MARSHALL & ILSLEY CORP/WI/
Form 10-Q
August 08, 2007

1

==

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2007

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	39-0968604
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

770 North Water Street Milwaukee, Wisconsin	53202
(Address of principal executive offices)	(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 [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer [X]
Accelerated filer [ ] Non-accelerated filer [ ]

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act).
Yes [ ] No [X]

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, 2007
Common Stock, $1.00 Par Value	257,315,755

2

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2007	December 31, 2006	June 200
Assets			
Cash and cash equivalents:			
Cash and due from banks	$ 1,246,265	$ 1,248,007	$ 1,28
Federal funds sold and security resale agreements	488,847	192,061	22
Money market funds	34,305	45,190	4
Total cash and cash equivalents	1,769,417	1,485,258	1,54
Interest bearing deposits at other banks	17,597	19,042	1
Investment securities:			
Trading securities, at market value	51,186	36,249	5
Available for sale, at market value	7,165,422	6,977,853	6,62
Held to maturity, market value $417,395 ($507,909 December 31, 2006 and $559,869 June 30, 2006)	409,897	495,520	54
Total investment securities	7,626,505	7,509,622	7,22
Loans held for sale	94,766	300,677	15
Loans and leases:			
Loans and leases, net of unearned income	43,190,838	41,634,340	40,28
Allowance for loan and lease losses	(431,012)	(420,610)	(41
Net loans and leases	42,759,826	41,213,730	39,86
Premises and equipment, net	586,466	571,637	56
Goodwill and other intangibles	3,418,568	3,212,102	3,15
Accrued interest and other assets	2,024,584	1,918,189	1,91
Total Assets	$ 58,297,729	$ 56,230,257	$ 54,45

Liabilities and Shareholders' Equity			
Deposits:			
Noninterest bearing	$ 5,717,972	$ 6,112,362	$ 5,77
Interest bearing	29,270,312	27,972,020	27,19
Total deposits	34,988,284	34,084,382	32,96
Federal funds purchased and security repurchase agreements	1,568,202	2,838,756	2,37
Other short-term borrowings	6,603,785	3,586,374	4,39
Accrued expenses and other liabilities	1,494,779	1,543,219	1,51
Long-term borrowings	7,204,415	8,026,155	7,47
Total liabilities	51,859,465	50,078,886	48,72
Shareholders' equity:			
Series A convertible preferred stock, $1.00 par value; 2,000,000 shares authorized	--	--	
Common stock, $1.00 par value; 266,824,323 shares issued (261,972,424 shares at December 31, 2006 and 261,972,933 shares at June 30, 2006)	266,824	261,972	26
Additional paid-in capital	2,006,226	1,770,540	1,74
Retained earnings	4,671,559	4,383,642	4,07
Accumulated other comprehensive income, net of related taxes	(63,787)	(17,546)	(7
Treasury stock, at cost: 9,711,618 shares (6,502,732 December 31, 2006 and 8,000,318 June 30, 2006)	(401,672)	(205,938)	(25
Deferred compensation	(40,886)	(41,299)	(3
Total shareholders' equity	6,438,264	6,151,371	5,72
Total Liabilities and Shareholders' Equity	$ 58,297,729	$ 56,230,257	$ 54,45

See notes to financial statements.

08/07/2007

3

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

	Three Months Ended June 30,	
	2007	2006
Interest and fee income		
Loans and leases	$ 803,757	$ 716,983
Investment securities:		
Taxable	78,680	70,908
Exempt from federal income taxes	14,959	15,749
Trading securities	336	198
Short-term investments	3,681	5,011
Total interest and fee income	901,413	808,849

Interest expense		
Deposits	299,186	271,513
Short-term borrowings	56,047	43,124
Long-term borrowings	150,283	117,427
Total interest expense	505,516	432,064
Net interest income	395,897	376,785
Provision for loan and lease losses	26,026	11,053
Net interest income after provision for loan and lease losses	369,871	365,732
Other income		
Data processing services	363,817	344,976
Wealth management	65,580	56,309
Service charges on deposits	28,054	25,005
Gains on sale of mortgage loans	10,367	11,750
Other mortgage banking revenue	1,610	1,197
Net investment securities gains	19,455	960
Losses related to Firstsource	(982)	--
Life insurance revenue	7,997	7,408
Net derivative losses - discontinued hedges	--	(20,672)
Other	41,094	34,041
Total other income	536,992	460,974
Other expense		
Salaries and employee benefits	317,787	307,060
Net occupancy	27,969	25,698
Equipment	34,320	38,113
Software expenses	18,826	17,348
Processing charges	37,511	29,586
Supplies and printing	8,028	6,473
Professional services	17,589	14,036
Shipping and handling	23,873	21,669
Amortization of intangibles	12,279	12,004
Metavante transaction costs	2,560	--
Other	75,794	72,269
Total other expense	576,536	544,256
Income before income taxes	330,327	282,450
Provision for income taxes	110,038	91,908
Net income	$ 220,289	$ 190,542
Net income per common share		
Basic	$ 0.85	$ 0.75
Diluted	0.83	0.74
Dividends paid per common share	$ 0.310	$ 0.270
Weighted average common shares outstanding (000's):		
Basic	258,772	252,764
Diluted	264,840	258,298

See notes to financial statements.

08/07/2007

4

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

	Six Months Ended June 30,	
	2007	2006
Interest and fee income		
Loans and leases	$ 1,586,910	$ 1,307,383
Investment securities:		
Taxable	155,734	128,776
Exempt from federal income taxes	29,820	31,748
Trading securities	469	268
Short-term investments	7,489	8,576
Total interest and fee income	1,780,422	1,476,751
Interest expense		
Deposits	589,211	470,292
Short-term borrowings	110,963	82,459
Long-term borrowings	294,041	222,082
Total interest expense	994,215	774,833
Net interest income	786,207	701,918
Provision for loan and lease losses	43,174	22,048
Net interest income after provision for loan and lease losses	743,033	679,870
Other income		
Data processing services	720,190	687,956
Wealth management	126,286	109,108
Service charges on deposits	53,931	47,555
Gains on sale of mortgage loans	19,160	23,736
Other mortgage banking revenue	2,957	2,146
Net investment securities gains	21,039	2,090
Net gains related to Firstsource	7,046	--
Life insurance revenue	15,517	14,374
Net derivative losses - discontinued hedges	--	(42,017)
Other	78,012	66,898
Total other income	1,044,138	911,846
Other expense		
Salaries and employee benefits	614,910	584,463
Net occupancy	54,950	50,579

Equipment	66,664	71,052
Software expenses	37,607	34,786
Processing charges	68,348	56,599
Supplies and printing	15,885	12,595
Professional services	32,588	25,485
Shipping and handling	49,298	45,571
Amortization of intangibles	23,560	20,879
Metavante transaction costs	4,025	--
Other	161,668	147,380
Total other expense	1,129,503	1,049,389
Income before income taxes	657,668	542,327
Provision for income taxes	220,617	178,713
Net income	$ 437,051	$ 363,614
Net income per common share		
Basic	$ 1.70	$ 1.49
Diluted	1.66	1.46
Dividends paid per common share	$ 0.580	$ 0.510
Weighted average common shares outstanding (000's):		
Basic	257,142	244,088
Diluted	263,066	249,379

See notes to financial statements.

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

	Six Months Ended June 30,	
	2007	2006
Net Cash Provided by Operating Activities	$ 513,335	$ 436,972
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	134,789	558,720
Proceeds from maturities of securities available for sale	623,171	587,188
Proceeds from maturities of securities held to maturity	86,207	71,539
Purchases of securities available for sale	(780,104)	(1,366,562)
Net increase in loans	1,084,816)	(2,609,407)
Purchases of assets to be leased	(152,370)	(101,711)
Principal payments on lease receivables	184,692	105,735
Purchases of premises and equipment, net	(45,015)	(56,977)
Acquisitions, net of cash and cash equivalents acquired (paid)	61,355	(66,911)
Other	12,582	(1,684)

Net cash used in investing activities	(959,509)	(2,880,070)
Cash Flows From Financing Activities:		
Net increase in deposits	202,603	1,596,693
Proceeds from issuance of commercial paper	3,893,282	2,019,445
Principal payments on commercial paper	(3,669,916)	(1,972,059)
Net (decrease) increase in other short-term borrowings	(595,969)	521,658
Proceeds from issuance of long-term borrowings	2,197,615	1,199,051
Payments of long-term borrowings	(915,469)	(670,666)
Dividends paid	(149,133)	(124,524)
Purchases of common stock	(294,758)	(41,790)
Proceeds from exercise of stock options	67,278	49,408
Other	(5,200)	(5,200)
Net cash provided by financing activities	730,333	2,572,016
Net increase in cash and cash equivalents	284,159	128,918
Cash and cash equivalents, beginning of year	1,485,258	1,414,351
Cash and cash equivalents, end of period	$ 1,769,417	$ 1,543,269
Supplemental cash flow information:		
Cash paid during the period for:		
Interest	$ 966,281	$ 688,262
Income taxes	156,337	174,028

See notes to financial statements.

08/07/2007

6

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements
June 30, 2007 & 2006 (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's ("M&I" or "Corporation") Annual Report on Form 10-K for the year ended December 31, 2006. The unaudited financial information included in this report reflects all adjustments consisting of normal recurring accruals which are necessary for a fair statement of the financial position and results of operations as of and for the three and six months ended June 30, 2007 and 2006. The results of operations for the three and six months ended June 30, 2007 and 2006 are not necessarily indicative of results to be expected for the entire year.

2. New Accounting Pronouncements

In June 2007, the Financial Accounting Standards Board ("FASB") ratified Emerging Issues Task Force Issue No. 06-11, Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards ("EITF 06-11"). EITF 06-11 specifies how entities should recognize the income tax benefit received on dividends that are (a) paid to employees holding equity-classified nonvested shares, equity-classified nonvested share units, or equity-classified outstanding stock options and (b) charged to retained earnings under

Statement of Financial Accounting Standards 123(R), Share-Based Payment. EITF 06-11 is effective for the Corporation on January 1, 2008. The Corporation does not believe EITF 06-11 will have a material effect on its financial statements and related disclosures.

In May 2007, FASB issued FASB Staff Position No. FIN 48-1, Definition of Settlement in FASB Interpretation No. 48 ("FSP FIN 48-1"). FSP FIN 48-1 amends FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"). FIN 48, which was adopted by the Corporation on January 1, 2007, clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement 109, Accounting for Income Taxes. FSP FIN 48-1 provides guidance on how an entity should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 clarifies that a tax position can be effectively settled upon the completion of an examination by a taxing authority without being legally extinguished. FSP FIN 48-1 is effective upon the initial adoption of FIN 48 and therefore was adopted by the Corporation in the beginning of fiscal 2007. The adoption of FSP FIN 48-1 did not have an impact on the accompanying financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standard No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115 ("SFAS 159"). SFAS 159 permits entities to choose to measure many financial instruments and certain other items generally on an instrument-by-instrument basis at fair value that are not currently required to be measured at fair value. SFAS 159 is intended to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 does not change requirements for recognizing and measuring dividend income, interest income, or interest expense. SFAS 159 is effective for the Corporation on January 1, 2008. The Corporation continues to assess the impact, if any, SFAS 159 will have on the Corporation.

3. Equity Investment in Firstsource Solutions Limited ("Firstsource")

As of December 31, 2006, the Corporation's wholly-owned subsidiary, Metavante, owned a 24% interest in Firstsource. Firstsource is an India-based provider of business process outsourcing solutions. This investment is accounted for using the equity method of accounting. During February 2007, Firstsource offered 60,000,000 new shares of common stock at $1.45 per share in a public offering that yielded $86.9 million of cash proceeds to Firstsource. This issuance of new shares of common stock diluted Metavante's ownership percentage to approximately 21%. Under the provisions of Staff Accounting Bulletin No. 51, Accounting for Sales of Stock by a Subsidiary ("SAB 51"), when an investee issues shares of its common stock, the investor should recognize a gain or loss in the same manner as if the investor had sold a portion of its investment. Subject to certain criteria of SAB 51, the resulting gain or loss can be recognized in the consolidated financial statements or reflected as a capital transaction, at the option of the Corporation, and the accounting treatment selected is to be followed consistently for all future gains or losses. The Corporation elected to recognize the initial gain of $8.0 million in the consolidated statement of income in the first quarter of 2007. All future SAB 51 gains or losses will be recognized in the consolidated statement of income. As a result of

Firstsource's equity transactions in the second quarter of 2007, the Corporation recognized a loss of $1.0 million for the three months ended June 30, 2007. For the six months ended June 30, 2007, the net gain related to Firstsource amounted to $7.0 million. Deferred income taxes have been provided on the net gain.

7

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2007 & 2006 (Unaudited)

4. Adoption of SAB 108

The Corporation elected early application of Staff Accounting Bulletin No. 108 ("SAB 108") during the third quarter of 2006. In accordance with SAB 108, the Corporation adjusted its opening financial position for 2006 and the results of operations for the first and second quarter of 2006 to reflect a change in its hedge accounting under Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133").

The Corporation utilized interest rate swaps to hedge its risk in connection with certain financial instruments. The Corporation had applied hedge accounting under SFAS 133 to these transactions from inception. Due to the recent expansion of certain highly technical interpretations of SFAS 133, specifically hedge designation under the "matched-term" method, interest rate swaps designated as fair value hedges with an aggregate notional amount of $1,762.3 million and negative fair value of $50.0 million and interest rate swaps designated as cash flow hedges with an aggregate notional amount of $1,300.0 million and negative fair value of $45.5 million at June 30, 2006 did not qualify for hedge accounting. As a result, any fluctuation in the fair value of the derivatives should have been recorded through the income statement with no corresponding offset to the hedged items, or accumulated other comprehensive income.

The cumulative effect of adjusting the reported carrying amount of the assets, liabilities and accumulated other comprehensive income at January 1, 2006 resulted in a decrease to retained earnings of $34.2 million and reduced the net loss in accumulated other comprehensive income by $16.2 million. In aggregate total Shareholders' Equity was reduced by $18.0 million. For the three and six months ended June 30, 2006 net derivative losses - discontinued hedges amounted to $20.7 million and $42.0 million, respectively.

The aggregate impact of the adjustments is summarized below ($000's except per share data):

As of and for the Three Months ended June 30, 2006	Previously Reported	Adjustment	As Adjusted
Loans and leases, net of unearned income	$ 40,230,299	$ 51,179	$ 40,281,478
Accrued interest and other assets	1,931,237	(15,941)	1,915,296
Total deposits	32,957,792	5,634	32,963,426
Accrued expenses and other liabilities	1,449,603	61,178	1,510,781
Retained earnings	4,137,607	(61,178)	4,076,429
Accumulated other comprehensive (loss)			

income, net of related taxes		(101,251)		29,604		(71,647
Net interest income	$	374,057	$	2,728	$	376,785
Net derivative losses - discontinued hedges		--		(20,672)		(20,672
Other income		36,768		(2,727)		34,041
Income before income taxes		303,121		(20,671)		282,450
Provision for income taxes		99,372		(7,464)		91,908
Net income		203,749		(13,207)		190,542
Net income per common share:						
Basic	$	0.81	$	(0.06)	$	0.75
Diluted		0.79		(0.05)		0.74

8

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2007 & 2006 (Unaudited)

As of and for the Six Months ended June 30, 2006		Previously Reported		Adjustment		As Adjusted
Net interest income	$	698,637	$	3,281	$	701,918
Net derivative losses - discontinued hedges		--		(42,017)		(42,017
Other income		70,178		(3,280)		66,898
Income before income taxes		584,343		(42,016)		542,327
Provision for income taxes		193,826		(15,113)		178,713
Net income		390,517		(26,903)		363,614
Net income per common share:						
Basic	$	1.60	$	(0.11)	$	1.49
Diluted		1.57		(0.11)		1.46

5. Comprehensive Income

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

	Three Months Ended June 30, 2007		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			$ 220,289
Other comprehensive income:			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ (105,746)	$ 37,055	(68,691)
Reclassification for securities transactions included in net income	(390)	137	(253)
Total unrealized gains (losses) on available for sale investment securities	$ (106,136)	$ 37,192	$ (68,944)
Net gains (losses) on derivatives hedging variability of cash flows:			

	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Arising during the period	36,498	(12,774)	23,724
Reclassification adjustments for hedging activities included in net income	(5,288)	1,851	(3,437)
Total net gains (losses) on derivatives hedging variability of cash flows	$ 31,210	$ (10,923)	$ 20,287
Unrealized gains (losses) on funded status of defined benefit postretirement plan:			
Arising during the period	--	--	--
Reclassification for amortization of actuarial loss and prior service credit amortization included in net income	(559)	207	(352)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	$ (559)	$ 207	$ (352)
Other comprehensive income (loss)			(49,009)
Total comprehensive income			$ 171,280

	Three Months Ended June 30, 2006		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			$ 190,542
Other comprehensive income:			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ (86,639)	$ 30,269	(56,370)
Reclassification for securities transactions included in net income	(1,493)	522	(971)
Total unrealized gains (losses) on available for sale investment securities	$ (88,132)	$ 30,791	$ (57,341)
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	13,508	(4,728)	8,780
Reclassification adjustments for hedging activities included in net income	(5,479)	1,918	(3,561)
Total net gains (losses) on derivatives hedging variability of cash flows	$ 8,029	$ (2,810)	$ 5,219
Other comprehensive income (loss)			(52,122)
Total comprehensive income			$ 138,420

	Six Months Ended June 30, 2007		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			$ 437,051
Other comprehensive income:			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ (88,094)	$ 30,808	(57,286)
Reclassification for securities transactions included in net income	(1,005)	352	(653)
Total unrealized gains (losses) on available for sale investment securities	$ (89,099)	$ 31,160	$ (57,939)
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	30,316	(10,611)	19,705
Reclassification adjustments for hedging activities included in net income	(11,236)	3,933	(7,303)
Total net gains (losses) on derivatives hedging variability of cash flows	$ 19,080	$ (6,678)	$ 12,402
Unrealized gains (losses) on funded status of defined benefit postretirement plan:			
Arising during the period	--	--	--
Reclassification for amortization of actuarial loss and prior service credit amortization included in net income	(1,118)	414	(704)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	$ (1,118)	$ 414	$ (704)
Other comprehensive income (loss)			(46,241)
Total comprehensive income			$ 390,810

	Six Months Ended June 30, 2006		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			$ 363,614
Other comprehensive income:			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ (102,563)	$ 35,865	(66,698)
Reclassification for securities transactions included in net income	(1,941)	679	(1,262)
Total unrealized gains (losses) on			

available for sale investment securities	$ (104,504)	$ 36,544	$ (67,960)
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	59,880	(20,958)	38,922
Reclassification adjustments for hedging activities included in net income	(8,181)	2,863	(5,318)
Total net gains (losses) on derivatives hedging variability of cash flows	$ 51,699	$ (18,095)	$ 33,604
Other comprehensive income (loss)			(34,356)
Total comprehensive income			$ 329,258

6. Earnings Per Share

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

	Three Months Ended June 30, 2007		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic Earnings Per Share:			
Income Available to Common Shareholders	$ 220,289	258,772	$ 0.85
Effect of Dilutive Securities:			
Stock Options, Restricted Stock and Other Plans	--	6,068	
Diluted Earnings Per Share:			
Income Available to Common Shareholders	$ 220,289	264,840	$ 0.83

	Three Months Ended June 30, 2006		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic Earnings Per Share:			
Income Available to Common Shareholders	$ 190,542	252,764	$ 0.75
Effect of Dilutive Securities:			
Stock Options, Restricted Stock and Other Plans	--	5,534	
Diluted Earnings Per Share:			

	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Income Available to Common Shareholders	$ 190,542	258,298	$ 0.74

	Six Months Ended June 30, 2007		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic Earnings Per Share:			
Income Available to Common Shareholders	$ 437,051	257,142	$ 1.70
Effect of Dilutive Securities:			
Stock Options, Restricted Stock and Other Plans	--	5,924	
Diluted Earnings Per Share:			
Income Available to Common Shareholders	$ 437,051	263,066	$ 1.66

	Six Months Ended June 30, 2006		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic Earnings Per Share:			
Income Available to Common Shareholders	$ 363,614	244,088	$ 1.49
Effect of Dilutive Securities:			
Stock Options, Restricted Stock and Other Plans	--	5,291	
Diluted Earnings Per Share:			
Income Available to Common Shareholders	$ 363,614	249,379	$ 1.46

Options to purchase shares of common stock not included in the computation of diluted net income per share because the stock options were antidilutive are as follows (shares in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Shares	18	47	3,610	131
Price Range	$48.41 - $49.20	$45.11 - $47.02	$47.99 - $49.20	$44.20 - $47.02

7. Business Combinations

The following acquisitions, which are not considered to be material business combinations, individually or in the aggregate, were completed during 2007:

Second Quarter

On April 20, 2007, the Corporation completed its acquisition of North Star Financial Corporation ("North Star") of Chicago, Illinois. Total consideration in this transaction amounted to $21.0 million, consisting of 441,252 shares of the Corporation's common stock valued at $47.55 per common share. North Star and its subsidiaries provide a variety of wealth management services through personal and other trusts. In addition, North Star offers a variety of other products and services including land trusts, 1031 exchanges for both real and personal property, and ESOP services, including consultative services relating to the transfer of small-business stock ownership. North Star's businesses were integrated with the Corporation's Wealth Management unit. Initial goodwill, subject to the completion of appraisals and valuation of the assets acquired and liabilities assumed, amounted to $18.0 million. The preliminary estimated identifiable intangible assets to be amortized (customer relationships, tradename and non-compete agreements) amounted to $6.6 million. This is considered a non-cash transaction for the purposes of the Consolidated Statement of Cash Flows. The goodwill and intangibles resulting from this acquisition are not deductible for tax purposes.

On April 1, 2007, the Corporation completed its acquisition of United Heritage Bankshares of Florida, Inc. ("United Heritage"). United Heritage Bank, a wholly-owned subsidiary of United Heritage, with $791.3 million in assets as of March 31, 2007, has 13 branches in the metropolitan Orlando area. Total consideration in this transaction amounted to approximately $219.6 million, consisting of 4,410,647 shares of the Corporation's common stock valued at $204.3 million and the exchange of vested stock options valued at approximately $15.3 million. The current United Heritage Bank branches became M&I Bank branches in the second quarter of 2007. Initial goodwill, subject to the completion of appraisals and valuation of the assets acquired and liabilities assumed, amounted to $147.8 million. The estimated identifiable intangible asset to be amortized (core deposits) with a weighted average life of 7.7 years amounted to $11.6 million. This is considered a non-cash transaction for the purposes of the Consolidated Statement of Cash Flows. The goodwill and intangibles resulting from this acquisition are not deductible for tax purposes.

First Quarter

On January 17, 2007, Metavante acquired all of the outstanding stock of Valutec Card Solutions, Inc. ("Valutec") for $41.0 million in cash. Valutec provides closed-loop, in-store gift and loyalty card solutions for small and medium-sized businesses, including hosted account management, reporting capabilities, plastic card design and production and card program merchandising products. Initial goodwill, subject to the completion of appraisals and valuation of the assets acquired and liabilities assumed, amounted to $34.1 million. The estimated identifiable intangible asset to be amortized (customer relationships) with an estimated useful life of 7.0 years amounted to $8.2 million. The goodwill and intangibles resulting from this acquisition are not deductible for tax purposes.

Recent acquisition activity

On July 9, 2007, the Corporation announced the signing of a definitive agreement to acquire First Indiana Corp. ("First Indiana"). First Indiana, based in Indianapolis, Indiana had $2.2 billion in consolidated assets as of June 30, 2007, and has 32 offices in central Indiana. Under the terms of the definitive agreement, stockholders of First Indiana will receive $32.00 in cash for each share of First Indiana common stock outstanding, or approximately $529.0 million in the aggregate. The transaction is expected to close in the fourth quarter of 2007 or in the first quarter of 2008, subject to the affirmative vote of First Indiana's stockholders, regulatory approvals and other customary closing conditions.

On July 1, 2007, the Corporation completed its acquisition of Excel Bank Corporation ("Excel"). Pursuant to an Amended and Restated Merger Agreement, shareholders of Excel received $13.97 per share in cash for each issued and outstanding share of Excel common stock, or approximately $105.0 million in the aggregate. Outstanding options to acquire Excel common stock were converted into options to acquire the Corporation's common stock. Excel, with $616.0 million in consolidated assets as of June 30, 2007, has four branches in the greater Minneapolis/St. Paul, Minnesota metropolitan area. The current Excel branches became branches of M&I Bank on August 1, 2007.

12

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2007 & 2006 (Unaudited)

8. Investment Securities

Selected investment securities, by type, held by the Corporation were as follows ($000's):

	June 30, 2007	December 31, 2006	June 30, 2006
Investment securities available for sale:			
U.S. treasury and government agencies	$ 5,597,523	$ 5,466,369	$ 5,219,287
States and political subdivisions	888,816	824,015	748,967
Mortgage backed securities	100,471	114,467	101,945
Other	578,612	573,002	557,088
Total	$ 7,165,422	$ 6,977,853	$ 6,627,287
Investment securities held to maturity:			
States and political subdivisions	$ 408,897	$ 494,020	$ 546,186
Other	1,000	1,500	1,500
Total	$ 409,897	$ 495,520	$ 547,686

The following table provides the gross unrealized losses and fair value, aggregated by investment category and the length of time the individual securities have been in a continuous unrealized loss

position, at June 30, 2007 ($000's):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrea Los
U.S. treasury and government agencies	$ 2,325,825	$ 28,439	$ 2,985,134	$ 95,804	$ 5,310,959	$ 12
States and political subdivisions	473,991	9,825	74,640	3,080	548,631	1
Mortgage backed securities	28,908	142	71,561	2,026	100,469	
Other	1,821	4	400	64	2,221	
Total	$ 2,830,545	$ 38,410	$ 3,131,735	$ 100,974	$ 5,962,280	$ 13

The investment securities in the above table were temporarily impaired at June 30, 2007. This temporary impairment represents the amount of loss that would have been realized if the investment securities had been sold on June 30, 2007. The temporary impairment in the investment securities portfolio is predominantly the result of increases in market interest rates since the investment securities were acquired and not from deterioration in the creditworthiness of the issuer. At June 30, 2007, the Corporation had the ability and intent to hold these temporarily impaired investment securities until a recovery of fair value, which may be maturity.

13

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2007 & 2006 (Unaudited)

9. Loans and Leases

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

	June 30, 2007	December 31, 2006	June 30, 2006
Commercial, financial and agricultural	$ 12,520,763	$ 12,050,963	$ 11,763,501
Cash flow hedging instruments at fair value	(2,073)	(2,773)	(4,362)
Commercial, financial and agricultural	12,518,690	12,048,190	11,759,139
Real estate:			
Construction	6,502,403	6,088,206	5,401,568
Residential mortgage	6,685,530	6,328,478	5,816,886
Home equity loans and lines of credit	4,205,734	4,342,362	4,537,014
Commercial mortgage	11,282,679	10,965,607	10,861,445
Total real estate	28,676,346	27,724,653	26,616,913
Personal	1,397,219	1,458,594	1,408,973
Lease financing	693,349	703,580	653,494

Total loans and leases	$ 43,285,604	$ 41,935,017	$ 40,438,519

10. Financial Asset Sales

During the second quarter of 2007, the Corporation sold automobile loans with principal balances of $52.2 million in securitization transactions. For the three and six months ended June 30, 2007, the Corporation recognized net gains of $1.3 million and $1.1 million, respectively, from the sale and securitization of auto loans. Other income associated with auto securitizations, primarily servicing income, amounted to $1.2 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 quarter were as follows (rate per annum):

Prepayment speed (CPR)	15-41 %
Weighted average life (in months)	22.9
Expected credit losses (based on original balance)	0.50-1.53 %
Residual cash flow discount rate	12.0 %
Variable returns to transferees	Forward one-month LIBOR yield curve

At June 30, 2007, 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	$ 787,445	$ 207,043	$ 994,488
Principal amounts of loans 60 days or more past due	2,539	445	2,984
Net credit losses (recoveries) year to date	3,664	210	3,874

At the end of the second quarter of 2007, the Corporation elected to discontinue the sale and securitization of automobile loans into the secondary market. Loans previously classified as held for sale were reclassified as portfolio loans at the lower of cost or market. The difference between cost and market was insignificant.

11. Goodwill and Other Intangibles

The changes in the carrying amount of goodwill for the six months ended June 30, 2007 were as follows ($000's):

	Banking	Metavante	Others	Tot

Goodwill balance as of January 1, 2007	$ 1,425,197	$ 1,330,276	$ 29,056	$ 2,78
Goodwill acquired during the period	147,796	34,125	17,964	19
Purchase accounting adjustments	(2,971)	10,462	231	
Goodwill balance as of June 30, 2007	$ 1,570,022	$ 1,374,863	$ 47,251	$ 2,99

Goodwill acquired during the second quarter of 2007 for the Banking segment included initial goodwill of $147.8 million for the acquisition of United Heritage. Goodwill acquired during the second quarter of 2007 for the Others segment included initial goodwill of $18.0 million related to the North Star acquisition. Goodwill acquired during the first quarter of 2007 for the Metavante segment included initial goodwill of $34.1 million for the acquisition of Valutec.

Purchase accounting adjustments for the Metavante segment represent adjustments made to the initial estimates of fair value associated with the acquisition of VICOR, Inc. and Link2Gov Corp. In addition, purchase accounting adjustments for the Metavante segment included total earnout payments of $8.0 million related to the acquisitions of Advanced Financial Solutions, Inc., Printing for Systems, Inc. and AdminiSource Corporation. Purchase accounting adjustments for the Banking segment and Others segment included adjustments primarily related to the April 2006 acquisition of Gold Banc Corporation, Inc.

At June 30, 2007, the Corporation's other intangible assets consisted of the following ($000's):

	June 30, 2007		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
Other intangible assets			
Core deposit intangible	$ 219,387	$ 104,476	$ 114,911
Data processing contract rights/customer lists	363,151	72,015	291,136
Trust customers	9,580	2,419	7,161
Tradename	9,850	1,167	8,683
Other Intangibles	3,188	952	2,236
	$ 605,156	$ 181,029	$ 424,127
Mortgage loan servicing rights			$ 2,305

Amortization expense of other acquired intangible assets for the three and six months ended June 30, 2007 amounted to $12.0 million and $23.0 million, respectively. For the three and six months ended June 30, 2006, amortization expense of other acquired intangible assets amounted to $11.7 million and $20.2 million, respectively.

Amortization of mortgage servicing rights amounted to $0.3 million and $0.6 million for the three and six months ended June 30, 2007, respectively. For the three and six months ended June 30, 2006, amortization of mortgage servicing rights amounted to $0.3 million and $0.7 million, respectively.

15

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2007 & 2006 (Unaudited)

The estimated amortization expense of other intangible assets and mortgage loan servicing rights for the next five annual fiscal years are ($000's):

2008	$ 46,620
2009	43,496
2010	40,728
2011	38,306
2012	36,479

12. Deposits

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

	June 30, 2007	December 31, 2006	June 30, 2006
Noninterest bearing demand	$ 5,717,972	$ 6,112,362	$ 5,773,090
Savings and NOW	13,717,333	12,081,260	11,549,046
CD's $100,000 and over	7,707,849	7,841,499	8,107,033
Cash flow hedge-Institutional CDs	(2,293)	(970)	(17,419)
Total CD's $100,000 and over	7,705,556	7,840,529	8,089,614
Other time deposits	4,899,680	4,821,233	4,801,124
Foreign deposits	2,947,743	3,228,998	2,750,552
Total deposits	$ 34,988,284	$ 34,084,382	$ 32,963,426

13. Income Taxes

Effective January 1, 2007, the Corporation adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, and there was no effect on the consolidated financial statements. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of the date of adoption the total amount of unrecognized tax benefits was $92.1 million, of which $71.8 million related to benefits that, if recognized, would impact the annual effective tax rate. Upon adoption of FIN 48, the Corporation changed its policy to include interest and penalties related to income tax liabilities in income tax expense. Prior to adoption of FIN 48, the Corporation recorded interest and penalties related to income tax liabilities to other expense, a component of Income Before Income Taxes. Included in the total liability for unrecognized tax benefits as of the date of adoption is $6.8 million of interest and no penalties.

The Corporation, along with its subsidiaries, files income tax returns in the U.S. and various state jurisdictions. With limited exceptions, the Corporation is no longer subject to examinations by federal and state taxing authorities for taxable years before 2003.

The Corporation anticipates it is reasonably possible within 12 months of the adoption date that unrecognized tax benefits could be reduced up to approximately $22 million. The reduction would principally result from settlements with taxing authorities as it relates to the tax benefits associated with a 2002 stock issuance.

14. 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, 2006. There were no significant new hedging strategies employed during the six months ended June 30, 2007.

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 for these commitments.

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.

At June 30, 2007, free standing interest rate swaps consisted of $2.7 billion in notional amount of receive fixed / pay floating with an aggregate negative fair value of $25.8 million and $1.8 billion in notional amount of pay fixed / receive floating with an aggregate positive fair value of $25.0 million.

At June 30, 2007, interest rate caps purchased amounted to $17.5 million in notional amount with an immaterial fair value and interest rate caps sold amounted to $17.5 million in notional amount with an immaterial fair value.

At June 30, 2007, the notional value of interest rate futures designated as trading was $2.5 billion with a negative fair value of $0.4 million.

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

Fair Value Hedges
June 30, 2007

Hedged Item	Hedging Instrument	Notional Amount ($ in mil)	Fair Value ($ in mil)	Weighted Average Remaining Term (Yrs)
Fair Value Hedges that Qualify for Shortcut Accounting				
Fixed Rate Bank Notes	Receive Fixed Swap	$ 390.9	$ (21.8)	7.8
Other Fair Value Hedges				
Fixed Rate Bank Notes	Receive Fixed Swap	$ 125.0	$ (6.3)	9.0
Institutional CDs	Receive Fixed Swap	50.0	(1.0)	29.0
Callable CDs	Receive Fixed Swap	242.7	(3.6)	8.8

The impact from fair value hedges to total net interest income for the three and six months ended June 30, 2007 was a negative $0.7 million and a negative $1.6 million, respectively. The impact to net interest income due to ineffectiveness was not material.

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

Cash Flow Hedges
June 30, 2007

Hedged Item	Hedging Instrument	Notional Amount ($ in mil)	Fair Value ($ in mil)	Weighted Average Remaining Term (Yrs)
Variable Rate Loans	Receive Fixed Swap	$ 100.0	$ (2.1)	1.0
Institutional CDs	Pay Fixed Swap	1,425.0	2.3	1.5
Federal Funds Purchased	Pay Fixed Swap	150.0	0.1	0.5
FHLB Advances	Pay Fixed Swap	1,410.0	19.6	3.7
Floating Rate Bank Notes	Pay Fixed Swap	550.0	1.0	2.4

The impact to total net interest income from cash flow hedges, including amortization of terminated cash flow hedges for the three and six months ended June 30, 2007 was a positive $5.3 million and a positive $11.2 million, respectively. For the three and six months ended June 30, 2007, respectively, the impact due to ineffectiveness was not material.

For the three and six months ended June 30, 2006, the total effect

on net interest income resulting from derivative financial instruments was a positive $5.5 million and a positive $9.6 million, respectively, including the amortization of terminated derivative financial instruments.

15. 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 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 cost for the three and six months ended June 30, 2007 and 2006 included the following components ($000's):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Service cost	$ 434	$ 570	$ 868	$ 1,140
Interest cost on APBO	1,062	1,022	2,123	2,044
Expected return on plan assets	(355)	(232)	(710)	(464)
Prior service amortization	(680)	(680)	(1,360)	(1,360)
Actuarial loss amortization	121	378	242	757
Net periodic postretirement benefit cost	$ 582	$ 1,058	$ 1,163	$ 2,117

Benefit payments and expenses, net of participant contributions, for the three and six months ended June 30, 2007 amounted to $1.2 million and $2.3 million, respectively.

The funded status, which is the accumulated postretirement benefit obligation net of fair value of plan assets, as of June 30, 2007 is as follows ($000's):

Total funded status, December 31, 2006	$ (50,309)
Service cost	(868)
Interest cost on APBO	(2,123)
Expected return on plan assets	710

Employer contributions/payments	9,282
Expected subsidy (Medicare Part D)	(384)
Total funded status, June 30, 2007	$ (43,692)

16. Segments

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

The following represents the Corporation's operating segments as of and for the three and six months ended June 30, 2007 and 2006. During 2006, the Corporation transferred the residential and commercial mortgage banking reporting units, which were previously included in other business operations, to the Banking segment. Segment information for all periods presented has been adjusted for these transfers. There have not been any other changes to the way the Corporation organizes its segments.

Metavante transaction costs of $2.6 million and $4.0 million for the three and six months ended June 30, 2007, respectively and Net derivative losses of $20.7 million and $42.0 million for the three and six months ended June 30, 2006, respectively are not included in segment income, but are reported in Reclassifications, Eliminations and Adjustments in the following tables. Management does not include these items when assessing the financial results of the segment operations.

Fees - intercompany represent intercompany revenue 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. Intrasegment revenues, expenses and assets have been eliminated ($ in millions):

	Three Months Ended June 30, 2007					
	Banking	Metavante	Others	Corporate Overhead	Reclass- ifications, Eliminations & Adjustments	
Net interest income	$ 406.1	$ (6.7)	$ 4.3	$ (10.7)	$ 2.9	$
Other income						
Fees - external	103.5	364.8	65.0	4.7	--	
Fees - internal						
Fees - intercompany	18.6	28.0	1.9	28.3	(76.8)	

Float income - intercompany	--	2.9	--	--	(2.9)
Total other income	122.1	395.7	66.9	33.0	(79.7)
Losses related to Firstsource	--	(1.0)	--	--	--
Other expense					
Expenses - other	194.0	307.5	41.6	31.4	2.1
Expenses - intercompany	47.0	13.5	13.7	2.1	(76.3)
Total other expense	241.0	321.0	55.3	33.5	(74.2)
Provision for loan and lease losses	25.7	--	0.3	--	--
Income (loss) before taxes	261.5	67.0	15.6	(11.2)	(2.6)
Income tax expense (benefit)	86.1	23.2	5.3	(4.3)	(0.3)
Segment income (loss)	$ 175.4	$ 43.8	$ 10.3	$ (6.9)	$ (2.3)
Identifiable assets	$ 55,304.8	$ 3,117.4	$ 873.2	$ 708.2	$ (1,705.9)
Return on average equity	12.4%	13.2%	14.5%		

	Three Months Ended June 30, 2006				
	Banking	Metavante	Others	Corporate Overhead	Reclass-ifications, Eliminations & Adjustments
Net interest income	$ 386.5	$ (7.5)	$ 3.5	$ (8.4)	$ 2.7
Other income					
Fees - external	79.9	345.0	55.3	1.5	(20.7)
Fees - internal					
Fees - intercompany	16.0	25.8	1.5	25.0	(68.3)
Float income - intercompany	--	2.7	--	--	(2.7)
Total other income	95.9	373.5	56.8	26.5	(91.7)
Other expense					
Expenses - other	184.8	294.6	36.0	28.4	0.5
Expenses - intercompany	43.2	13.0	11.4	1.2	(68.8)
Total other expense	228.0	307.6	47.4	29.6	(68.3)
Provision for loan and lease losses	10.6	--	0.5	--	--
Income (loss) before taxes	243.8	58.4	12.4	(11.5)	(20.7)
Income tax expense (benefit)	81.0	18.0	4.5	(4.1)	(7.5)
Segment income (loss)	$ 162.8	$ 40.4	$ 7.9	$ (7.4)	$ (13.2)
Identifiable assets	$ 51,661.9	$ 2,790.5	$ 745.8	$ 684.9	$ (1,429.0)
Return on average equity	13.2%	14.5%	14.1%		

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2007 & 2006 (Unaudited)

	Six Months Ended June 30, 2007					
	Banking	Metavante	Others	Corporate Overhead	Reclass- ifications, Eliminations & Adjustments	
Net interest income	$ 803.5	$ (14.0)	$ 9.7	$ (19.0)	$ 6.0	$
Other income						
Fees - external	184.1	721.8	126.7	4.5	--	
Fees - internal						
Fees - intercompany	36.7	55.2	3.6	56.9	(152.4)	
Float income - intercompany	--	6.0	--	--	(6.0)	
Total other income	220.8	783.0	130.3	61.4	(158.4)	
Gains related to Firstsource	--	7.0	--	--	--	
Other expense						
Expenses - other	385.0	605.1	78.7	57.4	3.2	
Expenses - intercompany	93.3	27.0	27.6	3.7	(151.6)	
Total other expense	478.3	632.1	106.3	61.1	(148.4)	
Provision for loan and lease losses	42.6	--	0.6	--	--	
Income (loss) before taxes	503.4	143.9	33.1	(18.7)	(4.0)	
Income tax expense (benefit)	165.5	50.9	11.8	(7.2)	(0.4)	
Segment income (loss)	$ 337.9	$ 93.0	$ 21.3	$ (11.5)	$ (3.6)	$
Identifiable assets	$ 55,304.8	$ 3,117.4	$ 873.2	$ 708.2	$ (1,705.9)	$
Return on average equity	12.5%	14.3%	16.1%			

	Six Months Ended June 30, 2006					
	Banking	Metavante	Others	Corporate Overhead	Reclass- ifications, Eliminations & Adjustments	
Net interest income	$ 717.2	$ (15.8)	$ 7.1	$ (12.5)	$ 5.9	$
Other income						
Fees - external	153.5	688.0	108.7	3.6	(42.0)	
Fees - internal						
Fees - intercompany	32.0	50.6	3.0	50.0	(135.6)	
Float income - intercompany	--	5.9	--	--	(5.9)	

Total other income	185.5	744.5	111.7	53.6	(183.5)	
Other expense						
Expenses - other	348.6	590.7	70.3	40.5	(0.7)	
Expenses - intercompany	83.5	25.6	22.5	3.3	(134.9)	
Total other expense	432.1	616.3	92.8	43.8	(135.6)	
Provision for loan and lease losses	21.0	--	1.0	---	--	
Income (loss) before taxes	449.6	112.4	25.0	(2.7)	(42.0)	
Income tax expense (benefit)	148.8	37.5	9.1	(1.6)	(15.1)	
Segment income (loss)	$ 300.8	$ 74.9	$ 15.9	$ (1.1)	$ (26.9)	$
Identifiable assets	$ 51,661.9	$ 2,790.5	$ 745.8	$ 684.9	$ (1,429.0)	$
Return on average equity	13.8%	13.8%	15.0%			

21

Total revenue, which consists of net interest income plus total other income, by type in Others consisted of the following ($ in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Trust Services	$ 56.7	$ 49.2	$ 108.9	$ 95.2
Capital Markets	0.5	(0.3)	2.3	0.3
Brokerage and Insurance	9.4	7.5	18.6	14.8
Commercial Leasing	3.3	2.8	7.9	5.8
Others	1.3	1.1	2.3	2.7
Total	$ 71.2	$ 60.3	$ 140.0	$ 118.8

17. Marshall & Ilsley Corporation and Metavante Corporation Separation

On April 3, 2007, the Corporation announced its plan to separate Marshall & Ilsley Corporation and Metavante Corporation into two separate publicly traded companies.

Under an investment agreement with WPM, L.P., a limited partnership affiliated with Warburg Pincus Private Equity IX, L.P., a global private equity investor ("Warburg Pincus"), Warburg Pincus has agreed to invest $625 million to acquire an equity interest representing 25 percent of the common stock of Metavante Holding Company, a corporation formed for the purpose of completing this separation that will, after the completion of the separation, own all of the issued and outstanding common stock of Metavante Corporation ("New Metavante"). Marshall & Ilsley Corporation shareholders will own 75 percent of the shares of New Metavante following completion of the transaction. This plan will be implemented through the spin-off of Marshall & Ilsley Corporation and is intended to be tax-free to Marshall & Ilsley Corporation and

its shareholders. In connection with the plan, approximately $1.75 billion of New Metavante debt will be arranged, which will be used to repay certain intercompany indebtedness plus accrued and unpaid interest owed to the Corporation by Metavante (the amount currently owed is approximately $982 million). In addition, pursuant to the investment agreement, New Metavante will contribute $1.665 billion in cash to New M&I Corporation, a corporation formed for the purpose of completing this separation that will, after the completion of the separation, own directly and through its subsidiaries the Corporation's banking business ("New Marshall & Ilsley").

Upon completion of the transaction, shareholders will receive three shares of New Marshall & Ilsley common stock and one share of New Metavante common stock for every three shares of Marshall & Ilsley Corporation common stock held.

Marshall & Ilsley Corporation's board of directors has unanimously adopted and approved the investment agreement and the transactions contemplated by this investment agreement and has recommended that Marshall & Ilsley Corporation's shareholders approve and adopt this investment agreement and the transactions contemplated by this investment agreement. Under the investment agreement with Warburg Pincus, the closing of the transaction, which is currently expected to occur in the fourth quarter of 2007, is contingent upon satisfaction of various closing conditions. The conditions include approval and adoption of Marshall & Ilsley Corporation's shareholders, who will be asked to vote on the proposed transactions at a special meeting that will be held on a date to be announced, receipt of a favorable ruling from the Internal Revenue Service, sufficiency of New Metavante's funds, other regulatory approvals and other specified closing conditions.

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,	
	2007	2006
Assets		
Cash and due from banks	$ 1,052,715	$ 1,030,657
Investment securities:		
Trading securities	58,346	50,268
Short-term investments	273,317	374,212
Other investment securities:		
Taxable	6,325,650	5,818,278
Tax-exempt	1,300,156	1,316,122
Total investment securities	7,957,469	7,558,880
Loans and leases:		
Loans and leases, net of unearned income	42,908,722	39,697,996
Allowance for loan and lease losses	(432,424)	(416,328)

Net loans and leases	42,476,298	39,281,668
Premises and equipment, net	588,712	565,369
Accrued interest and other assets	5,628,302	5,184,462
Total Assets	$ 57,703,496	$ 53,621,036
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest bearing	$ 5,431,158	$ 5,404,147
Interest bearing	27,686,843	27,337,123
Total deposits	33,118,001	32,741,270
Federal funds purchased and security repurchase agreements	3,125,694	2,332,734
Other short-term borrowings	1,171,983	1,085,859
Long-term borrowings	11,941,934	10,050,166
Accrued expenses and other liabilities	1,822,376	1,747,329
Total liabilities	51,179,988	47,957,358
Shareholders' equity	6,523,508	5,663,678
Total Liabilities and Shareholders' Equity	$ 57,703,496	$ 53,621,036

23

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

	Six Months Ended June 30,	
	2007	2006
Assets		
Cash and due from banks	$ 1,047,286	$ 1,005,507
Investment securities:		
Trading securities	49,871	42,267
Short-term investments	275,257	345,127
Other investment securities:		
Taxable	6,240,037	5,401,133
Tax-exempt	1,294,042	1,328,293
Total investment securities	7,859,207	7,116,820
Loans and leases:		
Loans and leases, net of unearned income	42,510,023	37,202,153
Allowance for loan and lease losses	(428,087)	(392,442)
Net loans and leases	42,081,936	36,809,711

Premises and equipment, net	581,600	530,820
Accrued interest and other assets	5,540,780	4,756,597
Total Assets	$ 57,110,809	$ 50,219,455
Liabilities and Shareholders' Equity		
Deposits:		
Noninterest bearing	$ 5,375,550	$ 5,174,349
Interest bearing	27,463,804	24,950,246
Total deposits	32,839,354	30,124,595
Federal funds purchased and security repurchase agreements	3,260,183	2,386,379
Other short-term borrowings	1,013,133	1,008,475
Long-term borrowings	11,783,701	9,728,869
Accrued expenses and other liabilities	1,822,715	1,729,861
Total liabilities	50,719,086	44,978,179
Shareholders' equity	6,391,723	5,241,276
Total Liabilities and Shareholders' Equity	$ 57,110,809	$ 50,219,455

OVERVIEW

The Corporation's overall strategy is to drive earnings per share growth by: (1) expanding banking operations not only in Wisconsin but also into faster growing regions beyond Wisconsin; (2) increasing the number of financial institutions to which the Corporation provides correspondent banking services and products; (3) expanding trust services and other wealth management product and service offerings; and (4) separating Marshall & Ilsley Corporation and Metavante into two separate publicly traded companies, as discussed below.

In early April 2007, the Corporation announced its plan to separate Marshall & Ilsley Corporation and Metavante into two separate publicly traded companies. The Corporation believes this transaction will create two well-positioned companies and will provide substantial benefits to the shareholders of both companies by creating additional opportunities to focus on core businesses. Metavante expects to be able to drive earnings per share growth by having access to financial resources to continue to build new products, invest in new technologies, attract and retain employees and acquire additional companies. Marshall & Ilsley Corporation's enhanced capital position is expected to drive earnings per share growth by enabling it to provide resources for continued organic growth, fund strategic initiatives within wealth management and its other business lines and pursue opportunities in new geographic markets. This transaction, which is contingent upon satisfaction of various closing conditions, is expected to close in the fourth quarter of 2007. The closing conditions include approval and adoption of Marshall & Ilsley Corporation shareholders, who will be asked to vote on the proposed transactions at a special meeting that will be held on a date to be announced, receipt of a favorable ruling from the Internal

Revenue Service, sufficiency of New Metavante's funds, other regulatory approvals and other specified closing conditions.

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's fundamental performance in each of these key areas of its core businesses will result in a strong growth profile over time.

Net income for the second quarter of 2007 amounted to $220.3 million compared to $190.5 million for the same period in the prior year, an increase of $29.8 million, or 15.6% . Diluted earnings per share were $0.83 for the three months ended June 30, 2007 compared to $0.74 for the three months ended June 30, 2006. The return on average assets and average equity was 1.53% and 13.54%, respectively, for the quarter ended June 30, 2007, and 1.43% and 13.49%, respectively, for the quarter ended June 30, 2006.

Net income for the first half of 2007 amounted to $437.1 million compared to $363.6 million for the same period in the prior year, an increase of $73.5 million, or 20.2% . Diluted earnings per share were $1.66 for the six months ended June 30, 2007 compared to $1.46 for the six months ended June 30, 2006. The return on average assets and average equity was 1.54% and 13.79%, respectively, for the six months ended June 30, 2007, and 1.46% and 13.99%, respectively, for the six months ended June 30, 2006.

For the three and six months ended June 30, 2007, costs associated with the previously discussed Metavante transaction amounted to $2.6 million and $4.0 million, respectively, and are included in a separate line within Other expense in the Consolidated Statements of Income. Net income and diluted earnings per share excluding the transaction costs would have been $222.6 million and $0.84 per share for the three months ended June 30, 2007, respectively and $440.7 million and $1.68 per share for the six months ended June 30, 2007, respectively and the return on average assets and return on average equity would have been 1.55% and 13.69% for the three months ended June 30, 2007, respectively and 1.56% and 13.90% for the six months ended June 30, 2007, respectively. The Corporation expects that transaction related costs will significantly increase in future quarters until the transaction is completed.

For the three months ended June 30, 2006, the impact of the mark-to-market adjustments associated with certain interest rate swaps and reported as Net derivative losses-discontinued hedges within Other income in the Consolidated Statements of Income, resulted in a decrease to net income of $13.2 million and a decrease to diluted earnings per share of $0.05 per share. Management believes the non-cash changes in earnings based on market volatility are not reflective of the core performance trends of the Corporation. Excluding the non-cash changes in earnings based on market volatility, for the three months ended June 30, 2006, net income and diluted earnings per share would have been $203.7 million and $0.79 per share respectively, and the return on average assets and return on average equity would have been 1.52% and 14.36%, respectively.

For the six months ended June 30, 2006, the impact of the mark-to-market adjustments reported as Net derivative losses-discontinued hedges within Other income in the Consolidated Statements of Income, resulted in a decrease to net income of $26.9 million and a decrease to diluted earnings per share of $0.11 per share. Management believes the non-cash changes in earnings based on market volatility are not reflective of the core performance trends of the Corporation. Excluding the non-cash

changes in earnings based on market volatility, for the six months ended June 30, 2006, net income and diluted earnings per share would have been $390.5 million and $1.57 per share respectively, and the return on average assets and return on average equity would have been 1.57% and 14.96%, respectively.

25

A reconciliation of these non-GAAP (Generally Accepted Accounting Principles) operating results to GAAP results is provided later in this section.

Earnings growth for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006 was attributable to a number of factors. For the three months ended June 30, 2007, the increase in net interest income was due to the contribution from the banking acquisition that was completed on April 1, 2007 and the two banking acquisitions completed in April 2006 as well as continued organic loan and bank issued deposit growth. Net interest income was negatively affected by the repurchase of 6.1 million shares of the Corporation's common stock during the second quarter of 2007. The increase in net charge-offs contributed to an increase in the provision for loan and lease losses in the second quarter of 2007. Metavante continued to exhibit growth in both revenue and earnings which was attributable, in part, to the impact of its acquisition activities as well as success in retaining and cross-selling products and services to its core customer base. Metavante's acquisition activities included one acquisition completed in the first quarter of 2007 and one acquisition completed in the third quarter of 2006. Continued organic growth in assets under management and assets under administration, an acquisition completed in April 2007, and improved investment performance resulted in solid growth in fee income for Wealth Management. Since its initial public offering, the common stock of MasterCard has experienced significant share-price appreciation. During the second quarter of 2007, the Corporation sold its investment in MasterCard Class B common stock and realized a pre-tax gain of $19.0 million. These factors along with continued organic expense management resulted in the reported earnings growth in the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006.

The transaction to separate Marshall & Ilsley Corporation and Metavante into two separate publicly traded companies will significantly affect the financial condition, results of operations and cash flows for both the Corporation and Metavante. In connection with the proposed transactions, a Registration Statement on Form S-4 was filed with the Securities and Exchange Commission that provides, among other things, financial information and pro forma financial information for both Metavante and the Corporation.

ACQUISITION ACTIVITIES

On July 9, 2007, the Corporation announced the signing of a definitive agreement to acquire First Indiana Corp. ("First Indiana"). First Indiana, based in Indianapolis, Indiana had $2.2 billion in consolidated assets as of June 30, 2007, and has 32 offices in central Indiana. Under the terms of the definitive agreement, stockholders of First Indiana will receive $32.00 in cash for each share of First Indiana common stock outstanding, or approximately $529.0 million in the aggregate. The transaction is expected to close in the fourth quarter of 2007 or in the first quarter of 2008, subject to the affirmative vote of First Indiana's stockholders, regulatory approvals and other customary closing conditions.

On July 1, 2007, the Corporation completed its acquisition of Excel Bank Corporation ("Excel"). Pursuant to an Amended and Restated Merger Agreement, shareholders of Excel received $13.97 per share in cash for each issued and outstanding share of Excel common stock, or approximately $105.0 million in the aggregate. Outstanding options to acquire Excel common stock were converted into options to acquire the Corporation's common stock. Excel, with $616.0 million in consolidated assets as of June 30, 2007, has four branches in the greater Minneapolis/St. Paul, Minnesota metropolitan area. The current Excel branches became branches of M&I Bank on August 1, 2007.

On April 20, 2007, the Corporation completed its acquisition of North Star Financial Corporation ("North Star") of Chicago, Illinois. Total consideration in this transaction amounted to $21.0 million, consisting of 441,252 shares of the Corporation's common stock valued at $47.55 per common share. North Star and its subsidiaries provide a variety of wealth management services through personal and other trusts. In addition, North Star offers a variety of other products and services including land trusts, 1031 exchanges for both real and personal property, and ESOP services, including consultative services relating to the transfer of small-business stock ownership. North Star's businesses were integrated with the Corporation's Wealth Management unit.

On April 1, 2007, the Corporation completed its acquisition of United Heritage Bankshares of Florida, Inc. ("United Heritage"). United Heritage Bank, a wholly-owned subsidiary of United Heritage, with $791.3 million in assets as of March 31, 2007, has 13 branches in the metropolitan Orlando area. Total consideration in this transaction amounted to approximately $219.6 million, consisting of 4,410,647 shares of the Corporation's common stock valued at $204.3 million and the exchange of vested stock options valued at approximately $15.3 million. The current United Heritage Bank branches became M&I Bank branches in the second quarter of 2007.

26

On January 17, 2007, Metavante acquired all of the outstanding stock of Valutec Card Solutions, Inc. ("Valutec") for $41.0 million in cash. Valutec provides closed-loop, in-store gift and loyalty card solutions for small and medium-sized businesses, including hosted account management, reporting capabilities, plastic card design and production and card program merchandising products.

See Note 7 -- Business Combinations in Notes to Financial Statements for further discussion of the Corporation's acquisition activities.

NOTEWORTHY TRANSACTIONS AND EVENTS

Some of the more noteworthy transactions and events that occurred in the three and six months ended June 30, 2007 and 2006 consisted of the following:

Second quarter 2007

As previously discussed, on April 1, 2007, the Corporation completed its acquisition of United Heritage and on April 20, 2007, the Corporation completed its acquisition of North Star.

During the second quarter of 2007, the Corporation completed two accelerated share repurchase transactions under its authorized Stock Repurchase Program. In the aggregate, the Corporation acquired 6.1 million shares of its common stock in these transactions. Total consideration in these transactions amounted to $297.3 million and

consisted of cash of $294.7 million and common treasury stock valued at $2.6 million. In conjunction with the first accelerated share repurchase transaction executed during the second quarter of 2007, the Corporation used 54,035 shares of its treasury common stock to share-settle the final settlement obligation.

During the second quarter of 2007, the Corporation sold its investment in MasterCard Class B common shares and realized a pre-tax gain of $19.0 million. That gain is reported in Net investment securities gains in the Consolidated Statements of Income. The Corporation sold its investment in order to monetize the significant appreciation in the market price of the common stock of MasterCard since its initial public offering.

During the second quarter and first half of 2007, the Corporation realized a pre-tax loss of $1.0 million and a pre-tax gain of $7.0 million, respectively, related to Metavante's investment in Firstsource. See Note 3 - Equity Investment in Firstsource Solutions Limited in Notes to Financial Statements for further information. The Corporation expects that additional gains and/or losses from Firstsource equity activities could be recognized in future periods.

As previously discussed, costs associated with the transaction to separate Marshall & Ilsley Corporation and Metavante Corporation into two separate publicly traded companies amounted to a pre-tax expense of $2.6 million ($2.3 million after-tax) for the three months ended June 30, 2007 and $4.0 million ($3.6 million after-tax) for the six months ended June 30, 2007.

First quarter 2007

Costs associated with the transaction to separate Marshall & Ilsley Corporation and Metavante Corporation into two separate publicly traded companies amounted to a pre-tax expense of $1.5 million ($1.3 million after-tax) for the three months ended March 31, 2007.

During the first quarter of 2007, the Corporation realized $8.0 million in pre-tax gains related to Metavante's investment in Firstsource.

The impact of the previously discussed gains were in part offset by the loss associated with the call of the Corporation's 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities. The loss amounted to $9.5 million and is included in Other expense in the Consolidated Statements of Income.

Second quarter 2006

The results of operations and financial position as of and for the three months ended June 30, 2006 included the effect of the previously announced acquisitions of Gold Banc Corporation, Inc. and Trustcorp Financial, Inc. which were both completed on April 1, 2006. As of April 1, 2006, the combined assets of Gold Banc Corporation, Inc. and Trustcorp Financial, Inc. amounted to approximately $4.9 billion. The combined purchase price for these companies, which included approximately $146.0 million of cash, amounted to $898.2 million. In the aggregate, 16.74 million shares of the Corporation's common stock were issued and fully vested stock options to purchase 0.5 million of the Corporation's common stock were exchanged in these transactions.

As previously discussed, the Corporation determined during 2006 that

certain transactions did not qualify for hedge accounting. The impact of the mark-to-market adjustments associated with certain interest rate swaps and reported as Net derivative losses-discontinued hedges in the Consolidated Statements of Income, resulted in a decrease to net income of $13.2 million and a decrease to diluted earnings per share of $0.05 for the three months ended June 30, 2006. For the six months ended June 30, 2006, net derivative losses-discontinued hedges resulted in a decrease to net income of $26.9 million and a decrease of $0.11 to diluted earnings per share.

First quarter 2006

The impact of the mark-to-market adjustments associated with certain interest rate swaps and reported as Net derivative losses-discontinued hedges in the Consolidated Statements of Income, resulted in a decrease to net income of $13.7 million and a decrease to diluted earnings per share of $0.06 per share for the three months ended March 31, 2006.

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 42.4% of the Corporation's source of revenues for the three months ended June 30, 2007 compared to 45.0% for the three months ended June 30, 2006. For the six months ended June 30, 2007 net interest income represented 43.0% of the Corporation's source of revenues compared to 43.5% for the six months ended June 30, 2006.

Net interest income for the second quarter of 2007 amounted to $395.9 million compared to $376.8 million reported for the second quarter of 2006, an increase of $19.1 million or 5.1% . For the six months ended June 30, 2007, net interest income amounted to $786.2 million compared to $701.9 million reported for the six months ended June 30, 2006, an increase of $84.3 million or 12.0%. Acquisition-related and organic loan growth and the growth in bank issued deposits were the primary contributors to the increase in net interest income. Factors negatively affecting net interest income compared to the prior year included the impact of the financing costs associated with the 2006 banking acquisitions and Metavante's acquisitions, the cost of common stock repurchases, tightening loan spreads and a general shift in the bank issued deposit mix from lower cost to higher cost deposit products.

Average earning assets increased $3.6 billion or 7.6% in the second quarter of 2007 compared to the second quarter of 2006. Average loans and leases accounted for $3.2 billion of the growth in average earning assets in the second quarter of 2007 compared to the second quarter of 2006. Average investment securities increased $0.4 billion in the second quarter of 2007 over the prior year second quarter.

Average interest bearing liabilities amounted to $43.9 billion in the second quarter of 2007 compared to $40.8 billion in the second quarter of 2006, an increase of $3.1 billion or 7.6% . Average interest bearing deposits increased $0.3 billion or 1.3% in the second quarter of 2007 compared to the second quarter of 2006. Average total borrowings increased $2.8 billion or 20.6% in the second quarter of 2007 compared to the same period in 2006.

Average noninterest bearing deposits were relatively unchanged in the three months ended June 30, 2007 compared to the three months ended June 30, 2006.

For the six months ended June 30, 2007, average earning assets amounted

to $50.4 billion compared to $44.3 billion in the six months ended June 30, 2006, an increase of $6.1 billion or 13.7% . Average loans and leases accounted for $5.3 billion of the growth in average earning assets in the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Average investment securities increased approximately $0.8 billion over the comparative six month periods.

Average interest bearing liabilities increased $5.4 billion or 14.3% in the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Average interest bearing deposits increased $2.5 billion or 10.1% in the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Average total borrowings increased $2.9 billion or 22.4% over the comparative six month periods.

For the six months ended June 30, 2007 compared to the six months ended June 30, 2006, average noninterest bearing deposits increased $0.2 billion or 3.9%.

28

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

	2007		2006			Growth Pct.	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	Annual	Prior Quarte
Commercial Loans and Leases							
Commercial	$ 12,494	$ 12,164	$ 11,800	$ 11,559	$ 11,441	9.2%	2.7%
Commercial real estate							
Commercial mortgages	11,175	10,936	10,932	10,838	10,746	4.0	2.2
Construction	3,607	3,480	3,346	3,227	2,834	27.3	3.6
Total commercial real estate	14,782	14,416	14,278	14,065	13,580	8.8	2.5
Commercial lease financing	507	513	538	529	504	0.7	(1.1)
Total commercial loans and leases	27,783	27,093	26,616	26,153	25,525	8.8	2.5
Personal loans and leases							
Residential real estate							
Residential mortgages	6,562	6,382	6,195	5,924	5,621	16.7	2.8
Construction	2,827	2,780	2,649	2,471	2,365	19.6	1.7
Total residential real estate	9,389	9,162	8,844	8,395	7,986	17.6	2.5
Personal loans							
Student	70	113	78	47	51	36.9	(37.7)
Credit card	249	245	250	246	237	4.8	1.4
Home equity loans and lines	4,223	4,295	4,387	4,474	4,596	(8.1)	(1.7)
Other	1,019	1,031	1,101	1,143	1,167	(12.6)	(1.1)
Total personal loans	5,561	5,684	5,816	5,910	6,051	(8.1)	(2.2)

Personal lease financing	176	168	162	150	136	29.3	4.9
Total personal loans and leases	15,126	15,014	14,822	14,455	14,173	6.7	0.8
Total consolidated average loans and leases	$ 42,909	$ 42,107	$ 41,438	$ 40,608	$ 39,698	8.1%	1.9%

Total consolidated average loans and leases increased $3.2 billion or 8.1% in the second quarter of 2007 compared to the second quarter of 2006. Excluding the effect of the banking acquisitions, total consolidated average loan and lease organic growth was 6.9% in the second quarter of 2007 compared to the second quarter of 2006. Approximately $0.4 billion of the growth in total consolidated average loans and leases was attributable to the banking acquisitions and $2.8 billion of the growth was organic. Of the average growth attributable to the banking acquisitions, $0.4 billion was attributable to average commercial real estate loans. Of the $2.8 billion of average loan and lease organic growth, $1.0 billion was attributable to average commercial loans and leases, $0.8 billion was attributable to average commercial real estate loans, and $1.4 billion was attributable to residential real estate loans. From a production standpoint, residential real estate loan closings in the second quarter of 2007 were $1.3 billion compared to $1.4 billion in the second quarter of 2006. Average home equity loans and lines declined $0.4 billion in the second quarter of 2007 compared to the second quarter of 2006.

For the six months ended June 30, 2007, total consolidated average loans and leases increased $5.3 billion or 14.3% compared to the six months ended June 30, 2006. Excluding the effect of the 2007 and 2006 banking acquisitions, total consolidated average loan and lease organic growth was 8.0% for the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Approximately $2.2 billion of the growth in total consolidated average loans and leases was attributable to the banking acquisitions and $3.1 billion of the growth was organic. Of the $2.2 billion of average growth attributable to the banking acquisitions, $1.6 billion was attributable to average commercial real estate loans, approximately $0.5 billion was attributable to average commercial loans and leases and $0.1 billion was attributable to average residential real estate loans. Of the $3.1 billion of average loan and lease organic growth, $1.2 billion was attributable to average commercial loans and leases, $0.9 billion was attributable to average commercial real estate loans, and $1.5 billion was attributable to residential real estate loans. From a production standpoint, residential real estate loan closings in the first half of 2007 and the first half of 2006 were $2.3 billion and $2.6 billion, respectively. Average home equity loans and lines declined $0.4 billion in the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Average personal loans and leases decreased $0.1 billion in the first half of 2007 compared to the same period in 2006.

29

Total average commercial loan and lease organic growth was 8.2% in the second quarter of 2007 compared to the second quarter of 2006. For the six months ended June 30, 2007 compared to the six months ended June 30, 2006 total average commercial loan and lease organic growth was 10.7% . Commercial loan and lease organic growth continued to be positive in the first half of 2007 although the Corporation has seen some slowing in certain businesses. Management believes that year over year organic commercial loan growth (as a percentage) will continue its slight moderation and expects organic commercial loan growth will be in the

mid-to-high single digit percentage range in 2007. Total average commercial real estate loan organic growth was 6.0% in the second quarter of 2007 compared to the second quarter of 2006. For the six months ended June 30, 2007 compared to the six months ended June 30, 2006 total average commercial real estate loan organic growth was 6.9%. The Corporation continues to experience some slowing in the construction market for both commercial and residential developers, and to some extent throughout the commercial real estate business. The Corporation expects organic commercial real estate loan growth in 2007 will be in the mid single digit percentage range.

Home equity loans and lines, which includes the Corporation's wholesale activity, continue to be one of the Corporation's primary consumer loan products. Average home equity loans and lines declined in the second quarter and first half of 2007 compared to the second quarter and first half of 2006. This is consistent with what is occurring in many parts of the country. It is expected that the softer home equity market, combined with the Corporation's continued sales of certain loans at origination will continue to impact balance sheet organic loan growth. Management does not expect this trend to change in the near term.

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 each of the three months ended June 30, 2007 and 2006, real estate loans sold to investors amounted to $0.6 billion. For each of the six months ended June 30, 2007 and 2006, real estate loans sold to investors amounted to $1.2 billion. At June 30, 2007 and 2006, the Corporation had approximately $50.3 million and $123.4 million of mortgage loans held for sale, respectively. Gains from the sale of mortgage loans amounted to $10.4 million in the second quarter of 2007 compared to $11.8 million in the second quarter of 2006. For the six months ended June 30, 2007, gains from the sale of mortgage loans amounted to $19.2 million compared to $23.7 million in the six months ended June 30, 2006.

The Corporation maintains a conservative credit profile in its home equity and mortgage portfolios. At June 30, 2007, the Corporation's average loan-to-value ratios and credit scores were 78% and 725 for its residential real estate loan portfolio and 80% and 729 for its home equity portfolios, respectively. The Corporation does not originate for portfolio, sub-prime mortgages or sub-prime home equity loans or lines. The Corporation's exposure to residential real estate and home equity borrowers with credit scores that were less than 620 was approximately $285 million at June 30, 2007.

During the second quarter of 2007, the Corporation opted to discontinue the sale and securitization of automobile loans into the secondary market. The loans previously classified as held for sale, were reclassified as portfolio loans at the lower of cost or market. Auto loans securitized and sold in the second quarters of 2007 and 2006 amounted to $0.05 billion and $0.2 billion, respectively. For the six months ended June 30, 2007, auto loans securitized and sold amounted to $0.2 billion compared to $0.3 billion in the six months ended June 30, 2006. Net gains from the sale and securitization of auto loans for the three and six months ended June 30, 2007 amounted to $1.3 million and $1.1 million, respectively. Net gains and losses from the sale and securitization of auto loans were not significant in either the three or six months ended June 30, 2006.

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

	2007		2006			Growth Pct.	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	Annual	Prior Quarter
Bank issued deposits							
Noninterest bearing deposits							
Commercial	$ 3,849	$ 3,769	$ 4,000	$ 3,948	$ 3,873	(0.6)%	2.1%
Personal	996	964	951	953	998	(0.2)	3.3
Other	586	586	575	561	533	10.1	0.0
Total noninterest bearing deposits	5,431	5,319	5,526	5,462	5,404	0.5	2.1
Interest bearing activity deposits							
Savings and NOW	2,929	2,951	2,961	3,081	3,251	(9.9)	(0.7)
Money market	8,587	8,260	8,128	7,795	7,389	16.2	3.9
Foreign activity	1,394	1,424	1,427	1,151	1,000	39.3	(2.1)
Total interest bearing activity deposits	12,910	12,635	12,516	12,027	11,640	10.9	2.2
Time deposits							
Other CDs and time deposits	4,882	4,832	4,847	4,843	4,769	2.4	1.0
CDs greater than $100,000	3,636	3,401	3,264	3,137	2,878	26.4	6.9
Total time deposits	8,518	8,233	8,111	7,980	7,647	11.4	3.5
Total bank issued deposits	26,859	26,187	26,153	25,469	24,691	8.8	2.6
Wholesale deposits							
Money market	1,795	938	835	795	737	143.5	91.4
Brokered CDs	3,635	4,332	5,257	5,510	5,382	(32.5)	(16.1)
Foreign time	829	1,101	892	1,147	1,931	(57.1)	(24.7)
Total wholesale deposits	6,259	6,371	6,984	7,452	8,050	(22.3)	(1.8)
Total consolidated average deposits	$ 33,118	$ 32,558	$ 33,137	$ 32,921	$ 32,741	1.2%	1.7%

Average total bank issued deposits increased $2.2 billion or 8.8% in the second quarter of 2007 compared to the second quarter of 2006. Excluding the effect of the banking acquisitions, average total bank issued deposit organic growth was 5.8% in the second quarter of 2007 compared to the second quarter of 2006. Approximately $0.7 billion of the growth in average total bank issued deposits was attributable to the banking acquisitions and $1.5 billion of the growth was organic. Of the $0.7 billion of average growth attributable to the banking acquisitions, $0.1 billion was attributable to average noninterest bearing deposits, $0.3 billion was attributable to average interest bearing deposits and $0.3 billion was attributable to average time deposits. Of the $1.5 billion

of average bank issued deposit organic growth, $1.0 billion was attributable to average interest bearing deposits and $0.5 billion was attributable to average time deposits. Excluding the effect of the banking acquisitions, average noninterest bearing deposits were relatively unchanged in the second quarter of 2007 compared to the second quarter of 2006.

For the six months ended June 30, 2007, average total bank issued deposits increased $3.7 billion or 16.2% compared to the six months ended June 30, 2006. Excluding the effect of the 2007 and 2006 banking acquisitions, average total bank issued deposit organic growth was 7.4% in the six months ended June 30, 2007 compared to the six months ended June 30, 2006. Approximately $1.9 billion of the growth in average total bank issued deposits was attributable to the banking acquisitions and $1.8 billion of the growth was organic. Of the $1.9 billion of average growth attributable to the banking acquisitions, $0.3 billion was attributable to average noninterest bearing deposits, $0.6 billion was attributable to average interest bearing deposits and $1.0 billion was attributable to average time deposits. Of the $1.8 billion of average bank issued deposit organic growth, $1.1 billion was attributable to average interest bearing deposits and $0.7 billion was attributable to average time deposits. Excluding the effect of the banking acquisitions, average noninterest bearing deposits were relatively unchanged in the first half of 2007 compared to the first half of 2006.

Noninterest bearing deposit balances tend to exhibit some seasonality with a trend of balances declining somewhat in the early part of the year followed by growth in balances throughout the remainder of the year. A portion of the noninterest balances, especially commercial balances, is sensitive to the interest rate environment. Larger balances tend to be maintained when overall interest rates are low and smaller balances tend to be maintained as overall interest rates increase.

31

For the three and six months ended June 30 2007 compared to the three and six months ended June 30 2006, the Corporation has been able to competitively price deposit products which has contributed to the growth in average bank issued interest bearing activity deposits and average bank issued time deposits. In addition, the Corporation continues to experience shifts in the bank issued deposit mix. In their search for higher yields, both new and existing customers have been migrating their deposit balances to higher cost money market and time deposit products. Management expects this behavior to continue.

Wholesale deposits are funds in the form of deposits generated through distribution channels other than the Corporation's own banking branches. The Corporation continues to make use of wholesale funding alternatives, especially brokered and institutional certificates of deposit. 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. Recently, the Corporation has placed less reliance on wholesale deposits. For the three months ended June 30, 2007, average wholesale deposits decreased $1.8 billion, or 22.3% compared to the three months ended June 30, 2006. For the six months ended June 30, 2007 average wholesale deposits decreased $1.0 billion, or 13.4% compared to the six months ended June 30, 2006. Average wholesale deposits for the six months ended June 30, 2007 include approximately $0.2 billion of wholesale deposits that were assumed in the 2006 banking acquisitions.

Total borrowings increased $0.9 billion to $15.4 billion at June 30, 2007, compared to $14.5 billion at December 31, 2006. During the second

quarter of 2007, the Corporation's lead bank, M&I Marshall & Ilsley Bank ("M&I Bank") issued $600 million of floating rate subordinated bank notes indexed to the three month London Inter-Bank Offered Rate ("LIBOR") with a final maturity date of 2012 subject to the Corporation's option to call the notes at par on December 4, 2007, March 4, 2008 and June 4, 2008. During the first quarter of 2007, the Corporation issued floating rate long term borrowings in the amount of $1.2 billion which are indexed to the one month LIBOR and mature at various times from 2008 through 2013. In addition, a $0.3 billion fixed rate borrowing with an interest rate of 5.15% and a maturity date of 2012 was issued in the first quarter of 2007. During the first quarter of 2007, the Corporation called its $200 million in principal amount of 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities.

32

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, 2007 and 2006, are presented in the following tables ($ in millions):

Consolidated Yield and Cost Analysis

	Three Months Ended June 30, 2007			Three Months Ended June 30, 2006		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield or Cost (b)
Loans and leases: (a)						
Commercial loans and leases	$ 13,000.8	$ 245.8	7.58%	$ 11,944.7	$ 218.1	7.32%
Commercial real estate loans	14,781.7	279.3	7.58	13,580.4	248.6	7.34
Residential real estate loans	9,388.7	170.5	7.28	7,985.7	139.7	7.01
Home equity loans and lines	4,223.2	79.1	7.52	4,595.7	82.6	7.21
Personal loans and leases	1,514.3	29.4	7.80	1,591.5	28.5	7.20
Total loans and leases	42,908.7	804.1	7.52	39,698.0	717.5	7.25
Investment securities (b):						
Taxable	6,325.7	78.7	4.94	5,818.3	70.9	4.79
Tax Exempt (a)	1,300.1	21.6	6.72	1,316.1	22.9	7.04
Total investment securities	7,625.8	100.3	5.24	7,134.4	93.8	5.19
Trading securities (a)	58.4	0.3	2.47	50.3	0.2	1.70
Other short-term investments	273.3	3.7	5.40	374.2	5.0	5.37
Total interest earning assets	$ 50,866.2	$ 908.4	7.16%	$ 47,256.9	$ 816.5	6.91%
Interest bearing deposits:						
Bank issued deposits:						
Bank issued interest bearing activity deposits	$ 12,910.2	$ 114.9	3.57%	$ 11,639.6	$ 94.5	3.26%
Bank issued time deposits	8,518.1	104.9	4.94	7,646.9	81.0	4.25

Total bank issued deposits	21,428.3	219.8	4.11	19,286.5	175.5	3.65
Wholesale deposits	6,258.5	79.4	5.09	8,050.6	96.0	4.78
Total interest bearing deposits	27,686.8	299.2	4.33	27,337.1	271.5	3.98
Short-term borrowings	4,297.7	56.0	5.23	3,418.6	43.1	5.06
Long-term borrowings	11,941.9	150.3	5.05	10,050.2	117.4	4.69
Total interest bearing liabilities	$ 43,926.4	$ 505.5	4.62%	$ 40,805.9	$ 432.0	4.25%
Net interest margin (FTE)		$ 402.9	3.17%		$ 384.5	3.26%
Net interest spread (FTE)			2.54%			2.66%

(a) Fully taxable equivalent ("FTE") basis, 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.

33

Consolidated Yield and Cost Analysis

	Six Months Ended June 30, 2007			Six Months Ended June 30, 2006		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield or Cost (b)
Loans and leases: (a)						
Commercial loans and leases	$ 12,839.8	$ 483.9	7.60%	$ 11,161.7	$ 394.9	7.14%
Commercial real estate loans	14,600.0	549.4	7.59	12,088.7	429.7	7.17
Residential real estate loans	9,275.8	335.8	7.30	7,632.5	262.5	6.94
Home equity loans and lines	4,259.0	159.1	7.53	4,650.5	163.6	7.09
Personal loans and leases	1,535.4	59.5	7.82	1,668.8	57.7	6.97
Total loans and leases	42,510.0	1,587.7	7.53	37,202.2	1,308.4	7.09
Investment securities (b):						
Taxable	6,240.0	155.7	4.98	5,401.1	128.8	4.72
Tax Exempt (a)	1,294.1	43.1	6.79	1,328.3	46.3	7.12
Total investment securities	7,534.1	198.8	5.29	6,729.4	175.1	5.18
Trading securities (a)	49.9	0.5	2.03	42.3	0.3	1.37
Other short-term investments	275.2	7.5	5.49	345.1	8.6	5.01
Total interest earning assets	$ 50,369.2	$1,794.5	7.18%	$ 44,319.0	$1,492.4	6.78%
Interest bearing deposits:						
Bank issued deposits:						
Bank issued interest bearing activity deposits	$ 12,773.0	$ 226.5	3.58%	$ 11,055.2	$ 169.2	3.09%
Bank issued time deposits	8,376.3	203.2	4.89	6,601.4	134.3	4.10

Total bank issued deposits	21,149.3	429.7	4.10	17,656.6	303.5	3.47
Wholesale deposits	6,314.5	159.5	5.09	7,293.6	166.8	4.61
Total interest bearing deposits	27,463.8	589.2	4.33	24,950.2	470.3	3.80
Short-term borrowings	4,273.3	111.0	5.24	3,394.9	82.5	4.90
Long-term borrowings	11,783.7	294.0	5.03	9,728.9	222.1	4.60
Total interest bearing liabilities	$ 43,520.8	$ 994.2	4.61%	$ 38,074.0	$ 774.9	4.10%
Net interest margin (FTE)		$ 800.3	3.20%		$ 717.5	3.26%
Net interest spread (FTE)			2.57%			2.68%

(a) Fully taxable equivalent ("FTE") basis, 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 FTE decreased 9 basis points from 3.26% in the second quarter of 2006 to 3.17% in the second quarter of 2007. For the six months ended June 30, 2007, the net interest margin FTE was 3.20% compared to 3.26% for the six months ended June 30, 2006, a decrease of 6 basis points. Compared to the first quarter of 2007, the net interest margin FTE decreased 6 basis points from 3.23% in the first quarter of 2007 to 3.17% in the second quarter of 2007. The net interest margin in the second quarter of 2007 was negatively impacted by the effect of the common stock repurchases that required $294.7 million in cash and positively impacted by the lower interest rate on funds used for the early retirement of the Corporation's $200 million in principal amount of 7.65% junior subordinated deferrable interest debentures.

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. Similar to the general trends being experienced throughout the industry, the Corporation continues to be challenged by narrowing loan spreads, slowing loan growth and the shift in the bank issued deposit mix by new and existing depositors into higher yielding products. Management expects these trends to continue and expects that there will be downward pressure, particularly during periods of elevated levels of nonperforming loans and leases, on the net interest margin FTE for the remainder of 2007.

PROVISION FOR LOAN AND LEASE LOSSES AND CREDIT QUALITY

The following tables present comparative consolidated credit quality information as of June 30, 2007 and the prior four quarters:

Nonperforming Assets

($000's)

	2007	2006

	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quart
Nonaccrual	$ 373,387	$ 340,684	$ 264,890	$ 213,920	$ 193,
Renegotiated	113	117	125	130	
Past due 90 days or more	10,463	10,858	2,991	5,132	4,
Total nonperforming loans and leases	383,963	351,659	268,006	219,182	198,
Other real estate owned	24,462	26,580	25,452	15,152	11,
Total nonperforming assets	$ 408,425	$ 378,239	$ 293,458	$ 234,334	$ 209,
Allowance for loan and lease losses	$ 431,012	$ 423,084	$ 420,610	$ 417,375	$ 415,

Consolidated Statistics

	2007		2006		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quart
Net charge-offs to average loans and leases annualized	0.22%	0.14%	0.14%	0.08%	0
Total nonperforming loans and leases to total loans and leases	0.89	0.83	0.64	0.53	0
Total nonperforming assets to total loans and leases and other real estate owned	0.94	0.89	0.70	0.57	0
Allowance for loan and lease losses to total loans and leases	1.00	1.00	1.00	1.01	1
Allowance for loan and lease losses to total nonperforming loans and leases	112	120	157	190	

Nonaccrual Loans and Leases By Type

($000's)

	2007		2006		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quart
Commercial					
Commercial, financial and agricultural	$ 48,525	$ 60,331	$ 50,855	$ 56,541	$ 59,
Lease financing receivables	1,101	1,510	1,119	539	
Total commercial	49,626	61,841	51,974	57,080	60,
Real estate					
Construction and land development	152,554	129,061	71,298	47,265	32,
Commercial mortgage	70,835	66,596	57,705	40,234	40,
Residential mortgage	98,994	78,578	82,675	67,799	58,
Total real estate	322,383	274,235	211,678	155,298	131,

Personal	1,378	4,608	1,238	1,542	1,
Total nonaccrual loans and leases	$ 373,387	$ 340,684	$ 264,890	$ 213,920	$ 193,

Reconciliation of Allowance for Loan and Lease Losses

($000's)

	2007		2006		
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Seco Quart
Beginning balance	$ 423,084	$ 420,610	$ 417,375	$ 415,201	$ 368,
Provision for loan and lease losses	26,026	17,148	18,253	10,250	11,
Allowance of banks and loans acquired	5,513	--	--	--	45,
Loans and leases charged-off					
Commercial	15,433	7,222	2,213	4,073	6,
Real estate	7,789	6,616	11,483	4,971	3,
Personal	4,473	4,290	4,216	3,516	3,
Leases	464	173	256	165	1,
Total charge-offs	28,159	18,301	18,168	12,725	13,
Recoveries on loans and leases					
Commercial	1,764	1,712	1,097	2,251	
Real estate	1,070	488	415	783	1,
Personal	1,095	935	1,096	1,031	1,
Leases	619	492	542	584	
Total recoveries	4,548	3,627	3,150	4,649	3,
Net loans and leases charged-off	23,611	14,674	15,018	8,076	9,
Ending balance	$ 431,012	$ 423,084	$ 420,610	$ 417,375	$ 415,

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 $24.5 million at June 30, 2007, compared to $26.6 million at March 31, 2007 and $11.7 million at June 30, 2006. Construction and land development and residential real estate properties acquired in partial or total satisfaction of problem loans accounted for 27.3% and 58.6% of OREO at June 30, 2007, respectively.

Nonperforming loans and leases consist of nonaccrual, renegotiated or restructured loans, and loans and leases that are delinquent 90 days or more and still accruing interest. The balance of nonperforming loans and leases can fluctuate widely based on the timing of cash collections, renegotiations and renewals.

At June 30, 2007, nonperforming loans and leases amounted to $384.0

million or 0.89% of consolidated loans and leases compared to $351.7 million or 0.83% of consolidated loans and leases at March 31, 2007, and $198.0 million or 0.49% of consolidated loans and leases at June 30, 2006.

Nonaccrual loans and leases continue to be the primary source of nonperforming loans and leases. Since March 31, 2007, nonaccrual commercial and industrial loans decreased $11.8 million or 19.6%, nonaccrual personal loans decreased $3.2 million or 70.1% and nonaccrual lease financing receivables decreased $0.4 million or 27.1% . Since March 31, 2007, nonaccrual construction and land development increased $23.5 million or 18.2%, nonaccrual residential real estate loans, including home equity loans and lines, increased $20.4 million or 26.0% and nonaccrual commercial real estate increased $4.2 million or 6.4% .

At June 30, 2007, nonperforming loans and leases continue to be concentrated in housing-related loans. The housing slowdown is impacting the performance of some of the Corporation's construction and land development and residential real estate loans. A re-balancing of supply and demand within the national housing market has reduced both absorption rates and valuations, causing stress for some borrowers within these loan segments. These loans are geographically dispersed and are in both the Corporation's originated and acquired loan portfolios.

Nonperforming loans and leases associated with the 2006 banking acquisitions amounted to $75.2 million or 1.91% of the acquired loans and leases and 19.6% of total consolidated nonperforming loans and leases at June 30, 2007. Nonperforming loans and leases associated with the 2007 banking acquisition were insignificant at June 30, 2007.

Throughout this credit cycle, the Corporation has maintained its underwriting standards including its typical loan to value standards in real estate lending. As stated in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006, the Corporation does not hold loans with below market or so-called teaser interest rates and does not hold option adjustable rate mortgages that may expose the borrowers to future increase in repayments in excess of changes resulting solely from increases in the market rate of interest (loans subject to negative amortization). The Corporation's comprehensive approval process is critical to ensuring that the risk of loss from nonperforming loans and leases on a long-term basis is minimized within the overall framework of acceptable levels of credit risk.

Managing nonperforming loans and leases is important to the ongoing success of a financial services institution. 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. The Corporation's comprehensive credit review process is critical to ensuring that potential nonperforming loans and leases as well as nonperforming loans and leases are aggressively identified and isolated in a timely manner so that strategies can be developed to minimize the risk of loss to the Corporation. At June 30, 2007 approximately $52.3 million or 13.6% of the Corporation's nonperforming loans and leases were 60 days or less past due.

Net charge-offs amounted to $23.6 million or 0.22% of average loans and leases in the second quarter of 2007 compared to $14.7 million or 0.14% of average loans and leases in the first quarter of 2007 and $9.9 million or 0.10% of average loans and leases in the second quarter of 2006. For the six months ended June 30, 2007, net charge-offs amounted

to $38.3 million or 0.18% of average loans and leases compared to $15.9 million or 0.09% of average loans for the six months ended June 30, 2006. The most recent five year historical average net charge-off ratio was 0.15% . The ratio of recoveries to charge-offs was 16.2% for the three months ended June 30, 2007 compared to 19.8% for the three months ended March 31, 2007 and 28.7% in the second quarter of 2006. The ratio of recoveries to charge-offs was 17.6% for the six months ended June 30, 2007. The most recent five year average ratio of recoveries to charge-offs was 30.4%.

The provisions for loan and lease losses amounted to $26.0 million for the three months ended June 30, 2007 compared to $11.1 million for the three months ended June 30, 2006. For the six months ended June 30, 2007, the provisions for loan and lease losses amounted to $43.2 million compared to approximately $22.1 million for the six months ended June 30, 2006. The allowance for loan and lease losses as a percent of consolidated loans and leases outstanding was 1.00% at June 30, 2007, 1.00% at March 31, 2007 and 1.03% at June 30, 2006.

During the second quarter the Corporation experienced an increase in the level of problem loan resolutions, decline in nonperforming commercial and industrial loans and slowing in the rate of increase of nonperforming real estate loans compared to the prior two quarters. While these may be signs that nonperforming loan and lease trends are beginning to stabilize, negative economic events, adverse developments in industry segments within the loan and lease portfolios or deterioration of a large loan or loans could continue to have an adverse impact on the level of nonperforming loans and leases. Management believes that in the near term the expected level of nonperforming loans and leases may continue to increase from current levels. This expectation is based in part on the fact that real estate related loans such as construction and land development loans tend to be more complex and may take additional time to satisfactorily resolve. At the present time, the Corporation's nonperforming loans and leases continue to be generally well-collateralized, geographically dispersed and the risk of loss on a per loan basis remains manageable.

Management continues to expect that its annual historical net charge-off range of 15 to 20 basis points of average loans and leases is representative of the net charge-offs expected for the year ended December 31, 2007.

OTHER INCOME

Other income or noninterest sources of revenue represented 57.6% and 55.0% of the Corporation's total sources of revenues for the three months ended June 30, 2007 and 2006, respectively. Total other income in the second quarter of 2007 amounted to $537.0 million compared to $461.0 million in the same period last year, an increase of $76.0 million or 16.5% . As previously discussed, other income for the three months ended June 30, 2007 included a pre-tax gain of $19.0 million from the sale of MasterCard Class B shares. Other income for the three months ended June 30, 2006 included $20.7 million of mark-to-market losses for derivative financial instruments that did not qualify for hedge accounting. The remaining increase in other income was primarily due to growth in data processing services and wealth management services revenue.

For the six months ended June 30, 2007 and 2006, noninterest sources of revenue represented 57.0% and 56.5% of the Corporation's total sources of revenues, respectively. Total other income in the six months ended June 30, 2007 amounted to $1,044.1 million compared to $911.8 million in the same period last year, an increase of $132.3 million or 14.5% . As

previously discussed, other income for the six months ended June 30, 2007 included a pre-tax gain of $19.0 million on the sale of MasterCard Class B shares and $7.0 million in net gains related to Metavante's investment in Firstsource. Other income for the six months ended June 30, 2006 included $42.0 million of mark-to-market losses for derivative financial instruments that did not qualify for hedge accounting. The remaining increase in other income was primarily due to growth in data processing services and wealth management services revenue.

37

Data processing services external revenue (Metavante) amounted to $363.8 million in the second quarter of 2007 compared to $345.0 million in the second quarter of 2006, an increase of $18.8 million or 5.5% . For the six months ended June 30, 2007, Data processing services external revenue amounted to $720.2 million compared to $688.0 million for the six months ended June 30, 2006, an increase of $32.2 million or 4.7% . Revenue growth continued throughout the segment due to revenue associated with acquisitions and higher transaction volumes in core processing and payment processing activities. Revenue associated with Metavante's acquisition completed in the first quarter of 2007 and the acquisition completed in the third quarter of 2006 contributed approximately $7.5 million and $15.0 million of the revenue growth in the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively. Metavante estimates that total revenue growth (internal and external) for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006 excluding the acquisitions ("organic revenue growth"), was approximately 2.8% and 2.4%, respectively. To determine the estimated organic revenue growth rate, Metavante adjusts its prior year revenue for the acquisitions as if they had been consummated on January 1 of the prior year.

Management continues to expect that Metavante revenue (internal and external) for the year ended December 31, 2007 will be within a range of $1.60 billion to $1.64 billion and annual organic revenue growth in 2007 will be in the mid-single digits.

Wealth management revenue amounted to $65.6 million in the second quarter of 2007 compared to $56.3 million in the second quarter of 2006, an increase of $9.3 million or 16.5% . For the six months ended June 30, 2007, Wealth management revenue amounted to $126.3 million compared to $109.1 million for the six months ended June 30, 2006, an increase of $17.2 million or 15.7%. Wealth management revenue growth attributable to the 2007 and 2006 acquisitions amounted to $1.3 million and $2.3 million for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively. Continued success in cross-selling and integrated delivery initiatives, improved investment performance and improving results in institutional sales efforts and outsourcing activities were the primary contributors to the remaining revenue growth over the respective periods. Assets under management were approximately $24.6 billion at June 30, 2007 compared to $22.5 billion at December 31, 2006, and $20.4 billion at June 30, 2006.

Service charges on deposits amounted to $28.1 million in the second quarter of 2007 compared to $25.0 million in the second quarter of 2006, an increase of $3.1 million or 12.2% . For the six months ended June 30, 2007, service charges on deposits amounted to $53.9 million compared to $47.6 million for the six months ended June 30, 2006, an increase of $6.3 million or 13.4% . The banking acquisitions contributed $0.2 million and $2.3 million of the growth in service charges on deposits for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively. The remainder of the

growth was primarily attributable to fees associated with new products. A portion of this source of fee income is sensitive to changes in interest rates.

Total mortgage banking revenue was $12.0 million in the second quarter of 2007 compared with $12.9 million in the second quarter of 2006, a decrease of $0.9 million or 7.5% . For the six months ended June 30, 2007, total mortgage banking revenue amounted to $22.1 million compared to $25.9 million for the six months ended June 30, 2006, a decrease of $3.8 million or 14.5%. For each of the three months ended June 30, 2007 and 2006, the Corporation sold $0.6 billion of residential mortgage and home equity loans to the secondary market. For each of the six months ended June 30, 2007 and 2006, the Corporation sold $1.2 billion of residential mortgage and home equity loans to the secondary market. The Corporation continues to sell home equity loans at origination.

Net investment securities gains amounted to $19.5 million in the second quarter of 2007 compared to $1.0 million in the second quarter of 2006, an increase of $18.5 million. For the six months ended June 30, 2007 and 2006, Net investment securities gains amounted to $21.0 million and $2.1 million, respectively. As previously discussed, gains related to the sale of MasterCard Class B shares for both the three and six month periods ended June 30, 2007 amounted to $19.0 million, respectively.

As previously discussed, Net derivative losses-discontinued hedges that amounted to $20.7 million and $42.0 million for the three and six months ended June 30, 2006, respectively, represent the mark-to-market adjustments associated with certain interest rate swaps. Based on expanded interpretations of the accounting standard for derivatives and hedge accounting, it was determined that certain transactions did not qualify for hedge accounting. As a result, any fluctuation in the fair value of the interest rate swaps was recorded in earnings with no corresponding offset to the hedged items or accumulated other comprehensive income. Management believes the changes in earnings based on market volatility are not reflective of the core performance trends of the Corporation.

Other income in the second quarter of 2007 amounted to $41.1 million compared to $34.0 million in the second quarter of 2006, an increase of $7.1 million or 20.7%. For the six months ended June 30, 2007, other income amounted to $78.0 million compared to $66.9 million for the six months ended June 30, 2006, an increase of $11.1 million or 16.6% . The growth in other income in the three and six months ended June 30, 2007 compared to the three and six month ended June 30, 2006, respectively was primarily attributable to an increase in a variety of sources of fees and other income.

OTHER EXPENSE

Total other expense for the three months ended June 30, 2007 amounted to $576.5 million compared to $544.3 million for the three months ended June 30, 2006, an increase of $32.2 million or 5.9% . For the six months ended June 30, 2007, total other expense amounted to $1,129.5 million compared to $1,049.4 million, an increase of $80.1 million or 7.6%.

Total other expense for the three and six months ended June 30, 2007 includes the operating expenses associated with Metavante's 2007 and 2006 acquisitions, and the 2007 and 2006 banking and wealth management acquisitions. The operating expenses of the acquired entities have been included in the Corporation's consolidated operating expenses from the dates the transactions were completed, which had an impact on the period

to period comparability of operating expenses in 2007 compared to 2006. Approximately $14.0 million of the operating expense growth in the second quarter of 2007 compared to the second quarter of 2006 and $40.8 million of the operating expense growth in the six months ended June 30, 2007 compared to the six months ended June 30, 2006 was attributable to the acquisitions. Total other expense for the three and six months ended June 30, 2007 included transaction expenses of $2.6 million and $4.0 million, respectively, associated with the plan to separate Marshall & Ilsley Corporation and Metavante into two separate publicly traded companies. Total other expense for the six months ended June 30, 2007 included the loss of $9.5 million related to the call of the Corporation's 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities.

The Corporation estimates that its expense growth in the three months ended June 30, 2007 compared to the three months ended June 30, 2006, excluding the effects of the acquisitions and the Metavante transaction costs, was approximately $15.7 million or 2.9% . For the six months ended June 30, 2007 compared to the six months ended June 30, 2006, the estimated expense growth excluding the acquisitions, the Metavante transaction costs and the loss related to the call of the Corporation's 7.65% junior subordinated deferrable interest debentures, was approximately $25.8 million or 2.5 %.

Expense control is sometimes measured in the financial services industry by the efficiency ratio statistic. The efficiency ratio is calculated by taking total other expense (excluding Metavante transaction costs) divided by the sum of total other income (including Capital Markets revenue but excluding investment securities gains or losses and net derivative losses-discontinued hedges) and net interest income on a fully taxable equivalent basis. The Corporation's efficiency ratios for the three months ended June 30, 2007 and prior four quarters were:

Efficiency Ratios

	Three Months Ended				
	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Consolidated Corporation	62.3%	61.0%	62.2%	62.6%	62.9%
Consolidated Corporation Excluding Metavante	51.3%	50.5%	50.6%	52.4%	51.2%

Salaries and employee benefits expense amounted to $317.8 million in the second quarter of 2007 compared to $307.1 million in the second quarter of 2006, an increase of $10.7 million or 3.5% . For the six months ended June 30, 2007, salaries and employee benefits expense amounted to $614.9 million compared to $584.5 million for the six months ended June 30, 2006, an increase of $30.4 million or 5.2% . Salaries and benefits expense associated with the acquisitions previously discussed accounted for approximately $7.4 million and $21.4 million of the increase in the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively.

For the second quarter of 2007, occupancy and equipment expense amounted

to $62.3 million compared to $63.8 million in the second quarter of 2006, a decrease of $1.5 million or 2.4% . For each of the six months ended June 30, 2007 and 2006, occupancy and equipment expense amounted to $121.6 million, respectively. The increase in occupancy and equipment expense associated with the acquisitions and bank branch expansion was offset by reduced occupancy and equipment expense by Metavante in the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively.

39

Software expenses, processing charges, supplies and printing, professional services and shipping and handling expenses totaled $105.8 million in the second quarter of 2007 compared to $89.1 million in the second quarter of 2006, an increase of $16.7 million or 18.8% . For the six months ended June 30, 2007, software expenses, processing charges, supplies and printing, professional services and shipping and handling expenses totaled $203.7 million compared to $175.0 million for the six months ended June 30, 2006, an increase of $28.7 million or 16.4% . The acquisitions accounted for $1.3 million and $3.2 million of the expense growth for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively. Metavante's expense growth accounted for the majority of the remaining increase in expense for these items in the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006.

Amortization of intangibles amounted to $12.3 million in the second quarter of 2007 compared to $12.0 million in the second quarter of 2006, an increase of $0.3 million. For the six months ended June 30, 2007, amortization of intangibles amounted to $23.6 million compared to $20.9 million for the six months ended June 30, 2006, an increase of $2.7 million. The increase in amortization associated with the acquisitions amounted to $1.4 million and $4.0 million for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively. Those increases were offset by lower amortization of core deposit intangibles from previous acquisitions, which are based on a declining balance method.

As previously discussed, the Corporation incurred certain transaction costs associated with the announced plan to separate Marshall & Ilsley Corporation and Metavante into two separate publicly held companies. For the three and six months ended June 30, 2007, these costs amounted to $2.6 million and $4.0 million, respectively and consisted primarily of consulting and legal fees.

Other expense amounted to $75.8 million in the second quarter of 2007 compared to $72.3 million in the second quarter of 2006, an increase of $3.5 million or 4.9% . For the six months ended June 30, 2007, other expense amounted to $161.7 million compared to $147.4 million for the six months ended June 30, 2006, an increase of $14.3 million or 9.7% . The acquisitions accounted for $2.6 million and $7.9 million of the growth in other expense for the three and six months ended June 30, 2007 compared to the three and six months ended June 30, 2006, respectively. As previously discussed, other expense for the six months ended June 30, 2007 includes the loss of $9.5 million related to the call of the Corporation's 7.65% junior subordinated deferrable interest debentures and the related M&I Capital Trust A 7.65% trust preferred securities.

INCOME TAXES

The provision for income taxes for the three months ended June 30, 2007 amounted to $110.0 million or 33.3% of pre-tax income compared to $91.9 million or 32.5% of pre-tax income for the three months ended June 30,

2006. For the six months ended June 30, 2007, the provision for income taxes amounted to $220.6 million or 33.5% of pre-tax income compared to $178.7 million or 33.0% of pre-tax income for the six months ended June 30, 2006. During the second quarter of 2006, an income tax benefit was recognized for the integration and realignment of Metavante subsidiaries that resulted in a lower provision for income taxes in the consolidated statements of income for the three and six months ended June 30, 2006.

RECONCILIATION OF NON-GAAP TO GAAP RESULTS

The Corporation has provided non-GAAP ("Generally Accepted Accounting Principles") operating results for the three and six months ended June 30, 2007 and 2006 as a supplement to its GAAP financial results. The Corporation believes that these non-GAAP financial measures are useful because they allow investors to assess, on a consistent basis, the Corporation's core operating performance, exclusive of items management believes are not reflective of the operations of the Corporation. Management uses such non-GAAP financial measures to evaluate financial results and to establish operational goals. These non-GAAP financial measures should be considered a supplement to, and not as a substitute for, financial measures prepared in accordance with GAAP.

	Three Months Ended			
	June 30, 2007		June 30, 2006	
	Amount ($ in millions)	Per Diluted Share	Amount ($ in millions)	Per Diluted Share
Net Income	$ 220.3	$ 0.83	$ 190.5	$ 0.74
Metavante Transaction Costs, net of tax	2.3	0.01	--	--
Net Derivative Losses - Discontinued Hedges, net of tax	--	--	13.2	0.05
Net Income as Adjusted	$ 222.6	$ 0.84	$ 203.7	$ 0.79
Average Shareholders' Equity			$ 5,664	
Cumulative Net Derivative Losses - Discontinued Hedges, net of tax			27	
Adjusted Average Shareholders' Equity			$ 5,691	
Based on Net Income as Adjusted:				
Return on Assets		1.55%		1.52%
Return on Equity		13.69		14.36

	Six Months Ended			
	June 30, 2007		June 30, 2006	
	Amount ($ in millions)	Per Diluted Share	Amount ($ in millions)	Per Diluted Share

Net Income	$ 437.1	$ 1.66	$ 363.6	$ 1.46
Metavante Transaction Costs, net of tax	3.6	0.02	--	--
Net Derivative Losses - Discontinued Hedges, net of tax	--	--	26.9	0.11
Net Income as Adjusted	$ 440.7	$ 1.68	$ 390.5	$ 1.57
Average Shareholders' Equity			$ 5,241	
Cumulative Net Derivative Losses - Discontinued Hedges, net of tax			24	
Adjusted Average Shareholders' Equity			$ 5,265	
Based on Net Income as Adjusted:				
Return on Assets		1.56%		1.57%
Return on Equity		13.90		14.96

LIQUIDITY AND CAPITAL RESOURCES

Shareholders' equity was $6.44 billion or 11.0% of total consolidated assets at June 30, 2007, compared to $6.15 billion or 10.9% of total consolidated assets at December 31, 2006, and $5.73 billion or 10.5% of total consolidated assets at June 30, 2006.

During the second quarter of 2007, the Corporation issued 441,252 shares of its common stock valued at $21.0 million in conjunction with the Corporation's acquisition of North Star. Also during the second quarter of 2007, the Corporation issued 4,410,647 shares of its common stock valued at $204.3 million and exchanged vested stock options valued at approximately $15.3 million in conjunction with the Corporation's acquisition of United Heritage.

During the first quarter of 2007, the Corporation issued 403,508 shares of its common stock valued at $19.2 million to fund its 2006 obligations under its retirement and employee stock ownership plans. Also during the first and second quarters of 2007, the Corporation issued 85,777 shares of its common stock for $3.4 million and 81,036 shares of its common stock for $3.3 million, respectively, to fund its obligation under its employee stock purchase plan.

At June 30, 2007, the net loss in accumulated other comprehensive income amounted to $63.8 million, which represented a negative change in accumulated other comprehensive income of $46.2 million since December 31, 2006. Net accumulated other comprehensive income associated with available for sale investment securities was a net loss of $79.9 million at June 30, 2007, compared to a net loss of $22.0 million at December 31, 2006, resulting in a net loss of $57.9 million over the six month period. The net unrealized gain associated with the change in fair value of the Corporation's derivative financial instruments designated as cash flow hedges was $12.4 million for the six months ended June 30, 2007. The change in the postretirement benefit obligation plan funded status at June 30, 2007 compared to December 31, 2006, declined $0.7 million due to periodic amortization included in postretirement expense.

On April 24, 2007, the Corporation announced that its Board of Directors increased the quarterly cash dividend on its common stock 14.8%, to $0.31 per common share from $0.27 per common share.

The Corporation has a Stock Repurchase Program under which it may repurchase up to 12 million shares of its common stock annually. During

the second quarter of 2007, the Corporation completed two accelerated share repurchase transactions under its authorized Stock Repurchase Program. In the aggregate, the Corporation acquired 6,117,070 shares of its common stock in these transactions. Total consideration in these transactions amounted to $297.3 million and consisted of cash of $294.7 million and common treasury stock valued at $2.6 million. In conjunction with the first accelerated share repurchase transaction executed during the second quarter of 2007, the Corporation used 54,035 shares of its treasury common stock to share-settle the final settlement obligation. After these repurchases, approximately 5,882,930 shares remain available under prior repurchase authorizations by the Corporation's Board of Directors. There were no purchases under the program during the first quarter of 2007. During the first quarter of 2006, the Corporation repurchased 1.0 million shares at an aggregate cost of $41.8 million. There were no purchases under the program in the second quarter of 2006.

The shares of common stock acquired during the second quarter of 2007 are expected to somewhat mitigate the impact of the common stock to be issued to settle the common stock purchase contracts that are a component of the 6.50% Common SPACES that were issued in 2004.

Each Common SPACES has a stated amount of $25 and consists of (i) a stock purchase contract under which the holder agrees to purchase, and the Company agrees to sell, for $25, shares of common stock on the stock purchase date and (ii) a 1/40, or 2.5%, undivided beneficial interest in a preferred security, also referred to as the STACKS, of M&I Capital Trust B with an initial liquidation amount of $1,000. The Company has guaranteed payments on the STACKS as described in the prospectus supplement for the Common SPACES.

The stock purchase date is expected to be August 15, 2007, but could be deferred for quarterly periods until August 15, 2008. The STACKS underlying the Common SPACES are being remarketed, and the proceeds of such remarketing will be used to settle the obligations of the holders of Common SPACES under the stock purchase contract, unless a holder elects not to participate in the remarketing, in which case, the holder will be required to deliver cash, in the amount of $1,000 per STACKS, to the collateral agent. The Common SPACES will only be suspended from trading following a successful remarketing of the STACKS, or in the event that there is a failure to remarket the STACKS for settlement on or before August 15, 2008, in which case there will be a failed remarketing.

42

The settlement rate of the stock purchase contracts will be as follows:

If the adjusted applicable market value of common stock is equal to or greater than the "threshold appreciation price" of $46.28, the settlement rate will be 0.5457 shares of common stock.

If the adjusted applicable market value of common stock is less than the threshold appreciation price but greater than the "reference price" of $37.32, the settlement rate will be a number of shares of common stock equal to $25 divided by the applicable market value.

If the adjusted applicable market value of common stock is less than or equal to the reference price, the settlement rate will be 0.6768 shares of common stock.

The "applicable market value" means the average of the closing price per share of common stock on each of the 20 consecutive trading days ending

on August 10, 2007. The "adjusted applicable market value" shall be calculated by multiplying the closing price for each of the 20 consecutive trading days by an Adjustment Factor of 1.0103, and dividing the sum of all such adjusted closing prices by 20.

The Corporation currently expects that the adjusted applicable market value of common stock will be less than the threshold appreciation price but greater than the reference price. Therefore, the settlement rate is expected to be a number of shares of common stock equal to $25 divided by the applicable market value. Assuming an applicable market value of $43.7675, the average of the closing prices of the Corporation's common stock for the period from July 16, 2007 through July 31, 2007, the Corporation estimates that it would issue approximately 9.1 million shares of its common stock to settle the common stock purchase contracts that are a component of the 6.50% Common SPACES.

The 6.50% Common SPACES of the Corporation will be suspended from trading before the opening of business on August 15, 2007 following, and subject to, the consummation of the successful remarketing of the STACKS issued as a component of the Common SPACES.

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, 2007		December 31, 2006	
	Amount	Ratio	Amount	Ratio
Tier 1 Capital	$ 3,751	7.39 %	$ 3,873	7.88 %
Tier 1 Capital Minimum Requirement	2,031	4.00	1,965	4.00
Excess	$ 1,720	3.39 %	$ 1,908	3.88 %
Total Capital	$ 5,947	11.71 %	$ 5,489	11.17 %
Total Capital Minimum Requirement	4,063	8.00	3,930	8.00
Excess	$ 1,884	3.71 %	$ 1,559	3.17 %
Risk-Adjusted Assets	$ 50,785		$ 49,128	

LEVERAGE RATIOS

($ in millions)

	June 30, 2007		December 31, 2006	
	Amount	Ratio	Amount	Ratio

Tier 1 Capital	$ 3,751	6.88 %	$ 3,873	7.38 %
Minimum Leverage Requirement	1,634 - 2,724	3.00 - 5.00	1,575 - 2,625	3.00 - 5.00
Excess	$ 2,117 - 1,027	3.88 - 1.88 %	$ 2,298 - 1,248	4.38 - 2.38 %
Adjusted Average Total Assets	$ 54,489		$ 52,508	

43

The Corporation 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. The Corporation 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 $7.2 billion at June 30, 2007, represent a highly accessible source of liquidity. The Corporation's portfolio of held-to-maturity investment securities, which totaled $0.4 billion at June 30, 2007, 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 are generally sold within thirty to ninety days after the loan has been funded.

Depositors within the Corporation's defined markets are another source of liquidity. Core deposits (demand, savings, money market and consumer time deposits) averaged $21.8 billion in the second quarter of 2007. 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, which include foreign (Eurodollar) 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 $6.3 billion in the second quarter of 2007.

The Corporation has historically used 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 10 to the Consolidated Financial Statements for an update of the Corporation's securitization

activities in the second quarter of 2007.

M&I Bank, the Corporation's lead bank, has implemented a bank note program. During the second quarter of 2006, the Bank amended the bank note program into a global bank note program which permits it to issue and sell up to a maximum of US$13.0 billion aggregate principal amount (or the equivalent thereof in other currencies) at any one time outstanding of its senior global bank notes with maturities of seven days or more from their respective date of issue and subordinated global bank notes with maturities more than five years from their respective date of issue. The notes may be fixed rate or floating rate and the exact terms will be specified in the applicable Pricing Supplement or the applicable Program Supplement. This program is intended to enhance liquidity by enabling the Bank to sell its debt instruments in global markets in the future without the delays which would otherwise be incurred. Bank notes outstanding at June 30, 2007 amounted to $8.2 billion of which $1.9 billion is subordinated and qualifies as supplementary capital for regulatory capital purposes.

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

During the third quarter of 2005, the Corporation amended the shelf registration statement originally filed with the Securities and Exchange Commission during the third quarter of 2004 to include the equity distribution agreement. The amended shelf registration statement enables the Corporation to issue various securities, including debt securities, common stock, preferred stock, depository shares, purchase contracts, units, warrants, and trust preferred securities, up to an aggregate amount of $3.0 billion. At June 30, 2007, approximately $1.3 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 enabling 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 acquisitions by M&I, Metavante and/or other consolidated subsidiaries of the Corporation. At June 30, 2007, there were 3.1 million shares of common stock available for future issuances.

Under another shelf registration statement, 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, 2007, Series F notes issued amounted to $250.0 million in aggregate principal amount. 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, 2007, MiNotes issued amounted to $0.2 billion in aggregate principal amount. Additionally, the Corporation has a commercial paper program. At June 30, 2007, commercial paper outstanding amounted to $0.7 billion in aggregate principal amount.

Short-term borrowings represent contractual debt obligations with maturities of one year or less and amounted to $3.3 billion at June 30, 2007. Long-term borrowings amounted to $12.1 billion at June 30, 2007. The scheduled maturities of long-term borrowings including estimated interest payments at June 30, 2007 were as follows: $5.4 billion is due

in less than one year; $3.7 billion is due in one to three years; $2.6 billion is due in three to five years; and $3.3 billion is due in more than five years. During the first quarter of 2007, the Corporation issued shares of its common stock valued at $19.2 million to fund a portion of its 2006 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, 2006.

OFF-BALANCE SHEET ARRANGEMENTS

As previously discussed, the Corporation held all of the common interest in M&I Capital Trust A, which issued cumulative preferred capital securities which were supported by junior subordinated deferrable interest debentures and a full guarantee issued by the Corporation. During the first quarter of 2007, the Corporation exercised its call option on its $200.0 million in principal amount of 7.65% junior subordinated deferrable interest debentures and the related cumulative preferred capital securities.

In conjunction with the 2006 banking acquisitions, the Corporation acquired all of the common interests in four trusts that issued cumulative preferred capital securities which are supported by junior subordinated deferrable interest debentures in the principal amounts of $16.0 million, $30.0 million, $38.0 million and $15.0 million, respectively and full guarantees assumed by the Corporation. The Corporation does not consolidate these trusts in accordance with United States generally accepted accounting principles. At June 30, 2007, there have been no other substantive changes with respect to the Corporation's off-balance sheet activities as disclosed in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006. See Note 10 to the Consolidated Financial Statements for an update of the Corporation's securitization activities in the second quarter of 2007. 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, nor 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 for the year ended December 31, 2006, 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:

45

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 Statement of Financial Accounting Standard No. 114, Accounting by Creditors for Impairment of a Loan. 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 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.

The following factors were taken into consideration in determining the adequacy of the allowance for loan and lease losses at June 30, 2007:

The housing slowdown is impacting the performance of some of the Corporation's construction and land development loans. A re-balancing of supply and demand within the national housing market has reduced both absorption rates and valuations causing stress for some borrowers within this loan segment. These loans are geographically dispersed and are in both the Corporation's core and acquired loan portfolios.

At June 30, 2007, allowances for loan and lease losses continue to be carried for exposures to construction and land development loans, vacant residential land, manufacturing, healthcare, production agriculture (including dairy and cropping operations), truck transportation, accommodation, general contracting and motor vehicle and parts dealers. The majority of the commercial charge-offs incurred during the past three years were in these industry segments. While most loans in these categories are still performing, the Corporation continues to believe these sectors present a higher than normal risk due to their financial and external characteristics. Reduced revenues causing a declining utilization of the industry's capacity levels can affect collateral values and the amounts realized through sale or liquidation.

During the second quarter of 2007, the Corporation's commitments to Shared National Credits were approximately $3.6 billion with usage averaging around 47%. Over time, many of the Corporation's largest charge-offs have come from the Shared National Credit portfolio. At June 30, 2007, Shared National Credit nonperforming loans amounted to $1.0 million after partial write-downs. 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, Missouri and Florida. The vast majority of the assets acquired on April 1, 2006 from Gold Banc Corporation, Inc are in entirely new markets for the Corporation. Included in these new markets are the Kansas City metropolitan area, Tulsa, Oklahoma, and Tampa, Sarasota and Bradenton, Florida. Each of these regions and markets has cultural and environmental factors that are unique to them. At June 30, 2007, the level of nonperforming loans for this portfolio segment was higher than the Corporation's average level of nonperforming loans. In addition with the acquisition of United Heritage, the Orlando, Florida market is a new market for the Corporation. Nonperforming loans and leases associated with the acquisition of United Heritage were insignificant at June 30, 2007.

At June 30, 2007, nonperforming loans and leases amounted to $384.0 million or 0.89% of consolidated loans and leases compared to $351.7 million or 0.83% of consolidated loans and leases at March 31, 2007, and $198.0 million or 0.49% of consolidated loans and leases at June 30, 2006. Nonaccrual loans and leases continue to be the primary source of nonperforming loans and leases.

46

Net charge-offs amounted to $23.6 million or 0.22% of average loans and leases in the second quarter of 2007 compared to $14.7 million or 0.14% of average loans and leases in the first quarter of 2007 and $9.9 million or 0.10% of average loans and leases in the second quarter of 2006. The ratio of recoveries to charge-offs was 16.2% and 17.6% for the three and six months ended June 30, 2007, respectively. The Corporation's most recent five year average ratio of recoveries to charge-offs was 30.4%.

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 $431.0 million or 1.00% of loans and leases outstanding at June 30, 2007. The allowance for loan and lease losses was $420.6 million or 1.00% of loans and leases outstanding at December 31, 2006 and $415.2 million or 1.03% of loans and leases outstanding at June 30, 2006. Consistent with the credit quality trends noted above, the provision for loan and lease losses amounted to $26.0 million for the three months ended June 30, 2007 and $43.2 million for the six months ended June 30, 2007. By comparison, the provision for loan and lease losses amounted to $11.1 million for the three months ended June 30, 2006 and approximately $22.1 million for the six months ended June 30, 2006. 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, 2007 and 2006, the amount of software costs capitalized amounted to $12.6 million and $13.7 million, respectively. Amortization expense of software costs amounted to $14.4 million for the three months ended June 30, 2007 compared to $13.4 million for the three months ended June 30, 2006. For the six months ended June 30, 2007 and 2006, the amount of software costs capitalized amounted to $26.7 million and $25.0 million, respectively. Amortization expense of software costs amounted to $28.7 million for the six months ended June 30, 2007 compared to $27.6 million for the six months ended June 30, 2006.

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 early termination. For the three months ended June 30, 2007 and 2006, the amount of conversion costs capitalized amounted to $3.3 million and $3.1 million, respectively. Amortization expense of conversion costs amounted to $2.3 million and $2.8 million for the three months ended June 30, 2007 and the three months ended June 30, 2006, respectively. For the six months ended June 30, 2007 and 2006, the amount of conversion costs capitalized amounted to $6.0 million and $5.5 million, respectively. Amortization expense of conversion costs amounted to $4.6 million for the six months ended June 30, 2007 and $5.0 million for the six months ended June 30, 2006.

Net unamortized costs were ($ in millions):

	June 30,	
	2007	2006
Software	$ 157.8	$ 152.5
Conversions	30.8	27.7
Total	$ 188.6	$ 180.2

The Corporation has not substantively changed any aspect of 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 has historically used 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. 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. 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.

For the three months ended June 30, 2007, net losses with the retained interests, held in the form of interest-only strips amounted to $0.1 million and are included in Net investment securities gains in the Consolidated Statements of Income. During the second quarter and first half of 2007, the Corporation determined that there was a decline in the value of certain retained interests that was other than temporary because actual credit losses exceeded expected credit losses. Impairment losses of $0.5 million were offset by realized gains of $0.4 million for the three months ended June 30, 2007. For the six months ended June 30, 2007, impairment losses of $1.0 million were offset by realized gains of $1.0 million.

The Corporation has historically sold automobile loans to an unconsolidated multi-seller special purpose entity commercial paper conduit in securitization transactions in which servicing responsibilities and subordinated interests were retained. The outstanding balances of automobile loans sold in these securitization transactions were $787.4 million at June 30, 2007. At June 30, 2007, the carrying amount of retained interests amounted to $33.2 million.

48

From time to time, the Corporation also purchases and immediately sells, certain debt securities classified as available for sale that are highly rated to an unconsolidated bankruptcy remote qualifying special purpose entity ("QSPE") whose activities are limited to issuing highly rated asset-backed commercial paper with maturities up to 180 days that is used to finance the purchase of the debt securities. In order to be sold, the debt securities must meet predetermined eligibility requirements that are primarily based on their credit rating. For the six months ended June 30, 2007, debt securities sold amounted to $93.9 million. No gain or loss was realized from the sale of debt securities for the six months ended June 30, 2007. Highly rated investment securities in the amount of $425.8 million were outstanding in the QSPE to support the outstanding commercial paper at June 30, 2007.

The Corporation provides liquidity back-up in the form of liquidity purchase agreements. In addition, a subsidiary of the Corporation has entered into interest rate swaps with the QSPE designed to counteract the interest rate risk associated with third party beneficial interests and the debt securities. The beneficial interests in the form of commercial paper have been issued to parties other than the Corporation and its subsidiary or any other affiliates. The notional amounts do not exceed the amount of beneficial interests. The swap agreements do not provide the QSPE or its administrative agent any decision-making authority other than those specified in the standard ISDA Master Agreement. Generally, the interest rate risk associated with the interest rate swaps is the basis risk resulting from differences between commercial paper interest rates and LIBOR. Historically, that interest rate risk has not been material to the Corporation and the Corporation has chosen not to mitigate the risk of these swaps by entering into offsetting swap contracts with independent third parties. At June 30, 2007, the aggregate fair value of the interest rate swaps was a negative $1.3 million.

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.

Effective January 1, 2007, the Corporation adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109, and there was no effect on the consolidated financial statements. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition.

As of the date of adoption the total amount of unrecognized tax benefits was $92.1 million, of which $71.8 million related to benefits that, if recognized, would impact the annual effective tax rate. Upon adoption

of FIN 48, the Corporation changed its policy to include interest and penalties related to income tax liabilities in income tax expense. Prior to adoption of FIN 48, the Corporation recorded interest and penalties related to income tax liabilities to other expense, a component of Income Before Income Taxes. Included in the total liability for unrecognized tax benefits as of the date of adoption is $6.8 million of interest and no penalties.

The Corporation, along with its subsidiaries, files income tax returns in the U.S. and various state jurisdictions. With limited exceptions, the Corporation is no longer subject to examinations by federal and state taxing authorities for taxable years before 2003.

The Corporation anticipates it is reasonably possible within 12 months of the adoption date that unrecognized tax benefits could be reduced up to approximately $22 million. The reduction would principally result from settlements with taxing authorities as it relates to the tax benefits associated with a 2002 stock issuance.

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 1A. Risk Factors, of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006, in this Quarterly Report on Form 10-Q and 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 Annual Report on Form 10-K for the year ended December 31, 2006. Updated information regarding the Corporation's use of derivative financial instruments is contained in Note 14 -- Derivative Financial Instruments and Hedging Activities in 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 non-trading activities. While market risk that arises from trading activities in the form of foreign exchange and interest rate risk is immaterial to the Corporation, market risk from other than trading activities in the form of interest rate risk is measured and managed through a number of methods.

Interest Rate Risk

The Corporation uses financial modeling techniques to identify potential changes in income under a variety of possible interest rate scenarios.

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

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

The models used include measures of the expected repricing characteristics of administered rate (NOW, savings and money market accounts) and non-rate related products (demand deposit accounts, other assets and other liabilities). These measures recognize the relative insensitivity of these accounts to changes in market interest rates, as demonstrated through current and historical experiences. In addition to contractual payment information for most other assets and liabilities, the models also include estimates of expected prepayment characteristics for those items that are likely to materially change their payment structures in different rate environments, including residential mortgage products, certain commercial and commercial real estate loans and certain mortgage-related securities. Estimates for these sensitivities are based on industry assessments and are substantially driven by the differential between the contractual coupon of the item and current market rates for similar products.

50

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					
				Pro Forma		As Histori Repor
	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	September 30, 2006	June 2
Hypothetical Change in Interest Rate						
100 basis point gradual:						
Rise in rates	(0.5) %	0.0 %	0.5 %	0.7 %	(3.2) %	(0

Decline in rates	0.3 %	(0.2) %	(0.6) %	(0.8) %	2.2 %	0

The results as of September 30, 2006 reflect the effect of mark-to-market accounting (versus hedge accounting) for certain interest rate swaps that the Corporation determined did not qualify for hedge accounting as previously discussed. The interest rate swaps were designed to hedge the change in fair value or cash flows of the underlying assets or liabilities and have performed effectively as economic hedges. Prior period results as shown and previously reported, were based on the assumption that the affected interest rate swaps qualified for hedge accounting. The Corporation terminated the affected interest rate swaps early in the fourth quarter of 2006 in order to eliminate the earnings volatility associated with fluctuations in valuations under mark-to-market accounting. The pro forma results as of September 30, 2006, assumes that the affected interest rate swaps were terminated on September 30, 2006.

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, 2007, the fair value of equity at risk for a gradual 100bp shift in rates changed less than 2.0%.

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. These investments expose the Corporation to the change in equity values for the portfolio companies. However, fair values are difficult to determine until an actual sale or liquidation transaction actually occurs. At June 30, 2007, the carrying value of total active capital markets investments amounted to approximately $51.9 million.

As of June 30, 2007, M&I Wealth Management administered $103.8 billion in assets and directly managed a portfolio of $24.6 billion. The Corporation is exposed to changes in equity values due to the fact that fee income is partially based on equity balances. Quantification of this exposure is 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

Marshall & Ilsley Corporation maintains a set of disclosure controls and procedures that are designed to ensure that information required to be disclosed by it in the reports filed by it under the Securities Exchange Act of 1934, as amended, are recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that information required to be disclosed by the Corporation in such reports is accumulated and communicated to the Corporation's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. The Corporation carried out an evaluation, under the supervision and with the participation of its management, including its President and Chief Executive Officer and its Senior Vice President and Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the President and Chief Executive Officer and the Senior Vice President and Chief Financial Officer conclude that the Corporation's disclosure controls and procedures are effective as of the end of the period covered by this report for the purposes for which they are designed.

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

PART II - OTHER INFORMATION

Item 1A. Risk Factors.

The risk factors set forth below represent material additions or changes to the Risk Factors set forth in Item 1A. to Part 1 of the Corporation's Annual Report on Form 10-K for the year ended December 31, 2006. For purposes of this Item, the Corporation's planned separation of Marshall & Ilsley Corporation and Metavante into two separate public companies, as described elsewhere in this Quarterly Report on Form 10-Q, is referred to as the "Separation."

Risks Relating to the Separation

The Corporation's historical consolidated financial information and unaudited condensed pro forma consolidated financial information are not representative of the Corporation's future financial position, future results of operations or future cash flows nor do they reflect what the Corporation's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

Following the Separation, the Corporation will be considered the divesting entity in the transactions and treated as the "accounting successor" for financial reporting purposes in accordance with EITF No. 02-11. After the Separation occurs, the Corporation will report the historical consolidated results of operations of Metavante as discontinued operations in accordance with the provisions of SFAS No. 144. Pursuant to SFAS No. 144, this presentation is not permitted until the closing date. Because the Corporation's historical consolidated financial statements include the results of Metavante, they are not

representative of the Corporation's future financial position, future results of operations or future cash flows, nor do they reflect what the Corporation's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

The unaudited condensed pro forma consolidated financial information attached as an exhibit hereto includes adjustments to reflect the divestiture of Metavante. The pro forma adjustments are based upon available information and assumptions that the Corporation believes are reasonable; however, the Corporation's assumptions may not prove to be accurate. In addition, the Corporation's unaudited condensed pro forma consolidated financial statements do not give effect to ongoing additional costs that the Corporation expects to incur in connection with being a stand-alone company. The unaudited condensed pro forma consolidated statements of earnings also do not give effect to certain initial separation costs. Accordingly, the Corporation's unaudited condensed pro forma consolidated financial statements are not representative of the Corporation's future financial position, future results of operations or future cash flows nor do they reflect what the Corporation's financial position, results of operations or cash flows would have been as a stand-alone company during the periods presented.

The Corporation may not realize the anticipated benefits from the Separation.

The success of the Separation will depend, in part, on the ability of the Corporation to realize the anticipated benefits of the Separation. These anticipated benefits include the availability of increased capital for the Corporation to continue its internal growth and acquisition strategies, the Corporation's ability to use its capital stock as a form of currency in respect of certain acquisitions and equity-based compensation arrangements and the better alignment of employee incentive awards. There can be no assurance that these benefits will be realized.

The Separation may present significant challenges.

There is a significant degree of difficulty and management distraction inherent in the process of separating the Corporation and Metavante. These difficulties include:

- the challenge of the Corporation's effecting the Separation while carrying on its ongoing operations;
- preserving customer, distribution, supplier and other important relationships;
- the potential difficulty in retaining key officers and personnel; and
- separating corporation infrastructure, including systems, insurance, accounting, legal, finance, tax and human resources, for each of two new public companies.

The Corporation and Metavante may not successfully or cost-effectively separate the companies. The failure to do so could have an adverse effect on the Corporation's business, financial condition and results of operations.

The process of separating operations could cause an interruption of, or loss of momentum in, the Corporation's business. Members of the Corporation's senior management will be required to devote considerable

amounts of time to this separation process, which will decrease the time they will have to manage their respective businesses, service existing customers, attract new customers and develop new products or strategies. If the Corporation's senior management is not able to manage effectively the separation process, or if any significant business activities are interrupted as a result of the separation process, the Corporation's business could suffer.

As a separate entity, the Corporation will not enjoy all of the benefits of scale that it achieves with the combined banking and Metavante businesses.

Currently, the Corporation benefits from the scope and scale of the banking and Metavante businesses in certain areas, including, among other things, risk management, employee benefits, regulatory compliance, administrative services, legal support and human resources. The Corporation's loss of these benefits as a consequence of the Separation could have an adverse effect on the Corporation's business, results of operations and financial conditions following completion of the Separation. In addition, it is possible that some costs will be greater at the separate companies than they are for the combined company due to the loss of volume discounts and the position of being a large customer to service providers and vendors.

If the Corporation's share distribution and transactions related to the Separation do not qualify as tax-free distributions or reorganizations under the Internal Revenue Code, then the Corporation and the Corporation's shareholders may be responsible for payment of significant U.S. federal income taxes.

In transactions related to the Separation, the Corporation will distribute shares of its common stock to effect the Separation. If the share distribution does not qualify as a tax-free distribution under Section 355 of the Internal Revenue Code, Metavante would recognize a taxable gain that would result in significant U.S. federal income tax liabilities to Metavante. Metavante would be primarily liable for these taxes and the Corporation would be secondarily liable. Under the terms of a tax allocation agreement related to the Separation, the Corporation will generally be required to indemnify Metavante against any such taxes unless such taxes would not have been imposed but for an act of Metavante or its affiliates, subject to specified exceptions.

Even if the Corporation's share distribution otherwise qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code, the distribution would result in significant U.S. federal income tax liabilities to Metavante if there is an acquisition of the Corporation's stock or Metavante stock as part of a plan or series of related transactions that includes the Corporation's share distribution and that results in an acquisition of 50% or more of the Corporation's outstanding common stock or Metavante stock. In this situation, the Corporation may be required to indemnify Metavante under the terms of a tax allocation agreement related to the Separation unless such taxes would not have been imposed but for specified acts of Metavante or its affiliates. In addition, mutual indemnity obligations in the tax allocation agreement could discourage or prevent a third party from making a proposal to acquire either the Corporation or Metavante.

The Corporation's loss of the assets, revenue and cash flows resulting from the Separation may adversely affect its financial position and results of operations.

The assets, revenue, cash flows and results of operations of each of the

Corporation and Metavante are currently included in the Corporation's consolidated financial statements. If the transactions are completed, the Corporation's assets, revenue, cash flows and results of operations will no longer be included in the Corporation's consolidated financial statements, and the Corporation's financial position and results of operations will therefore be significantly different than they were prior to completion of the Separation and, following completion of the Separation, the Corporation will have fewer assets and less revenue and cash flows than it currently has on a consolidated basis.

The trading price and trading volume of the Corporation's common stock may be more volatile following completion of the Separation.

The Corporation cannot predict how investors who hold shares of its common stock prior to the completion of the Separation will behave after completion of the Separation. The trading price for shares of the Corporation's common stock following completion of the Separation may be more volatile than before completion of the Separation. The trading price of shares of the Corporation's common stock could fluctuate significantly for many reasons, including the risks identified herein, selling by existing holders of the Corporation's common stock who decide that they do not want to hold some or all of their securities of the Corporation after the completion of the transactions, or reasons unrelated to the Corporation's performance. In addition, the Corporation's common stock may not continue to be included in the S&P 500 Index, which could ultimately result in reduced trading volume relative to the Corporation's historic trading volume. These factors and other factors beyond either the Corporation's control may result in reduced trading volume and/or increased volatility in the Corporation's common stock and/or short- or long-term reductions in the value of the Corporation's securities.

53

If the transactions are completed, any financing the Corporation obtains in the future could involve higher costs.

Following completion of the transactions, any financing that the Corporation obtains will be with the support of a reduced pool of diversified assets and a significant amount of outstanding debt, and therefore the Company may not be able to secure adequate debt or equity financing on desirable terms. The cost to the Corporation of financing without Metavante may be materially higher than the cost of financing prior to the transactions. If the Corporation has a credit rating lower than it currently has, it will be more expensive for it to obtain debt financing than it has been prior to the Separation.

Failure to complete the Separation could adversely impact the market price of the Corporation's common stock and its business and operating results.

If the Separation is not completed for any reason, the price of the Corporation's common stock may decline to the extent that the market price reflects positive assumptions that the transactions will be completed and the related benefits will be realized. The Corporation may also be subject to additional risks if the transactions are not completed, including:

depending on the reasons for termination of the investment agreement with Warburg Pincus, the requirement that the Corporation pay Warburg Pincus a termination fee of $75 million;

substantial costs related to the Separation, such as legal, accounting, registration, advisory and printing fees, must be paid

regardless of whether the Separation is completed; and

potential disruption to the Corporation's business and distraction of its workforce and management team.

Risks Relating to the Corporation

The Corporation will be restricted in its ability to issue equity for at least two years following completion of the Separation, which could limit its ability to make acquisitions or to raise capital required to service its debt and operate its business.

The amount of equity that the Corporation can issue to make acquisitions (excluding acquisitions with respect to which the Corporation can prove the absence of "substantial negotiations" during applicable safe harbor periods) or raise additional capital will be limited for at least two years following completion of the Separation, except in limited circumstances. These limitations may restrict the ability of the Corporation to carry out its business objectives and to take advantage of opportunities such as acquisitions that could supplement or grow the Corporation's business.

Risks Relating to Metavante

Ongoing consolidation within the banking and financial services industry could adversely affect Metavante's financial results.

Ongoing consolidation within the banking and financial services industry could result in a smaller number of purchasers for Metavante's products and services. As banks and other financial services providers consolidate, they may experience a realignment of management responsibilities and a reexamination of strategic and purchasing decisions and Metavante may lose relationships with key constituencies within its clients' organizations due to budget cuts, layoffs or other disruptions. In addition, acquiring institutions may have their own in-house systems or outsource to competitors. The loss of business due to consolidation, in particular the loss of a large client due to consolidation, such as the Corporation, could have a material adverse effect on Metavante's business, operating results and financial condition.

Effect of business cycles and other risks in the banking industry.

Metavante's revenues are heavily dependent on services it provides to the banking industry and related financial service providers. To the extent that the health and stability of the banking industry are adversely affected by business cycles in general or business conditions that affect the banking industry in particular, Metavante's revenues and profits may also be adversely affected due to reduced expenditures for Metavante's products and services by banks and related financial service providers. In addition, Metavante's revenue and profits, including organic growth, are dependent on its banking clients' ability to acquire, activate and retain customers.

54

Metavante faces intense competition in all areas of its business.

The markets for Metavante's products and services are intensely competitive and it expects to face increased competition in the future as new companies enter the market and existing competitors expand their product lines and services.

Competitors vary in size and in the scope and breadth of their products and services. Some current and potential competitors have better name recognition and significantly greater resources, and many competitors are consolidating, creating larger competitors with even greater resources and broader product lines. In addition, many of these competitors have established, or may in the future establish, cooperative relationships or strategic alliances among themselves or with third parties to compete with Metavante's products and services. It is possible that new competitors or alliances among competitors may emerge and rapidly acquire market share to Metavante's detriment.

Metavante will also face competition from its clients and potential clients who develop their own financial services offerings. Metavante's inability to compete successfully in light of these competitive pressures could result in a material adverse effect on its business, operating results and financial condition.

Metavante faces intense pricing pressure in obtaining and retaining its larger clients. Larger clients are often able to seek price reductions from Metavante when they renew a contract, when a contract is extended, when service or performance issues arise with the client, or when the client's business has significant volume changes. On some occasions, this pricing pressure results in lower revenue from a client than Metavante had anticipated based on its previous agreement with that client. This reduction in revenue can result in a material adverse effect on Metavante's business, operating results and financial condition.

Failures in outsourcing or transaction processing facilities could adversely affect Metavante's business and reputation.

An operational failure in its outsourcing or transaction processing facilities could cause Metavante to lose business. Damage or destruction that interrupts Metavante's services to customers could damage its relationship with customers and may require it to incur substantial additional expense to repair or replace damaged equipment and recover data loss caused by the interruption. Metavante has installed back-up systems and procedures to prevent or reduce disruption, but such steps may not be sufficient to prevent an interruption of services. An interruption that lasts more than several hours could cause Metavante to experience a reduction in revenues as a result and could have a negative impact on its reputation and business.

A failure to comply with privacy regulations could adversely affect relations with customers and have a negative impact on busines.

In the course of providing services to its customers, Metavante may collect, process and retain sensitive and confidential information on its customers and their clients. A failure of Metavante's security facilities and systems due to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, or other similar causes could result in the misappropriation, loss or other unauthorized disclosure of confidential customer information. Any such failure could result in damage to Metavante's reputation with its customers, expose it to the risk of litigation and liability, disrupt its operations, and negatively impact its business, results of operations, and financial condition.

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
April 1 to April 30, 2007	3,255,118	$ 48.84	3,250,000	8,750,000
May 1 to May 31, 2007	915	50.61	--	8,750,000
June 1 to June 30, 2007	2,869,694	48.32	2,867,070	5,882,930
Total	6,125,727	$ 48.60	6,117,070	

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

The Corporation's Share Repurchase Program was publicly reconfirmed in April 2006 and again in April 2007. 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.

In connection with the Corporation's accelerated repurchase of 3,250,000 shares of its common stock on April 26, 2007, the Corporation was required to pay a price adjustment based on an adjusted weighted average price defined in its agreement with Merrill Lynch International, which facilitated the accelerated share repurchase. On June 4, 2007, the Corporation transferred 54,035 shares of its common stock to Merrill Lynch International in settlement of this obligation. With respect to this transfer, the Corporation relied on the exemption provided by Section 4(2) of the Securities Act of 1933, as amended, relating to transactions by an issuer not involving any public offering.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The Corporation held its Annual Meeting of Shareholders on April 24, 2007.

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

Director	For	Withheld
Jon F. Chait	206,978,294	3,913,515
Dennis J. Kuester	205,644,598	5,247,211
David J. Lubar	207,033,211	3,858,598

San W. Orr, Jr.	206,987,179	3,904,630
Debra S. Waller	202,681,132	8,210,677
George E. Wardeberg	207,190,305	3,701,504

56

The continuing directors of the Corporation are as follows:

Malcolm M. Aslin	John A. Mellowes
Andrew N. Baur	Robert J. O'Toole
John W. Daniels, Jr.	Peter M. Platten, III
Mark F. Furlong	John S. Shiely
Ted D. Kellner	James B. Wigdale
Katharine C. Lyall	

(c) Votes cast for the ratification of the appointment of Deloitte & Touche LLP to audit the statements of the Corporation for the fiscal year ending December 31, 2007 are as follows:

	For	Against	Abstentions
Ratification of Auditors	207,265,859	1,524,196	2,101,754

Votes cast to approve the Corporation's 2007 Annual Executive Equity Incentive Compensation Plan are as follows:

	For	Against	Abstentions
Ratification of Plan	192,586,212	13,030,220	5,275,377

Votes cast for the shareholder proposal to request the Board of Directors of the Corporation to declassify the board are as follows:

	For	Against	Abstentions
Request to declassify the Board of Directors	204,284,909	3,368,600	3,238,300

57

ITEM 6. EXHIBITS

Exhibit 2(a) - Investment Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation, Montana Merger Sub Inc. and WPM, L.P., incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.

Exhibit 2(b) - Separation Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation and New Marshall & Ilsley Corporation, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.

Exhibit 3(a) - Restated Articles of Incorporation of Marshall & Ilsley Corportion, as amended.

Exhibit 3(b) - By-Laws of Marshall & Ilsley Corporation, as amended.

Exhibit 10(a) - Tax Allocation Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation and New Marshall & Ilsley Corporation,incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.

Exhibit 10(b) - Employee Matters Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation and New Marshall & Ilsley Corporation,incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.

Exhibit 10(c) - Form of Shareholders Agreement, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.

Exhibit 10(d) - Form of Stock Purchase Right Agreement, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.

Exhibit 11 - Statement Regarding Computation of Earnings Per Share, Incorporated by Reference to NOTE 6 of Notes to Financial Statements contained in Item 1 - Financial Statements (unaudited) of Part I - 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 pursuant to 18 U.S.C. Section 1350.

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

Exhibit 99(a)- Description of the Marshall & Ilsley Corporation and Metavante Corporation Separation Transaction.

Exhibit 99(b)- Unaudited Condensed Pro Forma Consolidated Financial Statements.

58

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 8, 2007

42

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
(2)(a)	Investment Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation, Montana Merger Sub Inc. and WPM, L.P., incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.
(2)(b)	Separation Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation and New Marshall & Ilsley Corporation, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.
(3)(a)	Restated Articles of Incorporation of Marshall & Ilsley Corporation, as amended.
(3)(b)	By-Laws of Marshall & Ilsley Corporation, as amended.
(10)(a)	Tax Allocation Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation and New Marshall & Ilsley Corporation, incorporated by reference to the Corporation's

	Current Report on Form 8-K filed April 9, 2007.
(10)(b)	Employee Matters Agreement, dated as of April 3, 2007, among Marshall & Ilsley Corporation, Metavante Holding Company, Metavante Corporation and New Marshall & Ilsley Corporation, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.
(10)(c)	Form of Shareholders Agreement, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.
(10)(d)	Form of Stock Purchase Right Agreement, incorporated by reference to the Corporation's Current Report on Form 8-K filed April 9, 2007.
(11)	Statement Regarding Computation of Earnings Per Share, Incorporated by Reference to NOTE 6 of Notes to Financial Statements contained in Item 1 - Financial Statements (unaudited) of Part I - Financial Information herein.
(12)	Statement Regarding Computation of Ratio of Earnings to Fixed Charges.
(31)(a)	Certification of Chief Executive Officer 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.
(99)(a)	Description of the Marshall & Ilsley Corporation and Metavante Corporation Separation Transaction.
(99)(b)	Unaudited Condensed Pro Forma Consolidated Financial Statements.