 | 2004 |
| Assets | | |
| Cash and due from banks | \$ 938,451 | \$ 801,986 |
| Investment securities: | | |
| Trading securities | 25,582 | 22,138 |
| Short-term investments | 271,731 | 164,685 |
| Other investment securities: | | |
| Taxable | 4,828,606 | 4,671,113 |

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| | | |
|--|---------------|---------------|
| Tax-exempt | 1,333,700 | 1,171,209 |
| | ----- | ----- |
| Total investment securities | 6,459,619 | 6,029,145 |
| Loans and leases: | | |
| Loans and leases, net of unearned income | 31,294,058 | 26,507,894 |
| Less: Allowance for loan and lease losses | 361,488 | 359,856 |
| | ----- | ----- |
| Net loans and leases | 30,932,570 | 26,148,038 |
| Premises and equipment, net | 445,382 | 434,888 |
| Accrued interest and other assets | 3,877,271 | 2,757,888 |
| | ----- | ----- |
| Total Assets | \$ 42,653,293 | \$ 36,171,945 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| ----- | | |
| Deposits: | | |
| Noninterest bearing | \$ 4,826,304 | \$ 4,513,599 |
| Interest bearing | 20,643,276 | 18,995,645 |
| | ----- | ----- |
| Total deposits | 25,469,580 | 23,509,244 |
| Federal funds purchased and security repurchase agreements | 2,393,989 | 2,279,498 |
| Other short-term borrowings | 998,363 | 979,383 |
| Long-term borrowings | 7,920,117 | 4,703,870 |
| Accrued expenses and other liabilities | 1,729,455 | 1,294,056 |
| | ----- | ----- |
| Total liabilities | 38,511,504 | 32,766,051 |
| Shareholders' equity | 4,141,789 | 3,405,894 |
| | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$ 42,653,293 | \$ 36,171,945 |
| | ===== | ===== |

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

| | Six Months Ended June 30, | |
|------------------------------|------------------------------|------------|
| | ----- | ----- |
| | 2005 | 2004 |
| | ----- | ----- |
| Assets | | |
| ----- | | |
| Cash and due from banks | \$ 928,733 | \$ 786,580 |
| Investment securities: | | |
| Trading securities | 24,355 | 22,703 |
| Short-term investments | 229,595 | 188,598 |
| Other investment securities: | | |
| Taxable | 4,825,732 | 4,602,099 |
| Tax-exempt | 1,306,082 | 1,158,940 |
| | ----- | ----- |
| Total investment securities | 6,385,764 | 5,972,340 |

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| | | |
|--|---------------|---------------|
| Loans and leases: | | |
| Loans and leases, net of unearned income | 30,592,745 | 25,967,707 |
| Less: Allowance for loan and lease losses | 361,220 | 358,001 |
| | ----- | ----- |
| Net loans and leases | 30,231,525 | 25,609,706 |
| Premises and equipment, net | 448,079 | 436,637 |
| Accrued interest and other assets | 3,857,632 | 2,702,534 |
| | ----- | ----- |
| Total Assets | \$ 41,851,733 | \$ 35,507,797 |
| | ===== | ===== |
| Liabilities and Shareholders' Equity | | |
| ----- | | |
| Deposits: | | |
| Noninterest bearing | \$ 4,760,154 | \$ 4,414,879 |
| Interest bearing | 20,592,326 | 18,597,021 |
| | ----- | ----- |
| Total deposits | 25,352,480 | 23,011,900 |
| Federal funds purchased and security repurchase agreements | 2,170,661 | 2,400,570 |
| Other short-term borrowings | 973,360 | 943,148 |
| Long-term borrowings | 7,564,611 | 4,473,229 |
| Accrued expenses and other liabilities | 1,729,499 | 1,288,997 |
| | ----- | ----- |
| Total liabilities | 37,790,611 | 32,117,844 |
| Shareholders' equity | 4,061,122 | 3,389,953 |
| | ----- | ----- |
| Total Liabilities and Shareholders' Equity | \$ 41,851,733 | \$ 35,507,797 |
| | ===== | ===== |

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OVERVIEW

Current operating trends and financial results have been positive and are a confirmation of the Corporation's overall strategy of driving earnings per share growth by: (1) expanding banking operations into faster growing regions beyond Wisconsin; (2) increasing the number of financial institutions to which the Corporation provides correspondent banking services; (3) expanding trust services and other wealth management product and service offerings for high net-worth individuals; and (4) growing Metavante's business through organic growth and acquisitions.

The Corporation continues to focus on its key metrics of growing revenues through balance sheet growth, fee-based income growth and strong credit quality. Management believes that the Corporation has demonstrated solid fundamental performance in each of these key areas and as a result, the second quarter and first half of 2005 produced strong financial results.

Net income for the second quarter of 2005 amounted to \$188.5 million compared to \$151.7 million for the same period in the prior year, an increase of \$36.8 million, or 24.2%. Diluted earnings per share were \$0.81 for the three months ended June 30, 2005, compared with \$0.67 for the three months ended June 30, 2004, an increase of 20.9%. The return on average assets and average equity was 1.77% and 18.25%, respectively, for the quarter ended June 30, 2005, and 1.69% and 17.92%, respectively, for the quarter ended June 30, 2004.

For the six months ended June 30, 2005, net income amounted to \$358.1

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million compared to \$297.8 million for the first half of 2004, an increase of \$60.3 million, or 20.2%. Diluted earnings per share were \$1.54 for the six months ended June 30, 2005, compared with \$1.32 for the six months ended June 30, 2004, an increase of 16.7%. The return on average assets and average equity was 1.73% and 17.78%, respectively, for the first six months of 2005, and 1.69% and 17.67%, respectively, for the first six months of 2004.

Earnings growth for the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004 was attributable to a number of factors. The increase in net interest income was driven by loan and deposit growth. Net interest income growth was somewhat mitigated by the financing costs associated with Metavante's 2004 acquisitions. On a comparative basis, net charge-offs and the resulting provisions for loan and lease losses were higher in the second quarter and first half of 2005 than the second quarter and first half of 2004. Despite the increase, net charge-offs for the three and six months ended June 30, 2005 continue to be below the Corporation's five-year historical average. Metavante and the trust services reporting unit continued to exhibit growth in both revenue and earnings. Metavante's growth in revenue and earnings reflects, in part, the impact of its acquisition and divestiture activities and higher transaction volumes in payment processing and electronic banking. The acquisition and divestiture activities included one acquisition completed in the first quarter of 2005 and six acquisitions and two divestitures completed in 2004. For the three and six months ended June 30, 2005, the Corporation realized a gain due to the sale of an entity associated with the Corporation's investment in an independent private equity and venture capital partnership. In addition, during the first quarter of 2005 the Corporation realized a gain due to the change in control of PULSE EFT Associates. These factors along with continued expense management resulted in double-digit earnings growth in the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004.

Management continues to believe that there are some key factors that could affect future operating trends and financial results. Management believes that credit losses will likely return to historical levels. While it is unclear when this will occur, management does not believe that current net charge-off levels are sustainable indefinitely. Rapidly shifting and unstable yield curves make balance sheet management vulnerable to potential earnings volatility. While the Corporation has taken what it believes to be a conservative position relative to a generally rising interest rate environment, shifts in customer behavior and re-pricing characteristics present a persistent challenge.

Based on its performance in the first half of 2005, management expects Metavante's total 2005 revenues (internal and external) will be at the upper end of the \$1.1 to \$1.2 billion revenue range previously provided and segment earnings will be in the range of \$115.0 million to \$120.0 million, excluding the impact of recently announced acquisitions. In the Banking segment, management expects double digit loan growth for the remainder of 2005. However, it is possible that loan growth will not be at the same levels experienced during the first half of the current year. The Corporation's actual results for the year ended December 31, 2005 could differ materially from those expected by management. See "Forward-Looking Statements" in this Form 10-Q and the Corporation's 2004 Annual Report on Form 10-K for a discussion of the various risk factors that could cause actual results to be different than expected results.

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Some of the more noteworthy transactions and events that occurred in the three and six months ended June 30, 2005 and 2004 consisted of the following:

Second quarter 2005

As announced in the Corporation's Form 8-K dated May 26, 2005, the Corporation realized a gain due to the sale of an entity associated with its investment in an independent private equity and venture capital partnership. The gross gain amounted to \$29.0 million and is reported in Net investment securities gains (losses) in the Consolidated Statements of Income. On an after-tax basis, and net of related compensation expense, the gain amounted to \$16.2 million or \$0.07 per diluted share for the three and six months ended June 30, 2005.

During the second quarter Metavante announced three acquisitions. It is expected that these will be funded primarily with the Corporation's common stock. See Note 5 in Notes to Financial Statements for further discussion.

First quarter 2005

On February 9, 2005, Metavante completed the acquisition of all of the outstanding common stock of Prime Associates, Inc. ("Prime") of Clark, New Jersey for \$24.5 million. Total consideration consisted of 563,114 shares of Marshall & Ilsley Corporation common stock valued at \$24.0 million and \$0.5 million in cash. Prime is a provider of anti-money laundering and fraud interdiction software and data products for financial institutions, insurance companies and securities firms.

During the first quarter of 2005, the Corporation's banking segment's investment in certain membership interests of PULSE EFT Associates ("PULSE") was liquidated by PULSE due to a change in control. The cash received resulted in a gain of \$5.3 million which is reported in Net investment securities gains (losses) in the Consolidated Statements of Income. An additional \$0.3 million was received in the second quarter of 2005.

Second quarter 2004

On May 27, 2004, Metavante completed the purchase of certain assets and the assumption of certain liabilities of Kirchman Corporation ("Kirchman"). Kirchman is a provider of automation software and compliance services to the banking industry. This acquisition provided Metavante with core-processing software that financial institutions can run in-house, a solution Metavante previously did not offer.

First quarter 2004

On January 1, 2004, the Corporation's Banking segment completed the purchase for cash of certain assets and the assumption of certain liabilities of AmerUs Home Lending, Inc. ("AmerUs"), an Iowa-based corporation engaged in the business of brokering and servicing mortgage and home equity loans. Although not material to the Corporation, this acquisition enhances the Corporation's wholesale lending activities by expanding its broker network.

During the first quarter of 2004, the Corporation prepaid and retired \$55.0 million of higher cost fixed rate debt that resulted in a charge to earnings of \$4.9 million. The loss is reported in other in Other expense in the Consolidated Statements of Income.

NET INTEREST INCOME

 Net interest income is the difference between interest earned on earning assets and interest owed on interest bearing liabilities. Net interest income represented approximately 40.8% and 41.2% of the Corporation's source of revenues for the three and six months ended June 30, 2005 compared to 46.3% and 46.7% , respectively for the three and six months ended June 30, 2004.

Net interest income for the second quarter of 2005 amounted to \$304.8 million compared to \$284.0 million reported for the second quarter of 2004, an increase of \$20.8 million or 7.3%. For the six months ended June 30, 2005, net interest income amounted to \$596.5 million compared to \$562.6 million for the six months ended June 30, 2004, an increase of \$33.9 million or 6.0%. Loan growth and the growth in noninterest bearing deposits were the primary contributors to the increase in net interest income. Factors negatively affecting net interest income compared to the prior year three and six month periods included the impact of lengthening liabilities in order to reduce future volatility in net interest income due to interest rate changes and the interest expense associated with the incremental debt issued in the third quarter of 2004 to fund Metavante's acquisitions in 2004.

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Average earning assets in the second quarter of 2005 amounted to \$37.8 billion compared to \$32.5 billion in the second quarter of 2004, an increase of \$5.3 billion or 16.0%. Average loans and leases accounted for \$4.8 billion of the growth in average earning assets in the second quarter of 2005 compared to the second quarter of 2004. Average investment securities increased \$0.3 billion over the prior quarter. Average earning assets for the six months ended June 30, 2005 amounted to \$37.0 billion compared to \$31.9 billion for the six months ended June 30, 2004, an increase of \$5.1 billion or 15.8%. Average loans and leases accounted for \$4.6 billion of the growth in average earning assets over the respective periods. Average investment securities increased \$0.4 billion.

Average interest bearing liabilities increased \$5.0 billion or 18.5% in the second quarter of 2005 compared to the second quarter of 2004. Average interest bearing deposits increased \$1.6 billion or 8.7% in the second quarter of 2005 compared to the second quarter of last year. Average total borrowings increased \$3.4 billion or 42.1% in the second quarter of 2005 compared to the same period in 2004. For the six months ended June 30, 2005, average interest bearing liabilities increased \$4.9 billion or 18.5% compared to the same period in 2004. Average interest bearing deposits increased \$2.0 billion or 10.7% in the first six months of 2005 compared to the first six months of last year. Average total borrowings increased \$2.9 billion or 37.0% in the first half of 2005 compared to the same period in 2004.

Average noninterest bearing deposits increased \$0.3 billion or 6.9% in the three months ended June 30, 2005 compared to the same period last year. On a year-to-date basis, average noninterest bearing deposits increased \$0.3 billion or 7.8% in the first six months of 2005 compared to the first six months of 2004.

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

Consolidated Average Loans and Leases

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| | 2005 | | 2004 | | | Growth Pct. | |
|---|----------------|---------------|----------------|---------------|----------------|-------------|---------------|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | Annual | Prior Quarter |
| Commercial Loans and Leases | | | | | | | |
| Commercial | \$ 8,932 | \$ 8,460 | \$ 8,076 | \$ 7,796 | \$ 7,463 | 19.7 % | 5. |
| Commercial real estate | | | | | | | |
| Commercial mortgages | 8,509 | 8,275 | 8,042 | 7,826 | 7,512 | 13.3 | 2. |
| Construction | 1,358 | 1,241 | 1,143 | 1,100 | 1,071 | 26.8 | 9. |
| Total commercial real estate | 9,867 | 9,516 | 9,185 | 8,926 | 8,583 | 15.0 | 3. |
| Commercial lease financing | 425 | 398 | 402 | 395 | 393 | 8.2 | 6. |
| Total Commercial Loans and Leases | 19,224 | 18,374 | 17,663 | 17,117 | 16,439 | 16.9 | 4. |
| Personal Loans and Leases | | | | | | | |
| Residential real estate | | | | | | | |
| Residential mortgages | 3,986 | 3,562 | 3,234 | 2,929 | 2,743 | 45.3 | 11. |
| Construction | 1,382 | 1,167 | 1,017 | 865 | 759 | 82.0 | 18. |
| Total residential real estate | 5,368 | 4,729 | 4,251 | 3,794 | 3,502 | 53.3 | 13. |
| Personal loans | | | | | | | |
| Student | 78 | 88 | 85 | 79 | 83 | (6.0) | (11. |
| Credit card | 217 | 217 | 208 | 214 | 244 | (11.4) | (0. |
| Home equity loans and lines | 5,098 | 5,131 | 5,035 | 4,894 | 4,688 | 8.7 | (0. |
| Other | 1,186 | 1,217 | 1,251 | 1,256 | 1,388 | (14.5) | (2. |
| Total personal loans | 6,579 | 6,653 | 6,579 | 6,443 | 6,403 | 2.7 | (1. |
| Personal lease financing | 123 | 128 | 135 | 146 | 164 | (24.9) | (3. |
| Total Personal Loans and Leases | 12,070 | 11,510 | 10,965 | 10,383 | 10,069 | 19.9 | 4. |
| Total Consolidated Average Loans and Leases | \$ 31,294 | \$ 29,884 | \$ 28,628 | \$ 27,500 | \$ 26,508 | 18.1 % | 4. |

Total consolidated average loans and leases increased \$4.8 billion or 18.1% in the second quarter of 2005 compared to the second quarter of 2004. Total average commercial loan and lease growth was \$2.8 billion, a 16.9% increase in the current quarter compared to the second quarter of the prior year. Approximately 52.7% of the growth in total average commercial loans and leases was attributable to commercial and industrial loans. Total average personal loans and leases increased \$2.0 billion or 19.9% in the second quarter of 2005 compared to the second quarter of 2004. This growth was driven primarily by growth in residential real estate loans and home equity loans and lines. Average indirect auto loans and leases declined in the current quarter compared to the second quarter of the prior year which reflects, in part, the effect of the sale and securitization of indirect auto loans. From a production standpoint,

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residential real estate loan closings in the second quarter of 2005 were \$0.3 billion or 21.1% greater than loan closings in the second quarter of 2004 and were \$0.4 billion or 34.4% greater than loan closings in the first quarter of 2005.

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For the six months ended June 30, 2005, total consolidated average loans and leases increased \$4.6 billion or 17.8% compared to the six months ended June 30, 2004. Total average commercial loan and lease growth was \$2.6 billion, a 16.4% increase in the first six months of 2005 compared to the first six months of the prior year. Approximately 52.6% of the growth in total average commercial loans and leases was attributable to commercial and industrial loans. Total average personal loans and leases increased \$2.0 billion or 20.1% in the first half of 2005 compared to the first half of 2004. This growth was driven primarily by growth in residential real estate loans and home equity loans and lines. Year-to-date average indirect auto loans and leases declined in the first six months of 2005 compared to the same period of the prior year which, as previously discussed, reflects in part, the effect of the sale and securitization of indirect auto loans. From a production standpoint, residential real estate loan closings in the first half of 2005 were \$0.6 billion or 29.4% greater than loan closings in the first half of 2004.

Total average commercial loan and lease growth continued to be strong in the second quarter and first six months of 2005. This growth was spread relatively evenly throughout the first two quarters, was experienced in all of the Corporation's markets and came from both relatively new and existing customers across a variety of industries. Management attributes the loan growth to the strength of the local economies in the markets the Corporation serves, sales success and continued customer satisfaction. The Corporation continues to believe that double-digit loan growth is a reasonable expectation for the year ended December 31, 2005. However, it is uncertain whether the growth rates experienced in the first half of 2005 can be sustained for the remainder of the year.

Home equity loans and lines, which includes M&I's wholesale activity, continue to be the primary consumer loan product. The Corporation anticipates these products will continue to drive growth in the consumer side of its banking activities.

The Corporation sells some of its residential real estate production (residential real estate and home equity loans) in the secondary market. Selected residential real estate loans with rate and term characteristics that are considered desirable are periodically retained in the portfolio. For the three months ended June 30, 2005 and 2004 real estate loans sold to investors amounted to \$0.5 billion, respectively. For the six months ended June 30, 2005, real estate loans sold to investors amounted to \$0.9 billion compared to \$0.8 billion in the six months ended June 30, 2004. At June 30, 2005 and 2004, the Corporation had approximately \$153.8 million and \$84.3 million of mortgage loans held for sale, respectively. Gains from the sale of mortgage loans amounted to \$9.5 million in the second quarter of 2005 compared to \$9.0 million in the second quarter of 2004. For the six months ended June 30, 2005, gains from the sale of mortgage loans amounted to \$16.4 compared to \$14.2 million in the six months ended June 30, 2004.

Auto loans securitized and sold in the second quarter of 2005 amounted to \$0.1 billion compared to \$0.3 billion in the second quarter of 2004. For the six months ended June 30, 2005, auto loans securitized and sold amounted to \$0.2 billion compared to \$0.4 billion in the six months ended June 30, 2004. For the three months ended June 30, 2005, net losses from the sale and securitization of auto loans amounted to \$1.9 million

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compared to net losses of \$3.2 million in the second quarter of 2004. For the six months ended June 30, 2005, net gains from the sale and securitization of auto loans were approximately break-even compared to net losses of \$2.3 million for the six month ended June 30, 2004. The losses incurred were primarily due to lower loan interest spreads associated with new auto loan production in a rising interest rate environment. Auto loans held for sale amounted to \$39.3 million at June 30, 2005.

The Corporation anticipates that it will continue to divest itself of selected assets through sale or securitization in future periods.

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

Consolidated Average Deposits

| | 2005 | | 2004 | | | Growth Pct. | |
|-------------------------------------|----------------|---------------|----------------|---------------|----------------|-------------|--------------|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter | Annual | Prior Quarte |
| Bank issued deposits | | | | | | | |
| ----- | | | | | | | |
| Noninterest bearing deposits | | | | | | | |
| Commercial | \$ 3,377 | \$ 3,263 | \$ 3,427 | \$ 3,280 | \$ 3,143 | 7.4 % | 3. |
| Personal | 958 | 930 | 923 | 902 | 908 | 5.6 | 3. |
| Other | 491 | 500 | 521 | 456 | 463 | 6.1 | (1. |
| ----- | | | | | | | |
| Total noninterest bearing deposits | 4,826 | 4,693 | 4,871 | 4,638 | 4,514 | 6.9 | 2. |
| Interest bearing deposits | | | | | | | |
| Savings and NOW | 3,149 | 3,281 | 3,402 | 3,452 | 3,395 | (7.3) | (4. |
| Money market | 5,819 | 5,692 | 5,654 | 5,612 | 5,657 | 2.9 | 2. |
| Foreign activity | 882 | 904 | 887 | 849 | 943 | (6.4) | (2. |
| ----- | | | | | | | |
| Total interest bearing deposits | 9,850 | 9,877 | 9,943 | 9,913 | 9,995 | (1.5) | (0. |
| Time deposits | | | | | | | |
| Other CDs and time deposits | 2,951 | 2,787 | 2,685 | 2,653 | 2,582 | 14.3 | 5. |
| CDs greater than \$100,000 | 1,243 | 1,074 | 906 | 805 | 660 | 88.3 | 15. |
| ----- | | | | | | | |
| Total time deposits | 4,194 | 3,861 | 3,591 | 3,458 | 3,242 | 29.4 | 8. |
| Total bank issued deposits | 18,870 | 18,431 | 18,405 | 18,009 | 17,751 | 6.3 | 2. |
| Wholesale deposits | | | | | | | |
| ----- | | | | | | | |
| Money market | 1,077 | 1,073 | 1,096 | 747 | 72 | 1,389.6 | 0. |
| Brokered CDs | 4,437 | 4,761 | 4,960 | 5,009 | 4,498 | (1.4) | (6. |
| Foreign time | 1,086 | 969 | 811 | 869 | 1,188 | (8.5) | 12. |
| ----- | | | | | | | |
| Total wholesale deposits | 6,600 | 6,803 | 6,867 | 6,625 | 5,758 | 14.6 | (3. |
| Total consolidated average deposits | \$ 25,470 | \$ 25,234 | \$ 25,272 | \$ 24,634 | \$ 23,509 | 8.3 % | 0. |
| ===== | | | | | | | |

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Total consolidated average deposits increased \$2.0 billion or 8.3% in the second quarter of 2005 compared to the second quarter of 2004. Average noninterest bearing deposits increased \$0.3 billion or 6.9% while average bank-issued interest bearing deposits increased \$0.8 billion or 6.1% in the current quarter compared to the second quarter of the prior year. For the six months ended June 30, 2005, total consolidated average deposits increased \$2.3 billion or 10.2% compared to the six months ended June 30, 2004. Average noninterest bearing deposits increased \$0.3 billion or 7.8% while average bank-issued interest bearing deposits increased \$0.7 billion or 5.0% in the first six months of 2005 compared to the first six months of the prior year. The Corporation has recently experienced success in competing for bank issued time deposits without pricing above comparable wholesale levels.

The growth in bank issued deposits, especially noninterest bearing deposits, includes both commercial and retail banking. Noninterest bearing deposits are subject to seasonality and are influenced by the interest rate environment. In commercial banking, the focus remains on developing deeper relationships through the sale of treasury management products and services along with revised incentive plans focused on growing deposits. The retail banking strategy continues to focus on aggressively selling the right products to meet the needs of customers and enhance the Corporation's profitability. The Corporation continues to emphasize the sale of checking products.

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For the three months ended June 30, 2005, average wholesale deposits increased \$0.8 billion, or 14.6% compared to the three months ended June 30, 2004. For the six months ended June 30, 2005, average wholesale deposits increased \$1.3 billion, or 25.0% compared to the six months ended June 30, 2004. The Corporation continues to make greater use of wholesale funding alternatives, especially brokered money market deposits and institutional certificates of deposit. These deposits are funds in the form of deposits generated through distribution channels other than M&I's own banking branches. These deposits allow the Corporation's bank subsidiaries to gather funds across a wider geographic base and at pricing levels considered attractive, where the underlying depositor may be retail or institutional. Access to and use of these funding sources also provide the Corporation with the flexibility to not pursue unprofitable single service time deposit relationships.

During the second quarter of 2005, \$350.0 million of subordinated bank notes were issued. The subordinated bank notes mature in 2015 and have a coupon rate of 4.85%. Senior bank notes in an aggregate amount of \$525.0 million were also issued during the second quarter of 2005. The senior bank notes are floating rate and mature at various time in 2007 and 2010. Approximately \$125.0 million of the senior bank notes were converted to a fixed rate through the use of an interest rate swap. In addition, during the second quarter of 2005, the Corporation issued \$3.6 million of MiNotes with an annual weighted average coupon interest rate of 4.51%. The MiNotes mature at various times in 2010 and 2012. Series E medium-term notes in the amount of \$100.0 million with an annual coupon rate of 1.72% matured during the second quarter of 2005.

During the first quarter of 2005, a new floating rate advance from the Federal Home Loan Bank ("FHLB") aggregating \$250.0 million was obtained. The FHLB advance matures in 2011 and was converted to a fixed rate through the use of an interest rate swap. During the first quarter of 2005, \$900.0 million of senior bank notes with an annual weighted average coupon interest rate of 4.13% were issued. The notes mature at various times

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beginning in 2008 through 2017. In addition, during the first quarter of 2005, the Corporation issued \$4.5 million of MiNotes with an annual weighted average coupon interest rate of 5.02%. The MiNotes mature at various times beginning 2012 through 2023.

During the first quarter of 2004, a fixed rate FHLB advance aggregating \$55.0 million with an annual coupon interest rate of 5.06% was prepaid and retired resulting in a charge to earnings of \$4.9 million.

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The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the three and six months ended June 30, 2005 and 2004, are presented in the following tables (\$ in millions):

Consolidated Yield and Cost Analysis

| | Three Months Ended June 30, 2005 | | | Three Months Ended June 30, 2004 | | |
|--|-------------------------------------|-----------------|---------------------------------|-------------------------------------|-----------------|---------------------------------|
| | Average Balance | Interest | Average Yield or Cost (b) | Average Balance | Interest | Average Yield or Cost (b) |
| Loans and leases: (a) | | | | | | |
| Commercial loans and leases | \$ 9,357.0 | \$ 134.1 | 5.75 % | \$ 7,855.9 | \$ 89.7 | 4.59 % |
| Commercial real estate loans | 9,867.4 | 149.4 | 6.07 | 8,582.9 | 113.9 | 5.34 |
| Residential real estate loans | 5,367.6 | 79.3 | 5.92 | 3,501.8 | 47.2 | 5.42 |
| Home equity loans and lines | 5,098.3 | 76.1 | 5.99 | 4,688.6 | 61.1 | 5.24 |
| Personal loans and leases | 1,603.8 | 23.3 | 5.83 | 1,878.7 | 23.3 | 5.00 |
| Total loans and leases | 31,294.1 | 462.2 | 5.92 | 26,507.9 | 335.2 | 5.09 |
| Investment securities (b): | | | | | | |
| Taxable | 4,828.6 | 53.3 | 4.41 | 4,671.1 | 48.6 | 4.19 |
| Tax Exempt (a) | 1,333.7 | 23.9 | 7.34 | 1,171.2 | 21.7 | 7.59 |
| Total investment securities | 6,162.3 | 77.2 | 5.03 | 5,842.3 | 70.3 | 4.87 |
| Trading securities (a) | 25.6 | 0.1 | 0.78 | 22.1 | 0.1 | 1.05 |
| Other short-term investments | 271.7 | 2.2 | 3.39 | 164.7 | 0.4 | 1.00 |
| Total interest earning assets | \$ 37,753.7 | \$ 541.7 | 5.76 % | \$ 32,537.0 | \$ 406.0 | 5.02 % |
| Interest bearing deposits: | | | | | | |
| Bank issued deposits: | | | | | | |
| Bank issued interest bearing activity deposits | \$ 9,850.0 | \$ 41.8 | 1.70 % | \$ 9,995.5 | \$ 15.8 | 0.64 % |
| Bank issued time deposits | 4,193.2 | 31.6 | 3.02 | 3,241.8 | 19.2 | 2.38 |
| Total bank issued deposits | 14,043.2 | 73.4 | 2.10 | 13,237.3 | 35.0 | 1.06 |
| Wholesale deposits | 6,600.1 | 49.4 | 3.00 | 5,758.3 | 23.0 | 1.61 |
| Total interest bearing deposits | 20,643.3 | 122.8 | 2.39 | 18,995.6 | 58.0 | 1.23 |
| Short-term borrowings | 3,392.3 | 28.4 | 3.36 | 3,258.9 | 14.2 | 1.76 |
| Long-term borrowings | 7,920.1 | 77.3 | 3.91 | 4,703.9 | 41.8 | 3.57 |

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| | | | | | | |
|--|-------------|----------|--------|-------------|----------|--------|
| Total interest bearing liabilities | \$ 31,955.7 | \$ 228.5 | 2.87 % | \$ 26,958.4 | \$ 114.0 | 1.70 % |
| Net interest margin (FTE) as a percent of average earning assets | | \$ 313.2 | 3.33 % | | \$ 292.0 | 3.61 % |
| Net interest spread (FTE) | | | 2.89 % | | | 3.32 % |

- (a) Fully taxable equivalent basis (FTE), assuming a Federal income tax rate of 35%, and excluding disallowed interest expense.
(b) Based on average balances excluding fair value adjustments for available for sale securities.

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Consolidated Yield and Cost Analysis

| | Six Months Ended June 30, 2005 | | | Six Months Ended June 30, 2004 | | |
|--|-----------------------------------|---------------------|---------------------------------|-----------------------------------|---------------------|---------------------------------|
| | Average Balance | Average Interest | Average Yield or Cost (b) | Average Balance | Average Interest | Average Yield or Cost (b) |
| Loans and leases: (a) | | | | | | |
| Commercial loans and leases | \$ 9,108.7 | \$ 252.6 | 5.59 % | \$ 7,698.4 | \$ 177.2 | 4.63 % |
| Commercial real estate loans | 9,692.9 | 286.6 | 5.96 | 8,452.1 | 225.0 | 5.35 |
| Residential real estate loans | 5,050.1 | 145.9 | 5.83 | 3,364.2 | 91.9 | 5.49 |
| Home equity loans and lines | 5,114.4 | 148.7 | 5.86 | 4,563.4 | 120.1 | 5.29 |
| Personal loans and leases | 1,626.6 | 45.8 | 5.68 | 1,889.6 | 47.6 | 5.07 |
| Total loans and leases | 30,592.7 | 879.6 | 5.80 | 25,967.7 | 661.8 | 5.13 |
| Investment securities (b): | | | | | | |
| Taxable | 4,825.7 | 105.2 | 4.39 | 4,602.1 | 96.9 | 4.26 |
| Tax Exempt (a) | 1,306.1 | 46.9 | 7.41 | 1,158.9 | 43.1 | 7.64 |
| Total investment securities | 6,131.8 | 152.1 | 5.02 | 5,761.0 | 140.0 | 4.93 |
| Trading securities (a) | 24.4 | 0.1 | 0.99 | 22.7 | 0.2 | 1.33 |
| Other short-term investments | 229.6 | 3.7 | 3.20 | 188.6 | 0.9 | 1.01 |
| Total interest earning assets | \$ 36,978.5 | \$ 1,035.5 | 5.65 % | \$ 31,940.0 | \$ 802.9 | 5.06 % |
| Interest bearing deposits: | | | | | | |
| Bank issued deposits: | | | | | | |
| Bank issued interest bearing activity deposits | \$ 9,863.4 | \$ 75.5 | 1.54 % | \$ 9,993.7 | \$ 31.3 | 0.63 % |
| Bank issued time deposits | 4,028.1 | 57.6 | 2.89 | 3,242.0 | 38.4 | 2.38 |
| Total bank issued deposits | 13,891.5 | 133.1 | 1.93 | 13,235.7 | 69.7 | 1.06 |
| Wholesale deposits | 6,700.8 | 93.2 | 2.80 | 5,361.3 | 43.8 | 1.65 |
| Total interest bearing deposits | 20,592.3 | 226.3 | 2.22 | 18,597.0 | 113.5 | 1.23 |
| Short-term borrowings | 3,144.0 | 50.3 | 3.23 | 3,343.7 | 30.1 | 1.81 |

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| | | | | | | |
|--|-------------|----------|--------|-------------|----------|--------|
| Long-term borrowings | 7,564.6 | 145.7 | 3.88 | 4,473.3 | 80.8 | 3.63 |
| ----- | | | | | | |
| Total interest bearing liabilities | \$ 31,300.9 | \$ 422.3 | 2.72 % | \$ 26,414.0 | \$ 224.4 | 1.71 % |
| ===== | | | | | | |
| Net interest margin (FTE) as a percent of average earning assets | \$ 613.2 | 3.35 % | | \$ 578.5 | 3.65 % | |
| ===== | | | | | | |
| Net interest spread (FTE) | | 2.93 % | | | 3.35 % | |
| ===== | | | | | | |

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

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

The net interest margin, as a percent of average earning assets on a fully taxable equivalent basis ("FTE"), decreased 28 basis points from 3.61% in the second quarter of 2004 to 3.33% in the second quarter of 2005. For the six months ended June 30, 2005, the net interest margin, as a percent of average earning assets on a FTE basis was 3.35% compared to 3.65% for the six months ended June 30, 2004, a decrease of 30 basis points. The decrease in net interest margin in 2005 was offset, in part, by the increase in noninterest bearing deposits as previously discussed. When comparing the net interest margin percentage for the three and six months ended June 30, 2005 to the three and six months ended June 30, 2004, the Corporation estimates that the additional interest expense associated with the \$1.0 billion of debt issued in late July 2004 to finance Metavante's acquisitions lowered the net interest margin by approximately 12 basis points in the second quarter and first half of 2005. Unlike a bank acquisition or loan growth, where the primary source of revenue is interest income, the revenue impact of Metavante's acquisitions is recorded in Other income and is not a component of the net interest margin statistic. Compared to the first quarter of 2005, the net interest margin, as a percent of average earning assets on a FTE basis, decreased 3 basis points from 3.36% in the first quarter of 2005 to 3.33% in the second quarter of 2005.

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The contraction of the net interest margin as a percent of average earning assets is primarily driven by the continued growth in loan balances beyond the Corporation's capacity to generate bank-issued deposit growth below the wholesale costs of funds. Management expects modest downward pressure on the net interest margin percentage to continue. Net interest income and the net interest margin percentage can vary and continue to be influenced by loan and deposit growth, product spreads, pricing competition in the Corporation's markets, prepayment activity, future interest rate changes and various other factors.

PROVISION FOR LOAN AND LEASE LOSSES AND CREDIT QUALITY

The following tables present comparative consolidated credit quality information as of June 30, 2005, and the prior four quarters:

Nonperforming Assets

(\$000's)

2005

2004

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| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
|---|-------------------|------------------|-------------------|------------------|-------------------|
| Nonaccrual | \$ 126,920 | \$ 124,416 | \$ 127,722 | \$ 139,154 | \$ 137,845 |
| Renegotiated | 176 | 220 | 236 | 244 | 253 |
| Past due 90 days or more | 4,514 | 5,314 | 4,405 | 3,148 | 6,902 |
| Total nonperforming loans and leases | 131,610 | 129,950 | 132,363 | 142,546 | 145,000 |
| Other real estate owned | 9,124 | 6,770 | 8,056 | 7,098 | 10,394 |
| Total nonperforming assets | \$ 140,734 | \$ 136,720 | \$ 140,419 | \$ 149,644 | \$ 155,394 |
| Allowance for loan and lease losses | \$ 360,138 | \$ 358,280 | \$ 358,110 | \$ 358,072 | \$ 357,898 |

Consolidated Statistics

| | 2005 | | 2004 | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| Net charge-offs to average loans and leases annualized | 0.15 % | 0.11 % | 0.18 % | 0.10 % | 0.08 % |
| Total nonperforming loans and leases to total loans and leases | 0.41 | 0.42 | 0.45 | 0.51 | 0.53 |
| Total nonperforming assets to total loans and leases and other real estate | 0.44 | 0.45 | 0.48 | 0.53 | 0.57 |
| Allowance for loan and lease losses to total loans and leases | 1.12 | 1.17 | 1.21 | 1.27 | 1.32 |
| Allowance for loan and lease losses to total nonperforming loans and leases | 274 | 276 | 271 | 251 | 247 |

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Nonaccrual Loans and Leases By Type

(\$000's)

| | 2005 | | 2004 | | |
|--|-------------------|------------------|-------------------|------------------|-------------------|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |

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| | | | | | |
|--|------------|------------|------------|------------|------------|
| Commercial | | | | | |
| Commercial, financial and agricultural Lease financing receivables | \$ 35,777 | \$ 37,587 | \$ 41,047 | \$ 49,714 | \$ 39,473 |
| | 3,990 | 4,882 | 4,463 | 5,476 | 6,398 |
| Total commercial | 39,767 | 42,469 | 45,510 | 55,190 | 45,871 |
| Real estate | | | | | |
| Construction and land development | 1,500 | 785 | 578 | 207 | 1,724 |
| Commercial mortgage | 37,107 | 28,115 | 31,852 | 33,817 | 38,561 |
| Residential mortgage | 47,797 | 52,056 | 49,206 | 48,715 | 50,776 |
| Total real estate | 86,404 | 80,956 | 81,636 | 82,739 | 91,061 |
| Personal | 749 | 991 | 576 | 1,225 | 913 |
| Total nonaccrual loans and leases | \$ 126,920 | \$ 124,416 | \$ 127,722 | \$ 139,154 | \$ 137,845 |

Reconciliation of Allowance for Loan and Lease Losses

(\$000's)

| | 2005 | | 2004 | | |
|---------------------------------------|----------------|---------------|----------------|---------------|----------------|
| | Second Quarter | First Quarter | Fourth Quarter | Third Quarter | Second Quarter |
| Beginning balance | \$ 358,280 | \$ 358,110 | \$ 358,072 | \$ 357,898 | \$ 353,687 |
| Provision for loan and lease losses | 13,725 | 8,126 | 12,837 | 6,872 | 9,227 |
| Allowance of banks and loans acquired | -- | -- | -- | -- | -- |
| Loans and leases charged-off | | | | | |
| Commercial | 3,767 | 6,036 | 5,453 | 4,403 | 4,015 |
| Real estate | 8,190 | 3,339 | 4,342 | 3,047 | 2,765 |
| Personal | 3,765 | 3,416 | 3,345 | 3,207 | 2,616 |
| Leases | 380 | 246 | 6,178 | 252 | 536 |
| Total charge-offs | 16,102 | 13,037 | 19,318 | 10,909 | 9,932 |
| Recoveries on loans and leases | | | | | |
| Commercial | 2,264 | 2,604 | 5,100 | 2,366 | 2,279 |
| Real estate | 413 | 1,380 | 387 | 611 | 1,336 |
| Personal | 782 | 719 | 765 | 900 | 906 |
| Leases | 776 | 378 | 267 | 334 | 395 |
| Total recoveries | 4,235 | 5,081 | 6,519 | 4,211 | 4,916 |
| Net loans and leases charge-offs | 11,867 | 7,956 | 12,799 | 6,698 | 5,016 |
| Ending balance | \$ 360,138 | \$ 358,280 | \$ 358,110 | \$ 358,072 | \$ 357,898 |

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

OREO is principally comprised of commercial and residential properties acquired in partial or total satisfaction of problem loans and amounted to \$9.1 million at June 30, 2005, compared to \$6.8 million at March 31, 2005 and \$8.1 million at December 31, 2004. The increase in OREO at June 30, 2005 compared to March 31, 2005 was primarily attributable to acquired non-residential properties.

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.

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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 are critical to ensuring that the amount of nonperforming assets on a long-term basis is minimized within the overall framework of acceptable levels of credit risk. In addition to the negative impact on net interest income and credit losses, nonperforming assets also increase operating costs due to the expense associated with collection efforts.

At June 30, 2005, nonperforming loans and leases amounted to \$131.6 million or 0.41% of consolidated loans and leases compared to \$130.0 million or 0.42% of consolidated loans and leases at March 31, 2005, and \$132.4 million or 0.45% of consolidated loans and leases at December 31, 2004. At June 30, 2005 nonperforming loans and leases increased slightly compared to nonperforming loans and leases at March 31, 2005. The ratio of nonperforming loans and leases to consolidated loans and leases at June 30, 2005 represents the ninth consecutive quarter that the Corporation has experienced a decline in that ratio. Nonaccrual loans and leases continue to be the primary source of nonperforming loans and leases. Since December 31, 2004, the decline in nonaccrual commercial loans and leases and nonaccrual residential real estate loans was offset by increases in nonaccrual commercial real estate loans and nonaccrual construction and land development loans.

Net charge-offs amounted to \$11.9 million or 0.15% of average loans and leases in the second quarter of 2005 compared to \$8.0 million or 0.11% of average loans and leases in the first quarter of 2005 and \$12.8 million or 0.18% of average loans and leases in the fourth quarter of 2004. The lower level of net charge-offs experienced throughout 2004 and the first half of 2005 has to some extent been the result of higher than normal recoveries. Based on the status of some of the larger charge-offs recognized in recent quarters, management expects recoveries will likely return to lower levels in future periods. Recoveries in the second quarter of 2005 were \$0.8 million lower than recoveries in the first quarter of 2005 and \$2.3 million lower than recoveries in the fourth quarter of 2004. The ratio of recoveries to charge-offs was 26.3% in the second quarter of 2005 which was slightly below the Corporation's five year historical average ratio of recoveries to charge-offs of 26.9%. For the six month ended June 30, 2005, the ratio of recoveries to charge-offs was 32.0%.

Management continues to expect the longer term level of nonperforming loans and leases to be in the range of 50-60 basis points of total loans and leases and expects net charge-offs to trend to historical levels. While it is unclear when this will occur, management does not believe that current net

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charge-off levels are sustainable indefinitely.

The provisions for loan and lease losses amounted to \$13.7 million for the three months ended June 30, 2005 compared to \$8.1 million for the three months ended March 31, 2005 and \$9.2 million for the three months ended June 30, 2004. For the six months ended June 30, 2005, the provision for loan and lease losses amounted to \$21.9 million compared to \$18.3 million for the six months ended June 30, 2004. The allowance for loan and lease losses as a percent of consolidated loans and leases outstanding was 1.12% at June 30, 2005, 1.17% at March 31, 2005 and 1.32% at June 30, 2004.

OTHER INCOME

Other income or noninterest sources of revenue represented approximately 59.2% and 53.7% of the Corporation's total sources of revenues for the three months ended June 30, 2005 and 2004, respectively. Total other income in the second quarter of 2005 amounted to \$442.6 million compared to \$330.0 million in the same period last year, an increase of \$112.6 million or 34.1%. For the six months ended June 30, 2005, other income represented approximately 58.8% of the Corporation's total sources of revenues and amounted to \$852.1 million. By comparison, for the six months ended June 30, 2004, other income represented approximately 53.4% of the Corporation's total sources of revenues and amounted to \$643.4 million. For the six months ended June 30, 2005 other income increased \$208.7 million or 32.4% compared to the six months ended June 30, 2004.

The increase in other income in the second quarter and first half of 2005 compared to the same periods in 2004 was primarily due to growth in data processing services and trust services revenue and, as previously discussed, the gain from the sale of an entity associated with the Corporation's investment in an independent private equity and venture capital partnership.

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Data processing services revenue amounted to \$271.7 million in the second quarter of 2005 compared to \$197.3 million in the second quarter of 2004, an increase of \$74.4 million or 37.7%. For the six months ended June 30, 2005, data processing services revenue amounted to \$544.0 million compared to \$383.5 million in the six months ended June 30, 2004, an increase of \$160.5 million or 41.9%. Overall, revenue growth was generally stronger than expected throughout this segment and was driven by revenue associated with acquisitions and higher transaction volumes in payment processing and electronic banking. Revenue associated with Metavante's acquisitions completed in 2005 and 2004 net of revenue lost from the 2004 divestitures (collectively "acquisitions"), contributed a significant portion of the revenue growth in the three and six months ended June 30, 2005, over the comparable three and six months ended June 30, 2004, respectively. The acquisition related revenue growth includes cross sales of acquired products to clients across the entire segment. Total buyout revenue, which varies from period to period, increased \$0.2 million in the current quarter compared to the second quarter of last year and was \$3.0 million higher in the first half of 2005 compared to the first half of 2004.

Based on its performance in the first half of 2005, management expects Metavante's total 2005 revenues (internal and external) will be at the upper end of the \$1.1 to \$1.2 billion revenue range previously provided and segment earnings will be in the range of \$115.0 million to \$120.0 million, excluding the impact of recently announced acquisitions.

Trust services revenue amounted to \$41.1 million in the second quarter of 2005 compared to \$37.9 million in the second quarter of 2004, an increase of

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\$3.2 million or 8.4%. For the six months ended June 30, 2005, trust services revenue amounted to \$81.5 million compared to \$74.2 million for the six months ended June 30, 2004, an increase of \$7.3 million or 9.8%. The increase in revenue was due to sales efforts that continue to emphasize cross-selling and integrated delivery. Assets under management were approximately \$18.5 billion at June 30, 2005, compared to \$18.3 billion at December 31, 2004, and \$17.1 billion at June 30, 2004.

Service charges on deposits amounted to \$23.9 million in the second quarter of 2005 compared to \$25.1 million in the second quarter of 2004, a decrease of \$1.2 million. For the six months ended June 30, 2005, service charges on deposits amounted to \$47.5 million compared to \$50.6 million for the six months ended June 30, 2004, a decrease of \$3.1 million. A portion of this source of fee income is sensitive to changes in interest rates. In a rising interest rate environment customers receive a higher earnings credit for maintaining balances which results in lower fee income. Service charges on deposits associated with commercial demand deposits accounted for the majority of the decline in this revenue in both the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004.

Total mortgage banking revenue was \$10.5 million in the second quarter of 2005 compared with \$11.7 million in the second quarter of 2004, a decrease of \$1.2 million. Total mortgage banking revenue was \$18.4 million in the first six months of 2005 compared with \$18.7 million in the first six months of 2004. For the three months ended June 30, 2005 and 2004, the Corporation sold \$0.5 billion of residential mortgage and home equity loans to the secondary market. For the six months ended June 30, 2005 and 2004, the Corporation sold \$0.9 billion and \$0.8 billion of residential mortgage and home equity loans to the secondary market, respectively. Retained interests in the form of mortgage servicing rights on residential mortgage loans amounted to \$0.5 million for the six months ended June 30, 2005 and \$0.7 million for the six months ended June 30, 2004.

Net investment securities gains amounted to \$29.4 million and \$35.3 million for the three and six months ended June 30, 2005, respectively. As previously discussed, during the second quarter of 2005, the Corporation realized a gain due to the sale of an entity associated with its investment in an independent private equity and venture capital partnership. The gross gain amounted to \$29.0 million. During the first quarter of 2005, the Corporation's banking segment's investment in certain membership interests of PULSE was liquidated by PULSE. The cash received resulted in a gain of \$5.3 million. An additional \$0.3 million was received in the second quarter of 2005. Net investment securities activities for the three and six months ended June 30, 2004 were not significant.

Other income in the second quarter of 2005 amounted to \$47.2 million compared to \$39.9 million in the second quarter of 2004, an increase of \$7.3 million or 18.4%. For the six months ended June 30, 2005, other income amounted to \$89.9 million compared to \$80.8 million for the six months ended June 30, 2004, an increase of \$9.1 million or 11.1%. Higher auto securitization income, as previously discussed, and increases in loan related and card related fees were the primary contributors to the increase in other income in the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004. Other income for the three and six months ended June 30, 2005 includes a gain from a branch divestiture of \$0.9 million. In addition, other income for the six months ended June 30, 2005 includes a gain of \$0.8 million from the required sale of a facility that was completed during the first quarter of 2005.

OTHER EXPENSE

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Total other expense for the three months ended June 30, 2005 amounted to \$452.6 million compared to \$374.7 million for the three months ended June 30, 2004, an increase of \$77.9 million or 20.8%. For the six months ended June 30, 2005, total other expense amounted to \$889.0 million compared to \$737.0 million for the six months ended June 30, 2004, an increase of \$152.0 million or 20.6%.

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Total other expense for the three and six months ended June 30, 2005 included the operating expenses associated with Metavante's acquisitions of Kirchman Corporation in May 2004, Advanced Financial Solutions, Inc. and its affiliated companies in July 2004, the NYCE Corporation in July 2004, Response Data Corp. in September 2004, NuEdge Systems LLC in October 2004, VECTORsgi Holdings, Inc. in November 2004 and Prime Associates, Inc. on February 9, 2005. Total other expense for the three and six months ended June 30, 2005 excluded the operating expenses associated with the 401k Retirement Plan Services operations and the direct customer base of Paytrust.com that were sold in the fourth quarter of 2004.

Metavante's acquisitions and divestitures had a significant impact on the period-to-period comparability of operating expenses in 2005 compared to 2004. Approximately \$54.9 million of the operating expense growth in the second quarter of 2005 compared to the second quarter of 2004 was attributable to the acquisitions and divestitures. Approximately \$117.4 million of the operating expense growth in the first six months of 2005 compared to the first six months of 2004 was attributable to the acquisitions and divestitures. The operating expenses of the acquired and divested entities have been included in or excluded from the Corporation's consolidated operating expenses from the dates the transactions were completed.

Other expense for the three and six months ended June 30, 2004, included a product impairment charge by Metavante that amounted to \$5.5 million. As previously discussed, other expense for the six months ended June 30, 2004 included a charge to earnings of \$4.9 million because the Corporation prepaid and retired \$55.0 million of higher cost fixed rate debt during the first quarter of 2004.

The Corporation estimates that its expense growth in the three and six months ended June 30, 2005 compared to the three and six months ended June 2004, excluding the effects of the acquisitions and divestitures, the debt prepayment and the impairment charge, was approximately \$28.5 million or 7.9% and \$45.0 million or 6.3%, respectively.

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 divided by the sum of total other income (including Capital Markets revenue but excluding investment securities gains or losses) and net interest income on a fully taxable equivalent basis. The Corporation's efficiency ratios for the three months ended June 30, 2005, and prior four quarters were:

Efficiency Ratios

Three Months Ended

| June 30, 2005 | March 31, 2005 | December 31, 2004 | September 30, 2004 | June 30, 2004 |
|------------------|-------------------|----------------------|-----------------------|------------------|
| ----- | ----- | ----- | ----- | ----- |

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| | | | | | |
|---|--------|--------|--------|--------|--------|
| Consolidated Corporation | 59.9 % | 62.0 % | 61.6 % | 62.2 % | 60.2 % |
| Consolidated Corporation Excluding Metavante | 47.7 % | 48.8 % | 47.0 % | 49.0 % | 48.8 % |

Salaries and employee benefits expense amounted to \$262.4 million in the second quarter of 2005 compared to \$211.9 million in the second quarter of 2004, an increase of \$50.5 million or 23.8%. For the six months ended June 30, 2005, salaries and employee benefits expense amounted to \$500.9 million compared to \$415.8 million for the six months ended June 30, 2004, an increase of \$85.1 million or 20.5%. Salaries and benefits associated with acquisitions and divestitures previously discussed accounted for approximately \$25.7 million and \$55.1 million of the increase in salaries and employee benefits expense in the second quarter and first six months of 2005 compared to the second quarter and first six months of 2004, respectively. Long-term incentive plans, which are tied to consolidated performance and the Corporation's common stock price, and business-line performance incentives, which increased due to significant business success especially in the current quarter, accounted for over half of the remaining increase in salaries and employee benefit expense in the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004. From June 30, 2004 to June 30, 2005, the Corporation's common stock price increased 13.7%.

For the second quarter of 2005, occupancy and equipment expense amounted to \$50.9 million compared to \$44.5 million in the second quarter of 2004, an increase of \$6.4 million or 14.3%. For the six months ended June 30, 2005, occupancy and equipment expense amounted to \$104.2 million compared to \$91.8 million for the six months ended June 30, 2004, an increase of \$12.4 million or 13.5%. The acquisitions and divestitures accounted for approximately all of the increase in occupancy and equipment expense in the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004, respectively.

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Software expenses, processing charges, supplies and printing, professional services and shipping and handling expenses totaled \$63.0 million in the second quarter of 2005 compared to \$58.5 million in the second quarter of 2004, an increase of \$4.5 million or 7.7%. For the six months ended June 30, 2005, software expenses, processing charges, supplies and printing, professional services and shipping and handling expenses totaled \$128.3 million compared to \$114.0 million, for the six months ended June 30, 2004, an increase of \$14.3 million or 12.6%. The acquisitions and divestitures accounted for approximately \$6.6 million of the increase in these expense items in the second quarter of 2005 compared to the second quarter of 2004. The increase in these expense items due to the acquisitions and divestitures in the second quarter of 2005 compared to the second quarter of 2004 were offset by lower shipping and handling charges at Metavante and lower processing charges in the other business segments. The acquisitions and divestitures accounted for approximately all of the increase in these expense items in the six months ended June 30, 2005 compared to the six months ended June 30, 2004.

Amortization of intangibles amounted to \$8.1 million in the second quarter of 2005 compared to \$5.4 million in the second quarter of 2004, an increase of \$2.7 million. For the six months ended June 30, 2005, amortization of intangibles amounted to \$16.2 million compared to \$10.9 million for the six months ended June 30, 2004, an increase of \$5.3 million. Amortization and valuation reserve adjustments associated with mortgage servicing rights decreased amortization expense \$0.1 million and \$0.8 million in the second quarter of 2005 and first six months of 2005 compared to the second quarter and first six months of 2004, respectively. The carrying value of the

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Corporation's mortgage servicing rights was \$3.2 million at June 30, 2005. Amortization of core deposit intangibles, which is based on a declining balance method, decreased \$0.6 million and \$1.1 million in the second quarter and first six months of 2005 compared to the second quarter and first six months of the prior year. For the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004, the acquisitions and divestitures contributed approximately \$3.9 million and \$7.9 million, respectively to the increase in intangibles amortization expense in the respective periods.

Other expense amounted to \$68.2 million in the second quarter of 2005 compared to \$54.4 million in the second quarter of 2004, an increase of \$13.8 million or 25.4%. The acquisitions and divestitures accounted for approximately \$10.6 million of the increase in other expense in the second quarter of 2005 compared to the second quarter of 2004. For the six months ended June 30, 2005, other expense amounted to \$139.4 million compared to \$104.5 million for the six months ended June 30, 2004, an increase of \$34.9 million or 33.3%. The acquisitions and divestitures accounted for approximately \$23.5 million of the increase in other expense in the first six months of 2005 compared to the first six months of 2004. As previously discussed, other expense for the six months ended June 30, 2004 includes a charge to earnings of \$4.9 million for the early retirement of \$55.0 million of higher cost fixed rate debt during the first quarter of 2004.

Other expense is affected by the capitalization of costs, net of amortization associated with software development and customer data processing conversions. Net software and conversion amortization was \$5.6 million in the second quarter of 2005 compared to \$6.7 million in the second quarter of 2004, resulting in a decrease to other expense over the comparative quarters of \$1.1 million. For the six months ended June 30, 2005 net software and conversion amortization was \$11.4 million compared to \$9.8 million for the six months ended June 30, 2004, resulting in an increase to other expense over the comparative six months of \$1.6 million. The acquisitions and divestitures increased net software and conversion amortization expense in the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004 by \$1.2 million and \$2.8 million, respectively. Included in net software and conversion amortization for the three and six months ended June 30, 2004 is Metavante's write-off of capitalized software associated with an impaired product as previously discussed.

Higher expenses associated with credit cards, advertising and promotion and various other expenses accounted for the remaining increase in other expense in the three and six months ended June 30, 2005 compared to the three and six months ended June 30, 2004, respectively.

INCOME TAXES

The provision for income taxes for the three months ended June 30, 2005 amounted to \$92.5 million or 32.9% of pre-tax income compared to \$78.4 million or 34.1% of pre-tax income for the three months ended June 30, 2004. For the six months ended June 30, 2005 the provision for income taxes amounted to \$179.7 million or 33.4% of pre-tax income compared to \$153.0 million or 33.9% of pre-tax income for the six months ended June 30, 2004. In the normal course of business, the Corporation and its affiliates are routinely subject to examinations from federal and state tax authorities. During the second quarter of 2005, an income tax issue was resolved which primarily affected the banking segment and resulted in a lower provision for income taxes in the consolidated statements of income for the three and six months ended June 30, 2005.

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LIQUIDITY AND CAPITAL RESOURCES

Shareholders' equity was \$4.2 billion or 9.7% of total consolidated assets at June 30, 2005, compared to \$3.9 billion or 9.6% of total consolidated assets at December 31, 2004, and \$3.4 billion or 9.3% of total consolidated assets at June 30, 2004. The increase in shareholders' equity at June 30, 2005 was primarily due to earnings net of dividends paid. In the second quarter of 2005, the Corporation's Board of Directors authorized an increase in the quarterly cash dividend paid on the Corporation's common stock, from \$0.21 per share to \$0.24 per share, or 14.3%. Shareholders' equity at June 30, 2005 includes the effect of certain common stock issuances in the first quarter of 2005. During the first quarter of 2005, the Corporation issued 563,114 shares of its common stock valued at \$24.0 million in conjunction with Metavante's acquisition of Prime Associates, Inc. Also during the first quarter of 2005, the Corporation issued 355,046 shares of its common stock valued at \$14.4 million to fund its 2004 obligations under its retirement and employee stock ownership plans.

At June 30, 2005, the net gain in accumulated other comprehensive income amounted to \$15.5 million which represented a negative change in accumulated other comprehensive income of \$7.8 million since December 31, 2004. Net accumulated other comprehensive income associated with available for sale investment securities was a net gain of \$13.7 million at June 30, 2005, compared to a net gain of \$31.1 million at December 31, 2004, resulting in a net loss of \$17.4 million over the six month period. Net accumulated other comprehensive income associated with the change in fair value of the Corporation's derivative financial instruments designated as cash flow hedges was a net gain of \$9.5 million over the six month period.

The Corporation has a Stock Repurchase Program under which it may repurchase up to 12 million shares of its common stock annually. No shares were acquired under the program in the second quarter or first six months of 2005. For the six months ended June 30, 2004, 2.3 million shares were acquired at an aggregate cost of \$88.5 million or an average price of \$38.98 per common share. As a result of the Metavante acquisitions, the Corporation does not expect that it will acquire shares of its common stock under the Stock Repurchase Program in the near term.

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

RISK-BASED CAPITAL RATIOS

(\$ in millions)

| | June 30, 2005 | | December 31, 2004 | |
|---------------------------------------|---------------|---------|-------------------|---------|
| | Amount | Ratio | Amount | Ratio |
| Tier 1 Capital | \$ 2,809 | 7.55 % | \$ 2,520 | 7.42 % |
| Tier 1 Capital Minimum Requirement | 1,488 | 4.00 | 1,358 | 4.00 |
| Excess | \$ 1,321 | 3.55 % | \$ 1,162 | 3.42 % |
| | | | | |
| Total Capital | \$ 4,434 | 11.92 % | \$ 3,802 | 11.20 % |
| Total Capital Minimum Requirement | 2,976 | 8.00 | 2,716 | 8.00 |

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| | | | | | | |
|----------------------|----|--------|--------|----|--------|--------|
| Excess | \$ | 1,458 | 3.92 % | \$ | 1,086 | 3.20 % |
| Risk-Adjusted Assets | \$ | 37,198 | | \$ | 33,948 | |

LEVERAGE RATIOS

(\$ in millions)

| | June 30, 2005 | | December 31, 2004 | |
|-------------------------------|----------------|---------------|-------------------|---------------|
| | Amount | Ratio | Amount | Ratio |
| Tier 1 Capital | \$ 2,809 | 6.91 % | \$ 2,520 | 6.72 % |
| Minimum Leverage Requirement | 1,219 - 2,032 | 3.00 - 5.00 | 1,126 - 1,876 | 3.00 - 5.00 |
| Excess | \$ 1,590 - 777 | 3.91 - 1.91 % | \$ 1,394 - 644 | 3.72 - 1.72 % |
| Adjusted Average Total Assets | \$ 40,648 | | \$ 37,509 | |

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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 \$5.6 billion at June 30, 2005, represent a highly accessible source of liquidity. The Corporation's portfolio of held-to-maturity investment securities, which totaled \$0.7 billion at June 30, 2005, provides liquidity from maturities and amortization payments. The Corporation's loans held-for-sale provide additional liquidity. These loans represent recently funded 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 \$16.7 billion in the second quarter of 2005. The Corporation's banking affiliates may also access the federal funds markets or utilize collateralized borrowings such as treasury demand notes or FHLB advances.

The banking affiliates may use wholesale deposits. Wholesale deposits are funds in the form of deposits generated through distribution channels other than the Corporation's own banking branches. These deposits allow the Corporation's banking subsidiaries to gather funds across a national geographic base and at pricing levels considered attractive, where the underlying depositor may be retail or institutional. Access to wholesale deposits also provides the Corporation with the flexibility to not pursue single service time deposit relationships in markets that have experienced some unprofitable pricing levels. Wholesale deposits averaged \$6.6 billion in the second quarter of 2005.

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The Corporation utilizes certain financing arrangements to meet its balance sheet management, funding, liquidity, and market or credit risk management needs. The majority of these activities are basic term or revolving securitization vehicles. These vehicles are generally funded through term-amortizing debt structures or with short-term commercial paper designed to be paid off based on the underlying cash flows of the assets securitized. These vehicles provide access to funding sources substantially separate from the general credit risk of the Corporation and its subsidiaries. See Note 8 to the Consolidated Financial Statements for an update of the Corporation's securitization activities in the second quarter of 2005.

The Corporation's lead bank, M&I Marshall & Ilsley Bank ("the Bank"), has implemented a bank note program which permits it to issue up to \$7.0 billion of short-term and medium-term notes which are offered and sold only to institutional investors. This program is intended to enhance liquidity by enabling the Bank to sell its debt instruments in private markets in the future without the delays which would otherwise be incurred. Bank notes outstanding at June 30, 2005, amounted to \$4.8 billion of which \$1.3 billion is subordinated and qualifies as supplementary capital for regulatory capital purposes. Bank notes issued during the second quarter of 2005 amounted to \$875.0 million.

The national capital markets represent a further source of liquidity to M&I. M&I has filed a number of shelf registration statements that are intended to permit M&I to raise funds through sales of corporate debt and/or equity securities with a relatively short lead time.

During the second quarter of 2004, the Corporation filed a shelf registration statement with the Securities and Exchange Commission which will enable the Corporation to issue various securities, including debt securities, common stock, preferred stock, depositary shares, purchase contracts, units, warrants, and trust preferred securities, up to an aggregate amount of \$3.0 billion. At June 30, 2005, approximately \$1.45 billion was available for future securities issuances.

During the fourth quarter of 2004, the Corporation filed a shelf registration statement with the Securities and Exchange Commission which will enable the Corporation to issue up to 6.0 million shares of its common stock which may be offered and issued from time to time in connection with the acquisition by M&I, Metavante and/or other consolidated subsidiaries of businesses that the Corporation determines to be to its advantage as they become available. At June 30, 2005, 5.4 million shares of common stock were available for future issuances.

Under other shelf registration statements, the Corporation may issue up to \$0.6 billion of medium-term Series F notes with maturities ranging from 9 months to 30 years and at fixed or floating rates. At June 30, 2005, no Series F notes had been issued. The Corporation may issue up to \$0.5 billion of medium-term MiNotes with maturities ranging from 9 months to 30 years and at fixed or floating rates. The MiNotes are issued in smaller denominations to attract retail investors. At June 30, 2005, MiNotes issued amounted to \$0.2 billion. Additionally, the Corporation has a commercial paper program. At June 30, 2005, commercial paper outstanding amounted to \$0.3 billion.

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Short-term borrowings represent contractual debt obligations with maturities of one year or less and amounted to \$3.1 billion at June 30, 2005. Long-term borrowings amounted to \$8.5 billion at June 30, 2005. The scheduled maturities of long-term borrowings including estimated interest payments at June 30, 2005 are as follows: \$2.4 billion is due in less than one year; \$2.7 billion is due in one to three years; \$2.1 billion is due in three to five years; and \$3.7 billion is due in more than five years. As previously

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discussed, during the first quarter of 2005, the Corporation issued shares of its common stock valued at \$14.4 million to fund a portion of its 2004 obligations under its retirement and employee stock ownership plans. There have been no other substantive changes to the Corporation's contractual obligations as reported in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2004.

OFF-BALANCE SHEET ARRANGEMENTS

At June 30, 2005, there have been no substantive changes with respect to the Corporation's off-balance sheet activities as disclosed in the Corporation's 2004 Annual Report on Form 10-K. See Note 8 to the Consolidated Financial Statements for an update of the Corporation's securitization activities in the second quarter of 2005. The Corporation continues to believe that based on the off-balance sheet arrangements with which it is presently involved, such off-balance sheet arrangements neither have, or are reasonably likely to have, a material impact to its current or future financial condition, results of operations, liquidity or capital.

CRITICAL ACCOUNTING POLICIES

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

Allowance for Loan and Lease Losses

The allowance for loan and lease losses represents management's estimate of probable losses inherent in the Corporation's loan and lease portfolio. Management evaluates the allowance each quarter to determine that it is adequate to absorb these inherent losses. This evaluation is supported by a methodology that identifies estimated losses based on assessments of individual problem loans and historical loss patterns of homogeneous loan pools. In addition, environmental factors, including economic conditions and regulatory guidance, unique to each measurement date are also considered. This reserving methodology has the following components:

Specific Reserve. The Corporation's internal risk rating system is used to identify loans and leases that 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. For impaired loans, impairment is measured using one of three alternatives: (1) the present value of expected future cash flows discounted at the loan's effective interest rate; (2) the loan's observable market

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price, if available; or (3) the fair value of the collateral for collateral dependent loans and loans for which foreclosure is deemed to be probable. In general, these loans have been internally identified as credits requiring management's attention due to underlying problems in the borrower's business or collateral concerns. Subject to a minimum size, a quarterly review of these loans is performed to identify the specific reserve necessary to be allocated to each of these loans. This analysis considers expected future cash flows, the value of collateral and also other factors that may impact the borrower's ability to make payments when due.

Collective Loan Impairment. This component of the allowance for loan and lease losses is comprised of two elements. First, 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 that have been excluded from the specific reserve allocation previously discussed. The Corporation segments the pools by type of loan or lease and, using historical loss information, estimates a loss reserve for each pool.

The second element reflects management's recognition of the uncertainty and imprecision underlying the process of estimating losses. The internal risk rating system is used to identify those loans within certain industry segments that based on financial, payment or collateral performance, warrant closer ongoing monitoring by management. The specific loans mentioned earlier are excluded from this analysis. Based on management's judgment, reserve ranges are allocated to industry segments due to environmental conditions unique to the measurement period. Consideration is given to both internal and external environmental factors such as economic conditions in certain geographic or industry segments of the portfolio, economic trends, risk profile, and portfolio composition. Reserve ranges are then allocated using estimates of loss exposure that management has identified based on these economic trends or conditions.

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The following factors were taken into consideration in determining the adequacy of the allowance for loan and lease losses at June 30, 2005:

In general, the Corporation's borrowing customers appear to have successfully managed their businesses through the slower economic conditions, the economy is improving and the Corporation's customer base is showing signs of increased business activity as evidenced by the loan growth in this quarter.

At June 30, 2005, allowances for loan and lease losses continue to be carried for exposures to manufacturing, healthcare, production agriculture (including dairy and cropping operations), truck transportation, accommodation, general contracting, motor vehicle and parts dealers and the airline industries. The majority of the commercial charge-offs incurred during the past two years were in these industry segments. While most loans in these categories are still performing, the Corporation continues to believe these sectors have been more adversely affected by the previous economic slowdown. Reduced revenues causing a declining utilization of the industry's capacity levels have impacted manufacturing. As a result, collateral values and the amounts realized through the sale or liquidation of manufacturing plant and equipment have declined accordingly.

During the second quarter of 2005, the Corporation's commitments to Shared National Credits were approximately \$2.9 billion with usage averaging around 40%. Many of the Corporation's largest charge-offs have come from the Shared National Credit portfolio. Although these

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factors result in an increased risk profile, as of June 30, 2005 Shared National Credit nonperforming loans amounted to \$4.0 million. The Corporation's exposure to Shared National Credits is monitored closely given this lending group's loss experience.

The Corporation's primary lending areas are Wisconsin, Arizona, Minnesota and Missouri. The Minnesota and Missouri markets continue to represent relatively new geographic regions for the Corporation. Each of these regions has cultural and environmental factors that are unique to them. The uncertainty regarding the inherent losses in their respective loan portfolios continue to present increased risks which have been mitigated by the implementation of the Corporation's credit underwriting and monitoring processes. At June 30, 2005, total nonperforming loans and leases as a percent of total loans and leases for the Minnesota and Missouri regions combined was somewhat higher than the consolidated total of nonperforming loans and leases as a percent of total consolidated loans and leases.

At June 30, 2005, nonperforming loans and leases amounted to \$131.6 million or 0.41% of consolidated loans and leases compared to \$130.0 million or 0.42% of consolidated loans and leases at March 31, 2005, and \$132.4 million or 0.45% of consolidated loans and leases at December 31, 2004. At June 30, 2005 nonperforming loans and leases increased slightly compared to nonperforming loans and leases at March 31, 2005. The ratio of nonperforming loans and leases to consolidated loans and leases at June 30, 2005 represents the ninth consecutive quarter that the Corporation has experienced a decline in that ratio. Nonaccrual loans and leases continue to be the primary source of nonperforming loans and leases. Since December 31, 2004, the decline in nonaccrual commercial loans and leases and nonaccrual residential real estate loans was offset by increases in nonaccrual commercial real estate loans and nonaccrual construction and land development loans.

Net charge-offs amounted to \$11.9 million or 0.15% of average loans and leases in the second quarter of 2005 compared to \$8.0 million or 0.11% of average loans and leases in the first quarter of 2005 and \$12.8 million or 0.18% of average loans and leases in the fourth quarter of 2004. The lower level of net charge-offs experienced throughout 2004 and the first half of 2005 has to some extent been the result of higher than normal recoveries. Based on the status of some of the larger charge-offs recognized in recent quarters, management expects recoveries will likely return to lower levels in future periods. Recoveries in the second quarter of 2005 were \$0.8 million lower than recoveries in the first quarter of 2005 and \$2.3 million lower than recoveries in the fourth quarter of 2004. The ratio of recoveries to charge-offs was 26.3% in the second quarter of 2005 which was slightly below the Corporation's five year historical average ratio of recoveries to charge-offs of 26.9%. For the six month ended June 30, 2005, the ratio of recoveries to charge-offs was 32.0%.

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Management continues to expect the longer term level of nonperforming loans and leases to be in the range of 50-60 basis points of total loans and leases and expects net charge-offs to trend to historical levels. While it is unclear when this will occur, management does not believe that current net charge-off levels are sustainable indefinitely.

Based on the above loss estimates, management determined its best estimate of the required allowance for loans and leases. Management's evaluation of the factors described above resulted in an allowance for loan and lease losses of \$360.1 million or 1.12% of loans and leases outstanding at June 30, 2005. The allowance for loan and lease losses was \$358.1 million or 1.21%

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of loans and leases outstanding at December 31, 2004 and \$357.9 million or 1.32% of loans and leases outstanding at June 30, 2004. Consistent with the credit quality trends noted above, the provision for loan and lease losses amounted to \$13.7 million and \$21.9 million for the three and six months ended June 30, 2005, respectively. The resulting provisions for loan and lease losses are the amounts required to establish the allowance for loan and lease losses at the required level after considering charge-offs and recoveries. Management recognizes there are significant estimates in the process and the ultimate losses could be significantly different from those currently estimated.

The Corporation has not materially changed any aspect of its overall approach in the determination of the allowance for loan and lease losses. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance. However, on an on-going basis the Corporation continues to refine the methods used in determining management's best estimate of the allowance for loan and lease losses.

Capitalized Software and Conversion Costs

Direct costs associated with the production of computer software that will be licensed externally or used in a service bureau environment are capitalized. Capitalization of such costs is subject to strict accounting policy criteria, although the appropriate time to initiate capitalization requires management judgment. Once the specific capitalized project is put into production, the software cost is amortized over its estimated useful life, generally four years. Each quarter, the Corporation performs net realizable value tests to ensure the assets are recoverable. Such tests require management judgment as to the future sales and profitability of a particular product which involves, in some cases, multi-year projections. Technology changes and changes in customer requirements can have a significant impact on the recoverability of these assets and can be difficult to predict. Should significant adverse changes occur, estimates of useful life may have to be revised or write-offs would be required to recognize impairment. For the three months ended June 30, 2005 and 2004, the amount of software costs capitalized amounted to \$9.9 million and \$10.4 million, respectively. Amortization expense of software costs amounted to \$15.4 million for the three months ended June 30, 2005 compared to \$16.7 million for the three months ended June 30, 2004. For the six months ended June 30, 2005 and 2004, the amount of software costs capitalized amounted to \$18.9 million and \$20.4 million, respectively. Amortization expense of software costs amounted to \$30.3 million for the six months ended June 30, 2005 compared to \$28.1 million for the six months ended June 30, 2004.

Based on a strategic product review performed during the second quarter of 2004, Metavante determined that a certain product had limited growth potential and that future marketing of the product should be discontinued. As a result of the strategic product review and net realizable value test on this product, Metavante determined that the capitalized software associated with the product was impaired and recorded a write-down. Amortization expense for the three and six months ended June 30, 2004, includes \$4.9 million for the write-down of the capitalized software costs associated with the impaired product.

Direct costs associated with customer system conversions to the data processing operations are capitalized and amortized on a straight-line basis over the terms, generally five to seven years, of the related servicing contracts.

Capitalization only occurs when management is satisfied that such costs are recoverable through future operations or penalties (buyout fees) in case of

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early termination. For the three months ended June 30, 2005 and 2004, the amount of conversion costs capitalized amounted to \$2.7 million and \$2.8 million, respectively. Amortization expense of conversion costs amounted to \$2.8 million and \$3.2 million for the three months ended June 30, 2005 and 2004, respectively. For the six months ended June 30, 2005 and 2004, the amount of conversion costs capitalized amounted to \$5.6 million and \$4.4 million, respectively. Amortization expense of conversion costs amounted to \$5.6 million and \$6.5 million for the six months ended June 30, 2005 and 2004, respectively.

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Net unamortized costs were (\$ in millions):

| | June 30, | |
|-------------|----------|----------|
| | 2005 | 2004 |
| Software | \$ 151.6 | \$ 139.1 |
| Conversions | 26.5 | 28.6 |
| Total | \$ 178.1 | \$ 167.7 |

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

Financial Asset Sales and Securitizations

The Corporation utilizes certain financing arrangements to meet its balance sheet management, funding, liquidity, and market or credit risk management needs. The majority of these activities are basic term or revolving securitization vehicles. These vehicles are generally funded through term-amortizing debt structures or with short-term commercial paper designed to be paid off based on the underlying cash flows of the assets securitized. These financing entities are contractually limited to a narrow range of activities that facilitate the transfer of or access to various types of assets or financial instruments. In certain situations, the Corporation provides liquidity and/or loss protection agreements. In determining whether the financing entity should be consolidated, the Corporation considers whether the entity is a qualifying special-purpose entity ("QSPE") as defined in Statement of Financial Accounting Standards ("SFAS") No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. For non-consolidation, a QSPE must be demonstrably distinct, have significantly limited permitted activities, hold assets that are restricted to transferred financial assets and related assets, and can sell or dispose of non-cash financial assets only in response to specified conditions.

In December 2003, the Corporation adopted Financial Accounting Standards Board Interpretation No. 46 ("FIN 46R"), Consolidation of Variable Interest Entities (revised December 2003). This interpretation addresses consolidation by business enterprises of variable interest entities. Under current practice, entities generally have been included in consolidated financial statements because they are controlled through voting interests.

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This interpretation explains how to identify variable interest entities and how an entity assesses its interests in a variable interest entity to decide whether to consolidate that entity. FIN 46R requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among parties involved. Variable interest entities that effectively disperse risks will not be consolidated unless a single party holds an interest or combination of interests that effectively recombines risks that were previously dispersed. Transferors to QSPEs and "grandfathered" QSPEs subject to the reporting requirements of SFAS 140 are outside the scope of FIN 46R and do not consolidate those entities. FIN 46R also requires certain disclosures by the primary beneficiary of a variable interest entity or an entity that holds a significant variable interest in a variable interest entity.

With respect to the Corporation's securitization activities, the adoption of FIN 46R did not have an impact on its consolidated financial statements because its transfers are generally to QSPEs.

The Corporation sells financial assets in a two-step process that results in a surrender of control over the assets as evidenced by true-sale opinions from legal counsel, to unconsolidated entities that securitize the assets. The Corporation retains interests in the securitized assets in the form of interest-only strips 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 allocated between the asset sold and retained interests based on their relative fair values at the date of transfer. The value of the retained interests is based on the present value of expected cash flows estimated using management's best estimates of the key assumptions - credit losses, prepayment speeds, forward yield curves and discount rates commensurate with the risks involved. Actual results can differ from expected results.

The Corporation reviews the carrying values of the retained interests monthly to determine if there is a decline in value that is other than temporary and periodically reviews the propriety of the assumptions used based on current historical experience as well as the sensitivities of the carrying value of the retained interests to adverse changes in the key assumptions. The Corporation believes that its estimates result in a reasonable carrying value of the retained interests.

The Corporation regularly sells automobile loans to an unconsolidated multi-seller special purpose entity commercial paper conduit in securitization transactions in which servicing responsibilities and subordinated interests are retained. The outstanding balances of automobile loans sold in these securitization transactions were \$950.4 million at June 30, 2005. At June 30, 2005 the carrying amount of retained interests amounted to \$28.7 million.

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The Corporation also sells, from time to time, debt securities classified as available for sale that are highly rated to an unconsolidated bankruptcy remote QSPE 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. The Corporation provides liquidity back-up in the form of Liquidity Purchase Agreements. In addition, the Corporation acts as counterparty to interest rate swaps that enable the QSPE to hedge its interest rate risk. Such swaps are designated as free-standing derivative financial instruments in the Corporation's Consolidated Balance Sheet.

At June 30, 2005, highly rated investment securities in the amount of \$274.5 million were outstanding in the QSPE to support the outstanding commercial paper.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on tax assets and liabilities of a change in tax rates is recognized in the income statement in the period that includes the enactment date.

The determination of current and deferred income taxes is based on complex analyses of many factors, including interpretation of Federal and state income tax laws, the difference between tax and financial reporting basis of assets and liabilities (temporary differences), estimates of amounts currently due or owed, such as the timing of reversals of temporary differences and current accounting standards. The Federal and state taxing authorities who make assessments based on their determination of tax laws periodically review the Corporation's interpretation of Federal and state income tax laws. Tax liabilities could differ significantly from the estimates and interpretations used in determining the current and deferred income tax liabilities based on the completion of taxing authority examinations.

FORWARD-LOOKING STATEMENTS

Items 2 and 3 of this Form 10-Q, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures about Market Risk," respectively, contain forward-looking statements within the meaning of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include, without limitation, statements regarding expected financial and operating activities and results which are preceded by words such as "expects", "anticipates" or "believes". Such statements are subject to important factors that could cause the Corporation's actual results to differ materially from those anticipated by the forward-looking statements. These factors include those referenced in Item 1, Business, of the Corporation's Annual Report on Form 10-K for the period ending December 31, 2004 under the heading "Forward-Looking Statements" and as may be described from time to time in the Corporation's subsequent SEC filings, and such factors are incorporated herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following updated information should be read in conjunction with the Corporation's 2004 Annual Report on Form 10-K. Updated information regarding the Corporation's use of derivative financial instruments is contained in Note 11, Notes to Financial Statements contained in Item 1 herein.

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

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Interest Rate Risk

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

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

The models used include measures of the expected repricing characteristics of administered rate (NOW, savings and money market accounts) and non-rate related products (demand deposit accounts, other assets and other liabilities). These measures recognize the relative insensitivity of these accounts to changes in market interest rates, as demonstrated through current and historical experiences. However, during the second quarter of 2003, the Corporation increased the proportion of these accounts modeled as rate sensitive, in order to recognize the instability of some of the recent balance growth in these accounts. This modeling treatment will be maintained until the incremental balances can be observed across a more complete interest rate cycle. In addition to contractual payment information for most other assets and liabilities, the models also include estimates of expected prepayment characteristics for those items that are likely to materially change their payment structures in different rate environments, including residential mortgage products, certain commercial and commercial real estate loans and certain mortgage-related securities. Estimates for these sensitivities are based on industry assessments and are substantially driven by the differential between the contractual coupon of the item and current market rates for similar products.

This information is incorporated into a model that allows the projection of future income levels in several different interest rate environments. Earnings at risk 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 difference by the Corporation's budgeted operating income before taxes for the calendar year. Since future interest rate moves are difficult to predict, the following table presents two potential scenarios - a gradual increase of 100bp across the entire yield curve over the course of 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 the indicated dates:

| | Impact to Annual Pretax Income as of | | | | |
|---|--------------------------------------|-------------------|----------------------|-----------------------|-----------------|
| | June 30, 2005 | March 31, 2005 | December 31, 2004 | September 30, 2004 | June 30 2004 |
| Hypothetical Change in Interest Rate | | | | | |
| ----- | | | | | |
| 100 basis point gradual: | | | | | |
| Rise in rates | 0.3 % | (0.2) % | (0.1) % | 0.4 % | (0.6) |
| Decline in rates | (0.6) % | 0.3 % | 0.2 % | (0.4) % | 0.6 |

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

Actual results will differ from simulated results due to the 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 asset and liability cash flows in different market rate environments is the amount of fair value at risk from those rate movements. As of June 30, 2005 the fair value of equity at risk for a gradual 100bp shift in rates was no more than 2.0% of the market value of the Corporation.

Equity Risk

In addition to interest rate risk, the Corporation incurs market risk in the form of equity risk. The Corporation invests directly and indirectly through investment funds, in private medium-sized companies to help establish new businesses or recapitalize existing ones. Exposure to the change in equity values for the companies that are held in their portfolio exists. However, fair values are difficult to determine until an actual sale or liquidation transaction actually occurs. At June 30, 2005 the carrying value of total active capital markets investments amounted to approximately \$32.7 million.

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As of June 30, 2005, M&I Trust Services administered \$78.5 billion in assets and directly managed a portfolio of \$18.5 billion. Exposure exists to changes in equity values due to the fact that fee income is partially based on equity balances. While this exposure is present, quantification remains difficult due to the number of other variables affecting fee income. Interest rate changes can also have an effect on fee income for the above stated reasons.

ITEM 4. CONTROLS AND PROCEDURES

We maintain a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports filed by us under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and our Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, our Chief Executive Officer and our Senior Vice President and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report.

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There have been no changes in our internal control over financial reporting identified in connection with the evaluation discussed above that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II - OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table reflects the purchases of Marshall & Ilsley Corporation stock for the specified period:

| Period | Total Number of Shares Purchased(1) | Average Price Paid per Share | Total Number of Shares Purchased as Part of of Publicly Announced Plans or Programs | Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs |
|------------------------------------|---|------------------------------------|--|---|
| January 1 to January 31, 2005 | 18,100 | \$ 43.35 | -- | 12,000,000 |
| February 1 to February 28, 2005 | 13,523 | \$ 37.77 | -- | 12,000,000 |
| March 1 to March 31, 2005 | 1,000 | \$ 30.32 | -- | 12,000,000 |
| April 1 to April 30, 2005 | 6,048 | \$ 41.97 | -- | 12,000,000 |
| May 1 to May 31, 2005 | 1,108 | \$ 41.89 | -- | 12,000,000 |
| June 1 to June 30, 2005 | 4,888 | \$ 43.51 | -- | 12,000,000 |
| Total | 51,532 | \$ 41.79 | -- | |

The Corporation's Share Repurchase Program was publicly reconfirmed in April 2004 and again in April 2005. The Share Repurchase Program authorizes the purchase of up to 12 million shares annually and renews each year at that level unless changed or terminated by subsequent Board action.

(1) Includes shares purchased by rabbi trusts pursuant to nonqualified deferred compensation plans.

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

(a) The Corporation held its Annual Meeting of Shareholders on April 26, 2005.

(b) Votes cast for the election of five directors to serve until the 2008 Annual Meeting of Shareholders are as follows:

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| Director | For | Withheld | Abstentions | Non-Vote |
|----------------------|-------------|------------|-------------|----------|
| Andrew N. Baur | 182,359,417 | 6,515,109 | -- | -- |
| John W. Daniels, Jr. | 181,912,241 | 6,962,285 | -- | -- |
| John A. Mellowes | 176,385,088 | 12,489,438 | -- | -- |
| Robert J. O'Toole | 186,210,789 | 2,663,737 | -- | -- |
| John S. Shiely | 186,234,471 | 2,640,055 | -- | -- |

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The continuing directors of the Corporation are as follows:

| | |
|-----------------------|----------------------|
| Richard A. Abdo | Jon F. Chait |
| Ted D. Kellner | Bruce E. Jacobs |
| Katharine C. Lyall | Dennis J. Kuester |
| Peter M. Platten, III | Edward L. Meyer, Jr. |
| James A. Urdan | San W. Orr, Jr. |
| James B. Wigdale | Debra S. Waller |
| | George E. Wardeberg |

- (c) Votes cast for the ratification of the appointment of Deloitte & Touche LLP to audit the statements of the Company for the fiscal year ending December 31, 2005 are as follows:

| | For | Withheld | Abstentions | Non-Vote |
|--------------------------|-------------|-----------|-------------|----------|
| Ratification of Auditors | 184,696,099 | 2,681,021 | 1,497,406 | -- |

ITEM 6. EXHIBITS

- Exhibit 10(a) - Form of Restricted Stock Agreement.
- Exhibit 10(b) - Change of Control Agreement dated as of January 12, 2005 between the Corporation and Ronald E. Smith.
- Exhibit 11 - Statement Regarding Computation of Earnings Per Share, Incorporated by Reference to NOTE 4 of Notes to Financial Statements contained in Item 1 - Financial Statements (unaudited) of Part 1 - Financial Information herein.
- Exhibit 12 - Statement Regarding Computation of Ratio of Earnings to Fixed Charges
- Exhibit 31(a) - Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- Exhibit 31(b) - Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- Exhibit 32(a) - Certification of Chief Executive Officer

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pursuant to 18 U.S.C. Section 1350.

Exhibit 32(b) - Certification of Chief Financial Officer
pursuant to 18 U.S.C. Section 1350.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MARSHALL & ILSLEY CORPORATION
(Registrant)

/s/ Patricia R. Justiliano

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

/s/ James E. Sandy

James E. Sandy
Vice President

August 9, 2005

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EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|----------------|--|
| (10) (a) | Form of Restricted Stock Agreement. |
| (10) (b) | Change of Control Agreement dated as of January 12, 2005 between the Corporation and Ronald E. Smith. |
| (11) | Statement Regarding Computation of Earnings Per Share, Incorporated by Reference to NOTE 4 of Notes to Financial Statements contained in Item 1 - Financial Statements (unaudited) of Part 1 - Financial Information herein. |
| (12) | Statement Regarding Computation of Ratio of Earnings to Fixed Charges. |
| (31) (a) | Certification of Chief Executive Officer |

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pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.

- (31) (b) Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as amended.
- (32) (a) Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
- (32) (b) Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350.