

MARSHALL & ILSLEY CORP
Form 10-Q
November 02, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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 1-33488

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

Wisconsin
(State or other jurisdiction of
incorporation or organization)

20-8995389
(I.R.S. Employer
Identification No.)

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

53202
(Zip Code)

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

None

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its Corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or such shorter period that the registrant was required to submit and post such files).

Yes No

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer (Do not check if a smaller reporting company) Small reporting company

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

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

Class	Outstanding at September 30, 2010
Common Stock, \$1.00 Par Value	527,980,483

MARSHALL & ILSLEY CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	September 30, 2010	December 31, 2009	September 30, 2009
Assets:			
Cash and cash equivalents:			
Cash and due from banks	\$ 635,861	\$ 769,034	\$ 674,747
Federal funds sold and security resale agreements	18,393	26,839	40,739
Money market funds	56,964	36,610	33,666
Total cash and cash equivalents	711,218	832,483	749,152
Interest bearing deposits at other banks	1,386,600	1,128,794	1,531,018
Trading assets, at fair value	355,202	255,646	270,326
Investment securities:			
Available for sale, at fair value	5,532,533	6,678,311	5,919,481
Federal Reserve Bank stock and FHLB stock, at cost	375,486	395,281	390,643
Held to maturity, fair value \$87,134 (\$106,962 at December 31, 2009 and \$124,341 at September 30, 2009)	83,352	103,566	120,054
Loans held for sale	192,889	214,159	271,139
Loans and leases	39,530,245	44,003,467	45,835,175
Allowance for loan and lease losses	(1,388,188)	(1,480,470)	(1,413,743)
Net loans and leases	38,142,057	42,522,997	44,421,432
Premises and equipment, net	545,709	565,806	569,875
Goodwill	609,517	609,517	611,746
Other intangible assets	119,810	134,067	139,920
Bank-owned life insurance	1,223,976	1,189,360	1,181,564
Other real estate owned (OREO)	425,694	430,821	351,216
Accrued interest and other assets	2,182,782	2,149,170	2,017,757
Total Assets	\$ 51,886,825	\$ 57,209,978	\$ 58,545,323
Liabilities and Equity:			
Deposits:			
Noninterest bearing	\$ 7,620,406	\$ 7,832,752	\$ 8,286,269
Interest bearing	30,580,937	33,804,773	33,434,120
Total deposits	38,201,343	41,637,525	41,720,389
Federal funds purchased and security repurchase agreements	552,821	520,905	718,106
Other short-term borrowings	2,958	599,242	822,520
Accrued expenses and other liabilities	1,167,363	1,040,860	1,370,032
Long-term borrowings	5,370,348	6,425,855	7,511,960

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Total Liabilities	45,294,833	50,224,387	52,143,007
Equity:			
Preferred stock, \$1.00 par value; 5,000,000 shares authorized; 1,715,000 shares issued and outstanding of Senior Preferred Stock, Series B (liquidation preference of \$1,000 per share)	1,715	1,715	1,715
Common stock, \$1.00 par value; 530,164,081 shares issued (530,164,081 shares at December 31, 2009 and 373,764,081 shares at September 30, 2009)	530,164	530,164	373,764
Additional paid-in capital	4,957,595	4,997,606	4,295,403
Retained earnings	1,166,751	1,666,021	1,930,715
Treasury stock, at cost: 2,183,598 shares (4,793,885 shares at December 31, 2009 and 5,453,457 shares at September 30, 2009)	(54,610)	(132,191)	(150,590)
Deferred compensation	(38,283)	(37,538)	(37,355)
Accumulated other comprehensive income, net of related taxes	17,862	(51,321)	(22,278)
Total Marshall & Ilsley Corporation shareholders' equity	6,581,194	6,974,456	6,391,374
Noncontrolling interest in subsidiaries	10,798	11,135	10,942
Total Equity	6,591,992	6,985,591	6,402,316
Total Liabilities and Equity	\$ 51,886,825	\$ 57,209,978	\$ 58,545,323

See notes to financial statements.

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

	Three Months Ended September 30,	
	2010	2009
Interest and fee income		
Loans and leases	\$ 485,361	\$ 547,505
Investment securities:		
Taxable	39,853	43,565
Exempt from federal income taxes	8,746	10,671
Trading securities	166	136
Short-term investments	879	1,200
Total interest and fee income	535,005	603,077
Interest expense		
Deposits	100,156	133,633
Short-term borrowings	3,607	1,546
Long-term borrowings	49,760	79,207
Total interest expense	153,523	214,386
Net interest income	381,482	388,691
Provision for loan and lease losses	431,744	578,701
Net interest income (loss) after provision for loan and lease losses	(50,262)	(190,010)
Other income		
Wealth management	69,511	66,678
Service charges on deposits	31,824	33,564
Gain on sale of mortgage loans	7,109	11,771
Other mortgage banking revenue	587	934
Net investment securities gains (losses)	41,547	(1,517)
Bank-owned life insurance revenue	12,066	10,347
Gain on termination of debt	8,498	56,148
Sale of merchant portfolio processing	-	-
Other	52,359	46,051
Total other income	223,501	223,976
Other expense		
Salaries and employee benefits	190,953	179,175
Net occupancy and equipment	32,967	33,297
Software expenses	8,128	7,704
Processing charges	32,102	33,623
Supplies, printing, postage and delivery	8,086	8,376
FDIC insurance	22,603	17,813
Professional services	27,539	23,541
Amortization of intangibles	5,012	5,889
Net OREO expenses	26,730	52,556
Loss on brokered CDs	28,829	2,136
Other	36,654	40,983

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Total other expense	419,603	405,093
Income (loss) before income taxes	(246,364)	(371,127)
Provision (benefit) for income taxes	(102,841)	(148,170)
Net income (loss) including noncontrolling interests	(143,523)	(222,957)
Less: Net income attributable to noncontrolling interests	(348)	(402)
Net income (loss) attributable to Marshall & Ilsley Corporation	(143,871)	(223,359)
Preferred dividends	(25,295)	(25,068)
Net income (loss) attributable to Marshall & Ilsley Corporation common shareholders	\$ (169,166)	\$ (248,427)
Per share attributable to Marshall & Ilsley Corporation common shareholders		
Basic	\$ (0.32)	\$ (0.68)
Diluted	\$ (0.32)	\$ (0.68)
Dividends paid per common share	\$ 0.01	\$ 0.01
Weighted average common shares outstanding (000's):		
Basic	524,747	366,846
Diluted	524,747	366,846

See notes to financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
Interest and fee income		
Loans and leases	\$ 1,495,208	\$ 1,671,002
Investment securities:		
Taxable	137,163	164,096
Exempt from federal income taxes	27,014	34,468
Trading securities	483	3,574
Short-term investments	3,049	2,228
Total interest and fee income	1,662,917	1,875,368
Interest expense		
Deposits	319,289	409,995
Short-term borrowings	4,687	8,419
Long-term borrowings	152,094	274,693
Total interest expense	476,070	693,107
Net interest income	1,186,847	1,182,261
Provision for loan and lease losses	1,329,755	1,675,617
Net interest income (loss) after provision for loan and lease losses	(142,908)	(493,356)
Other income		
Wealth management	207,500	195,197
Service charges on deposits	97,141	102,932
Gain on sale of mortgage loans	19,839	38,339
Other mortgage banking revenue	1,998	3,219
Net investment securities gains (losses)	45,378	81,220
Bank-owned life insurance revenue	34,640	27,625
Gain on termination of debt	19,694	68,446
Sale of merchant portfolio processing	48,272	-
Other	144,658	146,178
Total other income	619,120	663,156
Other expense		
Salaries and employee benefits	537,870	521,601
Net occupancy and equipment	100,043	99,527
Software expenses	24,622	21,317
Processing charges	96,339	101,157
Supplies, printing, postage and delivery	24,796	26,400
FDIC insurance	76,493	82,150
Professional services	75,044	64,719
Amortization of intangibles	15,194	17,526
Net OREO expenses	83,973	116,230
Loss on brokered CDs	37,996	5,956
Other	100,441	103,599
Total other expense	1,172,811	1,160,182

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Income (loss) before income taxes	(696,599)	(990,382)
Provision (benefit) for income taxes	(289,914)	(467,295)
Net income (loss) including noncontrolling interests	(406,685)	(523,087)
Less: Net income attributable to noncontrolling interests	(1,105)	(1,193)
Net loss attributable to Marshall & Ilsley Corporation	(407,790)	(524,280)
Preferred dividends	(75,713)	(75,040)
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (483,503)	\$ (599,320)
Per share attributable to Marshall & Ilsley Corporation common shareholders		
Basic	\$ (0.92)	\$ (1.97)
Diluted	\$ (0.92)	\$ (1.97)
Dividends paid per common share	\$ 0.03	\$ 0.03
Weighted average common shares outstanding (000's):		
Basic	524,388	304,450
Diluted	524,388	304,450

See notes to financial statements.

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

	Nine Months Ended September 30,	
	2010	2009
Net Cash Provided by Operating Activities	\$ 858,792	\$ 828,767
Cash Flows from Investing Activities:		
Net increase in short-term investments	(257,805)	(1,521,332)
Proceeds from sales of securities available for sale	1,172,528	1,208,197
Proceeds from redemptions of Federal Reserve Bank stock and FHLB stock	63,916	37,450
Proceeds from maturities of securities available for sale	1,025,539	1,228,936
Proceeds from maturities of securities held to maturity	35,375	119,040
Purchases of securities available for sale	(924,591)	(1,008,761)
Purchases of Federal Reserve Bank stock and FHLB stock	(44,121)	(88,314)
Net decrease in loans and leases	2,688,412	1,989,954
Purchases of premises and equipment, net	(17,682)	(42,105)
Cash paid for acquisitions, net of cash and cash equivalents acquired	(1,968)	(479)
Proceeds from sale of merchant portfolio processing	48,272	-
Net proceeds from sale of OREO	347,205	207,193
Net cash provided by investing activities	4,135,080	2,129,779
Cash Flows from Financing Activities:		
Net (decrease) increase in deposits	(3,385,304)	733,073
Net decrease in short-term borrowings	(571,975)	(2,514,236)
Proceeds from issuance of long-term borrowings	-	375
Payments of long-term borrowings	(1,081,309)	(1,989,112)
Dividends paid on preferred stock	(64,312)	(64,551)
Dividends paid on common stock	(15,767)	(8,953)
Proceeds from the issuance of common stock	4,527	561,987
Other	(997)	(384)
Net cash used in financing activities	(5,115,137)	(3,281,801)
Net decrease in cash and cash equivalents	(121,265)	(323,255)
Cash and cash equivalents, beginning of year	832,483	1,072,407
Cash and cash equivalents, end of period	\$ 711,218	\$ 749,152
Supplemental Cash Flow Information:		
Cash paid / (received) during the period for:		
Interest	\$ 523,972	\$ 770,216
Income taxes	(135,626)	(118,564)

See notes to financial statements.

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements
September 30, 2010 & 2009 (Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements should be read in conjunction with Marshall & Ilsley Corporation's Annual Report on Form 10-K for the year ended December 31, 2009. In management's opinion, 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 nine months ended September 30, 2010 and 2009. The results of operations for the three and nine months ended September 30, 2010 and 2009 are not necessarily indicative of results to be expected for the entire year.

Prior to 2010, the Corporation had presented investments in Federal Reserve Bank stock and FHLB stock within Investment Securities Available for Sale on the consolidated balance sheet. During 2010, the Corporation determined that investments in Federal Reserve Bank stock and FHLB stock should be separately presented on the consolidated balance sheet. As a result, the accompanying 2009 consolidated balance sheets and consolidated statements of cash flows have been restated to present investments in Federal Reserve Bank stock and FHLB stock separately from Investment Securities Available for Sale.

Prior to 2010, the Corporation had presented gains on sale of other real estate owned ("OREO") within Other income as OREO income. During 2010, the Corporation determined that gains on sale of OREO should be presented net along with OREO expenses in the consolidated statements of income. As a result, the accompanying 2009 consolidated statements of income and related disclosures have been restated to present gains on sale of OREO along with OREO expenses in Net OREO expenses.

2. New Accounting Pronouncements

In July 2010, the FASB issued new accounting guidance that will require additional disclosures in the notes to the financial statements regarding the nature of credit risk inherent in the loan and lease portfolio, how that credit risk is analyzed and assessed in arriving at the allowance for credit losses and the changes in the loan portfolio and the allowance for credit losses. For the Corporation, period end disclosures will be required as of December 31, 2010 and disclosures about activity that occurs during the period will be initially required for the three months ended March 31, 2011. The Corporation is in the process of evaluating the impact of the additional disclosure requirements.

Effective January 1, 2010, the Corporation adopted updated accounting guidance to the Transfers and Servicing Topic and the Consolidations Topic of the FASB Accounting Standards Codification. Changes to the Transfers and Servicing Topic eliminated the concept of a qualifying special-purpose entity ("QSPE"), changed the requirements for derecognizing financial assets, and required additional disclosures regarding an entity's continuing involvement in and exposure to risks related to transferred financial assets. The changes to the Consolidations Topic replace the quantitative approach previously required for determining which enterprise should consolidate a variable interest entity with a consolidation approach focused on which enterprise has both the power to direct the activities of the entity that most significantly impact the entity's economic performance and the obligation to absorb losses of the entity that could potentially be significant to the entity or the right to receive benefits from the entity that could potentially be significant to the entity. The updated Consolidations Topic also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity, and eliminated the scope exception that a troubled debt restructuring, as defined by the Debt Topic, is not an event that required reconsideration of whether an entity is a variable interest entity and whether an enterprise is the primary beneficiary of a variable interest entity. The adoption

of this updated accounting guidance did not have a material impact on the Corporation's financial statements and related disclosures.

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

In January 2010, the FASB updated the disclosure guidance in the Fair Value Measurements and Disclosures Topic. This update clarifies certain existing disclosure requirements and requires separate disclosures of significant transfers in and out of Level 1 and Level 2 of the fair value hierarchy along with descriptions of the reasons for the transfers. In addition, information about purchases, sales, issuances, and settlements should be presented separately for Level 3 disclosures. The updated guidance was effective beginning on January 1, 2010, except for the disclosures about purchases, sales, issuances, and settlements of Level 3 fair value measurements. Those disclosures are effective beginning on January 1, 2011. The impact of the updated disclosure guidance is reflected in Note 3 - Fair Value Measurements.

3. Fair Value Measurements

The Fair Value Measurements and Disclosures Topic of the Codification generally apply whenever other topics require or permit assets or liabilities to be measured at fair value. Under the topic, fair value refers to the price at the measurement date that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in which the reporting entity is engaged. The topic does not expand the use of fair value in any new circumstances.

Fair-Value Hierarchy

The Fair Value Measurements and Disclosures Topic of the Codification establishes a three-tier hierarchy for fair value measurements based upon the transparency of the inputs to the valuation of an asset or liability and expands the disclosures about instruments measured at fair value. A financial instrument is categorized in its entirety and its categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The three levels are described below.

Level 1- Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2- Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

Level 3- Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Fair values are initially valued based upon transaction price and are adjusted to reflect exit values as evidenced by financing and sale transactions with third parties.

Determination of Fair Value

The following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Trading Assets and Investment Securities

When available, the Corporation uses quoted market prices to determine the fair value of trading assets and investment securities; such items are classified in Level 1 of the fair value hierarchy.

For the Corporation's investments in government agencies, residential mortgage-backed securities and obligations of states and political subdivisions where quoted prices are not available for identical securities in an active market, the Corporation determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data or are supported by observable levels at which transactions are executed in the marketplace. Fair values from these models are verified, where possible, against quoted prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained or cannot be corroborated, a security is generally classified as Level 3.

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

The Corporation's Private Equity investments generally take the form of investments in private equity funds. The private equity investments are valued using valuations and financial statements provided by the general partners on a quarterly basis. The transaction price is used as the best estimate of fair value at inception. When evidence supports a change to the carrying value from the transaction price, adjustments are made to reflect expected exit values. These nonpublic investments are included in Level 3 of the fair value hierarchy because they trade infrequently and, therefore, the fair value is unobservable.

Estimated fair values for residual interests in the form of interest only strips from automobile loan securitizations are based on a discounted cash flow analysis and are classified as a Level 3. There were no automobile loan securitizations outstanding at September 30, 2010.

Derivative Financial Instruments

Fair values for exchange-traded contracts are based on quoted prices and are classified as Level 1. Fair values for over-the-counter interest rate contracts are provided either by third-party dealers in the contracts or by quotes provided by the Corporation's independent pricing services. The significant inputs, including the LIBOR curve and measures of volatility, used by these third-party dealers or independent pricing services to determine fair values are considered Level 2, observable market inputs.

Certain derivative transactions are executed with counterparties who are large financial institutions ("dealers"). These derivative transactions primarily consist of interest rate swaps that are used for fair value hedges, cash flow hedges and economic hedges of interest rate swaps executed with the Corporation's customers. The Corporation and its subsidiaries maintain risk management policies and procedures to monitor and limit exposure to credit risk to derivative transactions with dealers. Approved dealers for these transactions must have and maintain an investment grade rating on long-term senior debt from at least two nationally recognized statistical rating organizations or have a guarantor with an acceptable rating from such organizations. International Swaps and Derivative Association Master Agreements ("ISDA") and Credit Support Annexes ("CSA") are employed for all contracts with dealers. These agreements contain bilateral collateral arrangements. Notwithstanding its policies and procedures, the Corporation recognizes that unforeseen events could result in counterparty failure. The Corporation also recognizes that there could be additional credit exposure due to certain industry conventions established for operational efficiencies.

On a quarterly basis, the Corporation performs an analysis using historical and market implied default and recovery rates that also consider certain industry conventions established for operational efficiencies to estimate the potential impact on the reported fair values of these derivative financial assets and liabilities due to counterparty credit risk and the Corporation's own credit risk. Based on this analysis, the Corporation determined that the impact of these factors was insignificant and did not make any additional credit risk adjustments for purposes of determining the reported fair values of these derivative assets and liabilities with dealers at September 30, 2010.

Certain derivative transactions are executed with customers whose counterparty credit risk is similar in nature to the credit risk associated with the Corporation's lending activities. As is the case with a loan, the Corporation evaluates the credit risk of each of these customers on an individual basis and, where deemed appropriate, collateral is obtained. The type of collateral varies and is often the same collateral as the collateral obtained to secure a customer's loan. For purposes of assessing the potential impact of counterparty credit risk on the fair values of derivative assets with customers, the Corporation used a probability analysis to estimate the amount of expected loss exposure due to customer default at some point in the remaining term of the entire portfolio of customer derivative contracts

outstanding at September 30, 2010. While not significant, the Corporation did factor the estimated amount of expected loss due to customer default in the reported fair value of its customer derivative assets at September 30, 2010.

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

Loans Held for Sale

Beginning in the second quarter of 2010, the Corporation elected to account for certain residential mortgage loans held for sale into the secondary market at fair value. The fair value of those mortgage loans held for sale was determined using current secondary market prices for loans with similar interest rates, maturities and credit quality and are classified as Level 2.

Assets and liabilities measured at fair value on a recurring basis are categorized in the tables below based upon the lowest level of significant input to the valuations (\$000's):

September 30, 2010	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets (1)			
Trading Assets:			
Trading securities	\$ -	\$ 40,888	\$ -
Derivative assets	-	314,314	-
Total trading assets	\$ -	\$ 355,202	\$ -
Investment securities available for sale (2)			
U.S. treasury	\$ -	\$ 2,129	\$ -
U.S. government agencies	-	4,254,097	-
States and political subdivisions	-	783,593	41,633
Residential mortgage backed securities	-	169,664	-
Asset backed securities	-	50,700	96,724
Private equity investments	-	-	71,294
Total investment securities available for sale	\$ -	\$ 5,260,183	\$ 209,651
Residential mortgage loans held for sale	\$ -	\$ 12,303	\$ -
Accrued interest and other assets:			
Financial guarantees - credit protection purchased	\$ -	\$ 6	\$ -
Liabilities (1)			
Other short-term borrowings	\$ -	\$ 2,226	\$ -
Accrued expenses and other liabilities:			
Derivative liabilities	\$ -	\$ 286,254	\$ 9,616
Financial guarantees - credit protection sold	-	1,200	-
Total accrued expenses and other liabilities	\$ -	\$ 287,454	\$ 9,616

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2009			
Assets (1)			
Trading Assets:			
Trading securities	\$ -	\$ 29,993	\$ -
Derivative assets	-	225,653	-
Total trading assets	\$ -	\$ 255,646	\$ -
Investment securities available for sale (2)			
U.S. treasury	\$ -	\$ 7,379	\$ -
U.S. government agencies	-	5,247,974	64,561
States and political subdivisions	-	802,023	41,979
Residential mortgage backed securities	-	220,610	-
Corporate notes	-	-	10,000
Asset backed securities	-	949	153,271
Foreign	-	3,025	1,385
Equity	135	-	-
Private equity investments	-	-	68,482
Total investment securities available for sale	\$ 135	\$ 6,281,960	\$ 339,678
Accrued interest and other assets:			
Financial guarantees - credit protection purchased	\$ -	\$ 13	\$ -
Liabilities (1)			
Other short-term borrowings	\$ -	\$ 14,604	\$ -
Accrued expenses and other liabilities:			
Derivative liabilities	\$ -	\$ 195,003	\$ 11,600
Financial guarantees - credit protection sold	-	198	-
Total accrued expenses and other liabilities	\$ -	\$ 195,201	\$ 11,600

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

September 30, 2009	Quoted Prices in Active Markets for Identical Assets or Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets (1)			
Trading Assets:			
Trading securities	\$ -	\$ 18,425	\$ -
Derivative assets	-	251,901	-
Total trading assets	\$ -	\$ 270,326	\$ -
Investment securities available for sale (2)			
U.S. treasury	\$ -	\$ 7,366	\$ -
U.S. government agencies	-	4,495,467	279
States and political subdivisions	-	850,634	42,680
Residential mortgage backed securities	-	236,381	-
Corporate notes	-	-	10,000
Asset backed securities	-	1,140	147,524
Foreign	-	2,375	1,383
Equity	154	-	-
Private equity investments	-	-	68,870
Total investment securities available for sale	\$ 154	\$ 5,593,363	\$ 270,736
Accrued interest and other assets:			
Financial guarantees - credit protection purchased	\$ -	\$ 14	\$ -
Liabilities (1)			
Other short-term borrowings	\$ -	\$ 6,696	\$ -
Accrued expenses and other liabilities:			
Derivative liabilities	\$ -	\$ 220,228	\$ 11,600
Financial guarantees - credit protection sold	-	198	-
Total accrued expenses and other liabilities	\$ -	\$ 220,426	\$ 11,600

(1) The amounts presented above exclude certain over-the-counter interest rate swaps that are the designated hedging instruments in fair value and cash flow hedges that are used by the Corporation to manage its interest rate risk. These interest rate swaps are measured at fair value on a recurring basis based on significant other observable inputs and are categorized as Level 2. See Note 12 – Derivative Financial Instruments and Hedging Activities in Notes to Financial Statements for further information. Level 3 derivative liabilities represent the fair

value of a derivative financial instrument entered into in conjunction with the sale of the Corporation's shares of Visa, Inc. ("Visa") Class B common stock. See Note 15 – Guarantees in Notes to Financial Statements for additional information regarding Visa.

- (2) The amounts presented are exclusive of \$62,699, \$56,538 and \$55,228 in affordable housing partnerships at September 30, 2010, December 31, 2009, and September 30, 2009, respectively, which are generally carried on the equity method.

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Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

Level 3 Gains and Losses

The table presented below summarizes the change in balance sheet carrying values associated with financial instruments measured using significant unobservable inputs (Level 3) during the nine months ended September 30, 2010 (\$000's):

	Investment Securities (1)	Private Equity Investments (2)	Total	Derivative Liabilities
Balance at December 31, 2009	\$ 271,196	\$ 68,482	\$ 339,678	\$ 11,600
Net payments, purchases and sales	(370)	1,402	1,032	-
Accretion/amortization	(8)	-	(8)	-
Transfers out of Level 3	(140,483)	-	(140,483)	-
Total gains or losses (realized or unrealized):				
Included in earnings	-	802	802	-
Included in other comprehensive income	(1,058)	-	(1,058)	-
Balance at March 31, 2010	\$ 129,277	\$ 70,686	\$ 199,963	\$ 11,600
Net payments, purchases and sales	(393)	(759)	(1,152)	(1,984)
Accretion/amortization	13	-	13	-
Transfers in to Level 3	12,008	-	12,008	-
Total gains or losses (realized or unrealized):				
Included in earnings	-	1,055	1,055	-
Included in other comprehensive income	1,903	-	1,903	-
Balance at June 30, 2010	\$ 142,808	\$ 70,982	\$ 213,790	\$ 9,616
Net payments, purchases and sales	(825)	(2,099)	(2,924)	-
Accretion/amortization	13	-	13	-
Total gains or losses (realized or unrealized):				
Included in earnings	-	2,411	2,411	-
Included in other comprehensive income	(3,639)	-	(3,639)	-
Balance at September 30, 2010	\$ 138,357	\$ 71,294	\$ 209,651	\$ 9,616

Unrealized gains or (losses) for the period included in earnings attributable to unrealized gains or losses for financial instruments still held at September 30, 2010	\$ -	\$ 5,534	\$ 5,534	\$ -
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- (1) Unrealized changes in fair value for available-for-sale investments (debt securities) are recorded in other comprehensive income, while gains and losses from sales are recorded in Net investment securities gains (losses) in the Consolidated Statements of Income.
- (2) Private equity investments are generally recorded at fair value. Accordingly, both unrealized changes in fair value and gains or losses from sales are included in Net investment securities gains (losses) in the Consolidated Statements of Income.

At June 30, 2010, securities were transferred to Level 3 as the Corporation determined that it could not obtain a sufficient number of observable inputs in the form of market or broker quotes to substantiate a level 2 classification. At March 31, 2010, \$62,140 of highly-rated asset backed securities and \$66,692 of Government National Mortgage Association securities were transferred to Level 2 as significant inputs to the pricing model used to value these securities became observable in the marketplace, could be derived from observable data or the values could be supported by observable levels at which transactions were executed in the marketplace.

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Level 3 Gains and Losses

The table presented below summarizes the change in balance sheet carrying values associated with financial instruments measured using significant unobservable inputs (Level 3) during the nine months ended September 30, 2009 (\$000's):

	Investment Securities (1)	Private Equity Investments (2)	Other Assets	Total	Derivative Liabilities
Balance at December 31, 2008	\$ 135,953	\$ 65,288	\$ 5,903	\$ 207,144	\$ -
Net payments, purchases and sales	(1,008)	706	(255)	(557)	-
Accretion/amortization	49	-	160	209	-
Net transfers in and/or out of Level 3	(2,860)	-	-	(2,860)	-
Total gains or losses (realized or unrealized):					
Included in earnings	-	228	52	280	-
Included in other comprehensive income	34,993	-	(606)	34,387	-
Balance at March 31, 2009	\$ 167,127	\$ 66,222	\$ 5,254	\$ 238,603	\$ -
Net payments, purchases and sales	(1,048)	426	(194)	(816)	-
Accretion/amortization	41	-	148	189	-
Net transfers in and/or out of Level 3	-	-	-	-	-
Total gains or losses (realized or unrealized):					
Included in earnings	-	3,869	10	3,879	14,743
Included in other comprehensive income	18,439	-	(273)	18,166	-
Balance at June 30, 2009	\$ 184,559	\$ 70,517	\$ 4,945	\$ 260,021	\$ 14,743
Net payments, purchases and sales	(902)	2,833	(4,624)	(2,693)	(3,143)
Accretion/amortization	44	-	-	44	-
Net transfers in and/or out of Level 3	31,447	-	-	31,447	-

Total gains or losses (realized or unrealized):					
Included in earnings	-	(4,480)	238	(4,242)	-
Included in other comprehensive income	(13,282)	-	(559)	(13,841)	-
Balance at September 30, 2009	\$ 201,866	\$ 68,870	\$ -	\$ 270,736	\$ 11,600
Unrealized gains or losses for the period included in earnings attributable to unrealized gains or losses for financial instruments still held at September 30, 2009					
	\$ -	\$ (671)	\$ -	\$ (671)	\$ (14,743)

- (1) Unrealized changes in fair value for available-for-sale investments (debt securities) are recorded in other comprehensive income, while gains and losses from sales are recorded in Net investment securities gains (losses) in the Consolidated Statements of Income.
- (2) Private equity investments are generally recorded at fair value. Accordingly, both unrealized changes in fair value and gains or losses from sales are included in Net investment securities gains (losses) in the Consolidated Statements of Income.

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Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment or a change in the amount of a previously recognized impairment.

The table presented below summarizes the adjusted carrying values and level of fair value hierarchy for assets measured at fair value on a nonrecurring basis (\$000's):

	September 30, 2010				September 30, 2009			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Loans held for sale	\$ -	\$ 13,468	\$ -	\$ 13,468	\$ -	\$ 34,972	\$ -	\$ 34,972
Impaired loans	-	-	676,506	676,506	-	-	934,946	934,946
Other real estate owned	-	-	72,750	72,750	-	-	109,872	109,872
Total	\$ -	\$ 13,468	\$ 749,256	\$ 762,724	\$ -	\$ 34,972	\$ 1,044,818	\$ 1,079,790

Net losses related to nonrecurring fair value measurements of certain assets consisted of the following (\$000's):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Loans held for sale	\$ 7,135	\$ 18,146	\$ 19,602	\$ 29,733
Impaired loans	198,350	238,149	637,156	751,236
Other real estate owned	12,614	39,360	45,165	84,333
Total	\$ 218,099	\$ 295,655	\$ 701,923	\$ 865,302

Loans held for sale are recorded at lower of cost or market or fair value. Loans held for sale that are carried at lower of cost or market are reported at fair value on a nonrecurring basis. Such fair values are generally based on bids and are considered Level 2 fair values.

Adjustments for loans held for sale that are carried at lower of cost or market represent additional net write-downs during the period presented to record the loans at the lower of cost or fair value subsequent to their initial classification as loans held for sale.

Nonaccrual loans greater than \$1.0 million are individually evaluated for impairment each quarter. Impairment was measured based on the fair value of the collateral less estimated selling costs or the fair value of the loan (“collateral value method”). All consumer-related renegotiated loans were evaluated for impairment based on the present value of the estimated cash flows discounted at the loan’s original effective interest rate (“discounted cash flow method”). A valuation allowance was recorded for the excess of the loan’s recorded investment over the amount determined by either the collateral value method or the discounted cash flow method. This valuation allowance is a component of the Allowance for loan and lease losses. The discounted cash flow method is not a fair value measure. For the collateral value method, the Corporation generally obtains appraisals to support the fair value of collateral underlying loans. Appraisals incorporate measures such as recent sales prices for comparable properties and costs of construction. The Corporation considers these fair values Level 3.

Losses on impaired loans represent net write-downs during the periods presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged off.

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OREO is recorded at fair value based on property appraisals, less estimated selling costs, at the date of transfer. Subsequent to transfer, OREO is carried at the lower of cost or fair value, less estimated selling costs. The carrying value of OREO is not re-measured to fair value on a recurring basis but is subject to fair value adjustments when the carrying value exceeds the fair value, less estimated selling costs.

Losses on OREO represent the net write-downs during the periods presented where the carrying value of the foreclosed real estate exceeded the current fair value less estimated selling costs of the foreclosed real estate subsequent to their initial classification as foreclosed assets.

Fair Value of Financial Instruments

Book values and estimated fair values for on and off-balance sheet financial instruments are presented in the following table. Derivative financial instruments designated as hedging instruments are included in the book values and fair values presented for the related hedged items. Derivative financial instruments designated as trading and other free standing derivatives are included in Trading assets.

Balance Sheet Financial Instruments (\$ in millions)

	September 30, 2010		September 30, 2009	
	Book Value	Fair Value	Book Value	Fair Value
Financial assets:				
Cash and short term investments	\$ 2,097.8	\$ 2,097.8	\$ 2,280.2	\$ 2,280.2
Trading assets	355.2	355.2	270.3	270.3
Investment securities available for sale	5,532.5	5,532.5	5,919.5	5,919.5
Federal Reserve Bank stock and FHLB stock, at cost	375.5	375.5	390.6	390.6
Investment securities held to maturity	83.4	87.1	120.1	124.3
Net loans and leases	38,334.9	34,370.0	44,692.6	40,847.8
Interest receivable	146.1	146.1	176.2	176.2
Financial guarantees - credit protection purchased	-	-	-	-
Financial liabilities:				
Deposits	\$ 38,201.3	\$ 38,462.1	\$ 41,720.4	\$ 42,216.9
Short-term borrowings	555.8	555.6	1,540.6	1,546.4
Long-term borrowings	5,370.3	5,324.9	7,512.0	7,140.6
Derivative liabilities	295.9	295.9	232.0	232.0

Interest payable	109.7	109.7	163.0	163.0
Financial guarantees - credit protection sold	1.2	1.2	-	-

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

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Notes to Financial Statements - Continued
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The following methods and assumptions are used in estimating the fair value for financial instruments.

Cash and short-term investments

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

Trading assets and investment securities

Fair value is based on market prices where available. The fair value of trading assets and investment securities are categorized as Level 1, Level 2 and Level 3, based on the inputs to the valuations.

Net loans and leases

The fair value of loans and leases was derived from discounted cash flow analyses. Loans and leases as of September 30, 2010 were grouped into 1,834 pools based on similar characteristics such as maturity, payment type and payment frequency, rate type and underlying index, recent loan-to-value (LTV) measures and various types of credit indicators such as recent FICO scores and the Corporation's internal loan rating system. Credit spreads were derived from observable information wherever possible. In cases where observable information was not available because of inactive markets or the change in the loan characteristics such as declining collateral values, certain adjustments were made in management's judgment to estimate credit spreads consistent with the manner the Corporation believes market participants would assess the fair value of the loan pool. The Corporation has estimated that increasing or decreasing the credit spreads by the equivalent of a two credit rating adjustment could affect the aggregate fair value of the loans and leases by approximately \$0.8 billion or 2.0% of the net carrying value of total loans and leases at September 30, 2010. The fair value of loans held for sale is based on the expected sales price. At September 30, 2010, the fair value of net loans and leases is considered Level 2 and Level 3 in the fair value hierarchy.

Deposits

The fair value for demand deposits or any interest bearing deposits with no fixed maturity date is considered to approximate carrying value. Time deposits with defined maturity dates are considered to have a fair value which approximates the book value if the maturity date was within three months of the measurement date. The remaining time deposits are assigned fair values based on a discounted cash flow analysis using discount rates that approximate interest rates currently being offered on time deposits with comparable maturities. At September 30, 2010, the fair value of deposits is considered Level 2 in the Fair Value Hierarchy.

Borrowings

Short-term borrowings are generally carried at cost that approximates fair value. Long-term debt is valued using discounted cash flow analysis with discount curves developed using several methods. Wherever possible, the Corporation uses pricing from industry accepted services or recently observed transactions in the Corporation's long-term debt to develop the discounting curves. The observed transactions are between unaffiliated parties where there has been sufficient transaction volume to conclude that the observed pricing is representative of the fair value of the long-term debt obligation. In the absence of representative observed transactions, the Corporation develops discount curves based on current incremental borrowing rates for similar types of arrangements. At September 30, 2010, the fair value of borrowings is considered Level 2 in the Fair Value Hierarchy.

Off-Balance Sheet Financial Instruments

Fair values of loan commitments and letters of credit have been estimated based on the equivalent fees, net of expenses, that would be charged for similar contracts and customers (\$ in millions):

	September 30,	
	2010	2009
Loan commitments	\$ 6.6	\$ 13.2
Commercial letters of credit	0.2	0.2
Standby letters of credit	6.3	9.5

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

4. Comprehensive Income

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

	Three Months Ended September 30, 2010		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss including noncontrolling interests			\$ (143,523)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	\$ 20,761	\$ (7,215)	\$ 13,546
Reclassification for securities transactions included in net income	(30,723)	11,442	(19,281)
Total unrealized gains (losses) on available for sale investment securities	\$ (9,962)	\$ 4,227	\$ (5,735)
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	\$ (10,780)	\$ 4,014	\$ (6,766)
Reclassification adjustments for hedging activities included in net income	13,706	(5,104)	8,602
Total unrealized gains (losses) on derivatives hedging variability of cash flows	\$ 2,926	\$ (1,090)	\$ 1,836
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	(560)	158	(402)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	\$ (560)	\$ 158	\$ (402)
Other comprehensive income (loss), net of tax			(4,301)
Total comprehensive income (loss)			(147,824)
Less: Comprehensive income attributable to the noncontrolling			(348)

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interests	
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation	\$ (148,172)

Three Months Ended September 30, 2009

	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss including noncontrolling interests			\$ (222,957)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	\$ 59,330	\$ (21,108)	\$ 38,222
Reclassification for securities transactions included in net income	(2,787)	975	(1,812)
Total unrealized gains (losses) on available for sale investment securities	\$ 56,543	\$ (20,133)	\$ 36,410
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	\$ 547	\$ (191)	\$ 356
Reclassification adjustments for hedging activities included in net income	16,349	(5,722)	10,627
Total unrealized gains (losses) on derivatives hedging variability of cash flows	\$ 16,896	\$ (5,913)	\$ 10,983
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	(350)	69	(281)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	\$ (350)	\$ 69	\$ (281)
Other comprehensive income (loss), net of tax			47,112
Total comprehensive income (loss)			(175,845)
Less: Comprehensive income attributable to the noncontrolling interests			(402)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation			\$ (176,247)

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MARSHALL & ILSLEY CORPORATION

Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

	Nine Months Ended September 30, 2010		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss including noncontrolling interests			\$ (406,685)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	\$ 150,062	\$ (54,818)	\$ 95,244
Reclassification for securities transactions included in net income	(33,114)	12,332	(20,782)
Total unrealized gains (losses) on available for sale investment securities	\$ 116,948	\$ (42,486)	\$ 74,462
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	\$ (51,430)	\$ 19,153	\$ (32,277)
Reclassification adjustments for hedging activities included in net income	44,932	(16,733)	28,199
Total unrealized gains (losses) on derivatives hedging variability of cash flows	\$ (6,498)	\$ 2,420	\$ (4,078)
Unrealized gains (losses) on funded status of defined benefit postretirement plan:			
Effect due to remeasurement of benefit obligation	\$ -	\$ -	\$ -
Reclassification for amortization of actuarial loss and prior service credit amortization included in net income	(1,679)	478	(1,201)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	\$ (1,679)	\$ 478	\$ (1,201)
Other comprehensive income (loss), net of tax			69,183
Total comprehensive income (loss)			(337,502)
Less: Comprehensive income attributable to the noncontrolling interests			(1,105)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation			\$ (338,607)

	Nine Months Ended September 30, 2009		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss including noncontrolling interests			\$ (523,087)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	\$ 198,132	\$ (69,843)	\$ 128,289
Reclassification for securities transactions included in net income	(46,655)	16,329	(30,326)
Total unrealized gains (losses) on available for sale investment securities	\$ 151,477	\$ (53,514)	\$ 97,963
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	\$ 11,274	\$ (3,945)	\$ 7,329
Reclassification adjustments for hedging activities included in net income	47,903	(16,766)	31,137
Total unrealized gains (losses) on derivatives hedging variability of cash flows	\$ 59,177	\$ (20,711)	\$ 38,466
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	(1,049)	294	(755)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	\$ (1,049)	\$ 294	\$ (755)
Other comprehensive income (loss), net of tax			135,674
Total comprehensive income (loss)			(387,413)
Less: Comprehensive income attributable to the noncontrolling interests			(1,193)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation			\$ (388,606)

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5. Earnings Per Common Share

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

	Three Months Ended September 30, 2010		
	Income	Average	Per Share
	(Numerator)	Shares	Amount
		(Denominator)	
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (143,871)		
Preferred stock dividends	(25,295)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (169,166)	524,747	\$ (0.32)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (143,871)		
Preferred stock dividends	(25,295)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (169,166)	524,747	\$ (0.32)

	Three Months Ended September 30, 2009		
	Income	Average	Per Share
	(Numerator)	Shares	Amount
		(Denominator)	
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (223,359)		
Preferred stock dividends	(25,068)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (248,427)	366,846	\$ (0.68)
Effect of dilutive securities:			

Stock option, restricted stock and other plans

-

Diluted:

Net loss attributable to Marshall & Ilsley Corporation

\$ (223,359)

Preferred stock dividends

(25,068)

Net loss attributable to Marshall & Ilsley Corporation common shareholders

\$ (248,427)

366,846

\$ (0.68)

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Notes to Financial Statements - Continued
September 30, 2010 & 2009 (Unaudited)

	Nine Months Ended September 30, 2010		
	Income	Average	Per Share
	(Numerator)	Shares	Amount
		(Denominator)	
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (407,790)		
Preferred stock dividends	(75,713)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (483,503)	524,388	\$ (0.92)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (407,790)		
Preferred stock dividends	(75,713)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (483,503)	524,388	\$ (0.92)

	Nine Months Ended September 30, 2009		
	Income	Average	Per Share
	(Numerator)	Shares	Amount
		(Denominator)	
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (524,280)		
Preferred stock dividends	(75,040)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (599,320)	304,450	\$ (1.97)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	\$ (524,280)		

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Preferred stock dividends	(75,040)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (599,320)	304,450	\$ (1.97)

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The table below presents the outstanding options to purchase shares of common stock not included in the computation of diluted earnings per common share because the exercise price was greater than the average market price of the common shares for the three and nine month periods ended September 30, 2010 and 2009 (anti-dilutive options). As a result of the Corporation's reported net loss for the three and nine months ended September 30, 2010 and 2009, all stock options outstanding were excluded from the computation of diluted earnings per common share (shares in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Shares Subject to Options	31,573	32,289	31,573	32,289
Price Range	\$4.76 - \$36.82	\$4.76 - \$36.82	\$4.76 - \$36.82	\$4.76 - \$36.82

An outstanding warrant to purchase 13,815,789 shares of the Corporation's common stock issued in connection with the Corporation's participation in the U.S. Treasury Department's Capital Purchase Program was not included in the computation of diluted earnings per common share for the three and nine months ended September 30, 2010 and 2009, because of the reported net loss in the respective periods. In addition, the \$18.62 per share exercise price of the warrant was greater than the average market price of the common shares for the three and nine months ended September 30, 2010 and 2009.

6. Business Combinations

The following acquisition, which is not considered to be a material business combination, was completed during 2009:

On May 29, 2009, the Corporation acquired the investment team and managed accounts of Delta Asset Management ("Delta"), an institutional large-cap core equity money manager based in Los Angeles, California. Delta, an operating division of Berkeley Capital Management LLC, had approximately \$1.2 billion in assets under management as of April 30, 2009. Total consideration in this transaction amounted to \$5.1 million, consisting of 775,166 shares of the Corporation's common stock valued at \$6.52 per common share. This is considered a non-cash transaction for the purposes of the Consolidated Statement of Cash Flows. Goodwill amounted to \$3.8 million. The estimated identifiable intangible assets to be amortized (customer relationships and non-compete agreement) amounted to \$1.2 million. The goodwill and intangibles resulting from this acquisition are deductible for tax purposes.

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7. Investment Securities

The amortized cost, fair value and unrealized gains and losses of selected investment securities, by major security type, held by the Corporation were as follows (\$000's):

	September 30, 2010			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
U.S. Treasury	\$ 2,106	\$ 23	\$ -	\$ 2,129
U.S. Government agencies	4,140,806	113,761	470	4,254,097
States and political subdivisions	789,828	44,116	8,718	825,226
Residential mortgage backed securities	163,180	6,577	93	169,664
Asset backed securities	206,766	6	59,348	147,424
Private Equity investments	71,294	-	-	71,294
Affordable Housing Partnerships	62,699	-	-	62,699
Total	\$ 5,436,679	\$ 164,483	\$ 68,629	\$ 5,532,533
Federal Reserve Bank stock and FHLB stock				
Federal Reserve Bank stock	\$ 173,999	\$ -	\$ -	\$ 173,999
FHLB stock	201,487	-	-	201,487
Total	\$ 375,486	\$ -	\$ -	\$ 375,486
Held to maturity:				
States and political subdivisions	\$ 68,999	\$ 3,478	\$ 285	\$ 72,192
Corporate notes	10,000	474	-	10,474
Foreign	4,353	125	10	4,468
Total	\$ 83,352	\$ 4,077	\$ 295	\$ 87,134

	December 31, 2009			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
U.S. Treasury	\$ 7,335	\$ 47	\$ 3	\$ 7,379

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U.S. Government agencies	5,291,115	53,272	31,852	5,312,535
States and political subdivisions	831,248	23,557	10,803	844,002
Residential mortgage backed securities	221,819	2,041	3,250	220,610
Corporate notes	10,000	-	-	10,000
Asset backed securities	208,330	8	54,118	154,220
Equity	115	20	-	135
Private Equity investments	68,494	52	64	68,482
Affordable Housing Partnerships	56,538	-	-	56,538
Foreign	4,410	-	-	4,410
Total	\$ 6,699,404	\$ 78,997	\$ 100,090	\$ 6,678,311
Federal Reserve Bank stock and FHLB stock				
Federal Reserve Bank stock	\$ 186,375	\$ -	\$ -	\$ 186,375
FHLB stock	208,906	-	-	208,906
Total	\$ 395,281	\$ -	\$ -	\$ 395,281
Held to maturity:				
States and political subdivisions	\$ 102,566	\$ 3,613	\$ 217	\$ 105,962
Foreign	1,000	-	-	1,000
Total	\$ 103,566	\$ 3,613	\$ 217	\$ 106,962

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September 30, 2010 & 2009 (Unaudited)

	September 30, 2009			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Available for sale:				
U.S. Treasury	\$ 7,347	\$ 19	\$ -	\$ 7,366
U.S. Government agencies	4,412,867	107,336	24,457	4,495,746
States and political subdivisions	849,123	46,112	1,921	893,314
Residential mortgage backed securities	238,802	2,599	5,020	236,381
Corporate notes	10,000	-	-	10,000
Asset backed securities	209,385	6	60,727	148,664
Equity	115	39	-	154
Private Equity investments	68,882	52	64	68,870
Affordable Housing Partnerships	55,228	-	-	55,228
Foreign	3,758	-	-	3,758
Total	\$ 5,855,507	\$ 156,163	\$ 92,189	\$ 5,919,481
Federal Reserve Bank stock and FHLB stock				
Federal Reserve Bank stock	\$ 181,732	\$ -	\$ -	\$ 181,732
FHLB stock	208,911	-	-	208,911
Total	\$ 390,643	\$ -	\$ -	\$ 390,643
Held to maturity:				
States and political subdivisions	\$ 119,054	\$ 4,481	\$ 194	\$ 123,341
Foreign	1,000	-	-	1,000
Total	\$ 120,054	\$ 4,481	\$ 194	\$ 124,341

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The following tables provide 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 (\$000's):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2010						
U.S. Treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government agencies	80,918	123	202,865	347	283,783	470
States and political subdivisions	37,425	5,028	19,081	3,975	56,506	9,003
Residential mortgage backed securities	-	-	4,045	93	4,045	93
Corporate notes	-	-	-	-	-	-
Asset backed securities	-	-	146,645	59,348	146,645	59,348
Equity	-	-	-	-	-	-
Private Equity investments	-	-	-	-	-	-
Affordable Housing Partnerships	-	-	-	-	-	-
Foreign	2,091	9	399	1	2,490	10
Total	\$ 120,434	\$ 5,160	\$ 373,035	\$ 63,764	\$ 493,469	\$ 68,924
December 31, 2009						
U.S. Treasury	\$ 747	\$ 3	\$ -	\$ -	\$ 747	\$ 3
U.S. Government agencies	1,761,701	23,839	1,015,790	8,013	2,777,491	31,852
States and political subdivisions	40,517	6,730	101,432	4,290	141,949	11,020
Residential mortgage backed securities	55,009	2,116	48,270	1,134	103,279	3,250

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Corporate notes	-	-	-	-	-	-
Asset backed securities	-	-	153,154	54,118	153,154	54,118
Equity	-	-	-	-	-	-
Private Equity investments	-	-	-	64	-	64
Affordable Housing Partnerships	-	-	-	-	-	-
Foreign	825	-	400	-	1,225	-
Total	\$ 1,858,799	\$ 32,688	\$ 1,319,046	\$ 67,619	\$ 3,177,845	\$ 100,307

September 30, 2009

U.S. Treasury	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government agencies	45,572	435	1,169,834	24,022	1,215,406	24,457
States and political subdivisions	1,804	86	19,477	2,029	21,281	2,115
Residential mortgage backed securities	48,437	2,589	55,052	2,431	103,489	5,020
Corporate notes	-	-	-	-	-	-
Asset backed securities	-	-	147,466	60,727	147,466	60,727
Equity	-	-	-	-	-	-
Private Equity investments	-	-	-	64	-	64
Affordable Housing Partnerships	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Total	\$ 95,813	\$ 3,110	\$ 1,391,829	\$ 89,273	\$ 1,487,642	\$ 92,383

Other-Than-Temporary-Impairment (OTTI)

Impairment occurs when the fair value of a security is less than its historical cost. These declines are recorded as either temporary impairment or other-than-temporary-impairment ("OTTI"). Impairments on investment securities are reviewed quarterly to determine if they are other than temporary. Impairment is considered to be other than temporary if the present value of cash flows expected to be collected on the investment security discounted at the security's implicit interest rate at acquisition is less than the investment security's amortized cost. In addition, impairment is considered to be other than temporary if the Corporation intends to sell an investment security or it is more likely than not that the Corporation will be required to sell the investment security before the recovery of its amortized cost basis. All other impairments are considered temporary.

The investment securities reported in the September 30, 2010 table above were temporarily impaired. This temporary impairment represents the amount of loss that would have been realized if the investment securities had been sold on September 30, 2010. The Corporation determined that the temporary impairment in the investment securities at

September 30, 2010 was not from a decline in value due to a credit event that would result in OTTI. At September 30, 2010, the Corporation does not intend to sell these temporarily impaired investment securities until a recovery of recorded investment, which may be at maturity. In addition, the Corporation concluded that it is more likely than not that it will not have to sell the investment securities prior to recovery of the recorded investment.

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The most severe impairment was recognized in the Corporation's investments in asset backed securities, which consist primarily of senior tranche collateralized debt obligations ("CDOs") that are secured by pools of trust-preferred securities issued by financial institutions or insurance companies. To assess the CDOs for potential OTTI, the Corporation estimated the expected cash flows for each security in this portfolio. The analysis was completed by evaluating the credit quality of the underlying collateral and the cash flow structure. At September 30, 2010, the estimated cash flow analysis for each security indicated that contractual principal and interest was fully collectible by maturity.

The credit quality analysis included analyses of profitability, credit quality, operating efficiency, leverage, and liquidity using the most recently available financial and regulatory information for each underlying collateral issuer. The credit review also incorporated historical industry default data and current/near term operating conditions. Using the results of this analysis, the Corporation estimated appropriate default and recovery probabilities for each piece of collateral. No recoveries were assumed on issuers who were deferring interest or currently in default.

There are various tranches or investment classes issued within each CDO. The most senior tranches generally have the lowest yield but the most protection from credit losses compared to other tranches that are subordinate to the most senior tranches. The Corporation holds only the two most senior tranches of the CDO issuances. Because of that seniority, the Corporation's investments receive credit support from the subordinated tranches. At September 30, 2010, the Corporation estimated that the percentage of the currently performing collateral that would be required to default to cause the Corporation's tranches to not receive all of its contractual cash flows (principal and interest) ranged from 18% to 50%. Based on that analysis, the Corporation concluded that there was excess protection to absorb the expected credit losses from both current and projected defaults and there was no OTTI. In addition, the Corporation concluded that the lengthening of the expected time for principal repayment combined with the illiquid market for trust preferred securities resulted in market expectations of higher yields for similar instruments which explained the entire decline in the fair value of the securities compared with their book values.

Other classes of investments with impairment at September 30, 2010 included US Government Agency Securities and Obligations of states and political subdivisions. US Government Agency Securities consist of mortgage-backed securities issued by Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB) and Government National Mortgage Association (GNMA). This portfolio consists of securities with both fixed and floating rate interest rates, average lives of 3-5 years and contractual cash flows guaranteed by the U.S. government or agencies of the U.S. government.

Obligations of states and political subdivisions are bank qualified fixed rate securities with original maturities of ten to twenty years. The securities primarily consist of general obligation bonds with some essential service revenue bonds. The majority of these securities have credit ratings of investment grade or better. Management performs ongoing credit quality reviews on these securities and at September 30, 2010, determined there were no credit losses.

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The amortized cost and fair value of investment securities by contractual maturity at September 30, 2010 (\$000's):

	Investment Securities Available for Sale		Investment Securities Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	\$ 318,776	\$ 326,429	\$ 11,520	\$ 11,662
From one through five years	3,238,004	3,330,988	32,964	34,470
From five through ten years	1,218,891	1,265,388	38,868	41,002
After ten years	661,008	609,728	-	-
	\$ 5,436,679	\$ 5,532,533	\$ 83,352	\$ 87,134

Federal Reserve Bank stock and FHLB stock have no contractual maturities.

The gross investment securities gains and losses, including Wealth Management transactions, amounted to \$42,286 and \$739 for the three months ended September 30, 2010, respectively and \$3,645 and \$5,003 for the three months ended September 30, 2009, respectively. The gross investment securities gains and losses, including Wealth Management transactions, amounted to \$49,705 and \$4,327 for the nine months ended September 30, 2010, respectively and \$89,093 and \$7,503 for the nine months ended September 30, 2009, respectively. See the Consolidated Statements of Cash Flows for proceeds from the sale of investment securities.

At September 30, 2010, December 31, 2009 and September 30, 2009, securities with a value of approximately \$1,274,636, \$1,530,764, and \$1,450,352 respectively, were pledged to secure public deposits, short-term borrowings, interest rate swaps and for other purposes required by law.

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8. Loans and Leases

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

	September 30, 2010	December 31, 2009	September 30, 2009
Loans held for sale			
Commercial, financial and agricultural	\$ 1,829	\$ 1,633	\$ 1,336
Real estate			
Commercial mortgage	12,485	11,031	47,865
Construction and development	30,209	57,333	92,677
Residential mortgage	110,104	48,105	37,500
Home equity loans and lines of credit	38,262	29,224	21,782
Total real estate	191,060	145,693	199,824
Personal	-	66,833	69,979
Total loans held for sale	\$ 192,889	\$ 214,159	\$ 271,139
Portfolio loans and leases			
Commercial, financial and agricultural	\$ 11,514,686	\$ 12,473,995	\$ 13,039,760
Real estate			
Commercial mortgage	13,044,740	13,634,894	13,836,448
Construction and development	3,586,723	5,481,547	6,221,510
Residential mortgage	4,468,649	4,920,765	5,097,695
Home equity loans and lines of credit	4,328,478	4,685,370	4,790,834
Total real estate	25,428,590	28,722,576	29,946,487
Personal	2,057,641	2,191,449	2,198,143
Lease Financing	529,328	615,447	650,785
Total portfolio loans and leases	\$ 39,530,245	\$ 44,003,467	\$ 45,835,175
Total loans and leases	\$ 39,723,134	\$ 44,217,626	\$ 46,106,314

Loans and leases are presented net of unearned income and unamortized deferred fees, which amounted to \$87,641, \$111,924 and \$108,528 at September 30, 2010, December 31, 2009 and September 30, 2009, respectively.

Included in the loans held for sale category are nonaccrual loans which amounted to \$34,235, \$57,670, and \$128,067 at September 30, 2010, December 31, 2009, and September 30, 2009, respectively. Also included in loans held for sale are troubled debt restructured loans, which the Corporation refers to as accruing renegotiated loans, which amounted to \$1,830 and \$15 at September 30, 2010, and December 31, 2009, respectively. There were no accruing renegotiated loans held for sale at September 30, 2009.

For the nine months ended September 30, 2010 and 2009, loans transferred to OREO, net of initial write-downs, amounted to \$384,988 and \$321,832, respectively. These amounts are considered non-cash transactions for purposes of the Consolidated Statements of Cash Flows.

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9. Allowance for Loan and Lease Losses

An analysis of the allowance for loan and lease losses is as follows (\$000's):

	Three Months Ended September		Nine Months Ended September	
	2010	30, 2009	2010	30, 2009
Balance at beginning of period	\$ 1,516,780	\$ 1,367,782	\$ 1,480,470	\$ 1,202,167
Provision for loan and lease losses	431,744	578,701	1,329,755	1,675,617
Charge-offs	(581,426)	(541,593)	(1,473,661)	(1,494,931)
Recoveries	21,090	8,853	51,624	30,890
Balance at end of period	\$ 1,388,188	\$ 1,413,743	\$ 1,388,188	\$ 1,413,743

As of September 30, 2010, December 31, 2009 and September 30, 2009, nonaccrual loans and leases totaled \$1,597,619, \$2,044,751 and \$2,250,061 and accruing renegotiated loans totaled \$547,922, \$793,459 and \$935,260, respectively.

For purposes of impairment testing, nonaccrual loans greater than \$1.0 million, renegotiated commercial loans greater than \$250,000 and all consumer-related renegotiated loans are individually assessed for impairment each quarter. Consumer-related renegotiated loans are evaluated at the present value of expected future cash flows discounted at the loan's effective interest rate. Nonaccrual loans below the threshold were collectively evaluated as homogeneous pools. The required valuation allowance is included in the allowance for loan and lease losses in the Consolidated Balance Sheets.

The Corporation's recorded investment in impaired loans and leases and the related valuation allowance are as follows (\$000's):

	September 30, 2010		September 30, 2009	
	Recorded Investment	Valuation Allowance	Recorded Investment	Valuation Allowance
Total nonaccrual and renegotiated loans and leases	\$ 2,145,541		\$ 3,185,321	
Less: impaired loans held for sale	(36,065)		(128,067)	
Total impaired loans and leases	\$ 2,109,476		\$ 3,057,254	
Loans and leases excluded from individual evaluation	(548,458)		(733,458)	
Impaired loans evaluated	\$ 1,561,018		\$ 2,323,796	

Valuation allowance required	\$ 1,008,412	\$ 245,128	\$ 1,437,036	\$ 369,463
No valuation allowance required	552,606	-	886,760	-
Impaired loans evaluated	\$ 1,561,018	\$ 245,128	\$ 2,323,796	\$ 369,463

The average recorded investment in total impaired loans and leases for the quarters ended September 30, 2010 and 2009 amounted to \$2,336,353 and \$3,293,191, respectively. For the nine months ended September 30, 2010 and 2009, the average recorded investment in total impaired loans and leases amounted to \$2,585,269 and \$2,901,353 respectively.

The amount of cumulative net charge-offs recorded on the Corporation's impaired loans outstanding at September 30, 2010 was approximately \$823,314.

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10. Goodwill and Other Intangibles

The changes in the carrying amount of goodwill for the nine months ended September 30, 2010 were as follows (\$000's):

	Commercial Banking	Community Banking	Wealth Management	Others	Total
Gross amount of goodwill	\$ 1,250,595	\$ 609,510	\$ 163,779	\$ 120,777	\$ 2,144,661
Accumulated impairment losses	(925,634)	(609,510)	-	-	(1,535,144)
Goodwill balance as of December 31, 2009	324,961	-	163,779	120,777	609,517
Activity	-	-	-	-	-
Goodwill balance as of September 30, 2010	\$ 324,961	\$ -	\$ 163,779	\$ 120,777	\$ 609,517

The changes in the carrying amount of goodwill for the nine months ended September 30, 2009 were as follows (\$000's):

	Commercial Banking	Community Banking	Wealth Management	Others	Total
Gross amount of goodwill	\$ 1,252,880	\$ 609,510	\$ 157,121	\$ 120,777	\$ 2,140,288
Accumulated impairment losses	(925,634)	(609,510)	-	-	(1,535,144)
Goodwill balance as of December 31, 2008	327,246	-	157,121	120,777	605,144
Goodwill acquired during the period	-	-	3,789	-	3,789
Purchase accounting adjustments	-	-	2,813	-	2,813
Goodwill balance as of September 30, 2009	\$ 327,246	\$ -	\$ 163,723	\$ 120,777	\$ 611,746

Goodwill acquired during the nine months ended September 30, 2009 includes initial goodwill of \$3.8 million for the acquisition of Delta. Purchase accounting adjustments for Wealth Management represent adjustments made to the initial estimates of fair value associated with the acquisition of Taplin, Canida & Habacht.

At September 30, 2010, the Corporation's other intangible assets consisted of the following (\$000's):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Other intangible assets:			
Core deposit intangible	\$ 216,177	\$ (124,361)	\$ 91,816
Trust customers	29,315	(9,422)	19,893
Tradename	3,975	(1,412)	2,563
Other intangibles	6,350	(1,970)	4,380
	\$ 255,817	\$ (137,165)	\$ 118,652
Mortgage loan servicing rights			\$ 1,158

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At September 30, 2009, the Corporation's other intangible assets consisted of the following (\$000's):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Other intangible assets			
Core deposit intangible	\$ 216,852	\$ (109,615)	\$ 107,237
Trust customers	29,354	(6,523)	22,831
Tradename	3,975	(882)	3,093
Other intangibles	7,228	(2,398)	4,830
	\$ 257,409	\$ (119,418)	\$ 137,991
Mortgage loan servicing rights			\$ 1,929

Amortization expense of other intangible assets for the three months ended September 30, 2010 and 2009 amounted to \$4.8 million and \$5.6 million, respectively. For the nine months ended September 30, 2010 and 2009, amortization expense of other intangible assets amounted to \$14.6 million and \$16.7 million, respectively.

Amortization of mortgage loan servicing rights amounted to \$0.2 million and \$0.3 million for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, amortization of mortgage loan servicing rights amounted to \$0.6 million and \$0.8 million, respectively.

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

2011	\$18,123
2012	15,600
2013	13,417
2014	11,538
2015	11,547

Mortgage loan servicing rights are subject to the prepayment risk inherent in the underlying loans that are being serviced. The actual remaining life could be significantly different due to actual prepayment experience in future periods.

Goodwill Impairment Tests

The Intangibles – Goodwill and Other Topic of the Codification provides guidance for impairment testing of goodwill and intangible assets that are not amortized. Goodwill is tested for impairment using a two-step process that begins with an estimation of the fair value of a reporting unit. The first step is a screen for potential impairment and the second step measures the amount of impairment, if any. The Corporation has elected to perform the annual test for

goodwill impairment as of June 30th of each year. Other than goodwill, the Corporation did not have any other intangible assets with indefinite lives at September 30, 2010.

As a result of applying the first step of goodwill impairment testing to determine if potential goodwill impairment existed at June 30, 2010, the Commercial Banking segment, Trust, Private Banking, and Brokerage, the three reporting units that comprise the Wealth Management segment, and the Capital Markets reporting unit “passed” (fair value exceeded the carrying amount) the first step of the goodwill impairment test. The National Consumer Banking reporting unit “failed” (the carrying amount exceeded the fair value) the first step of the goodwill impairment test at June 30, 2010 and was subjected to the second step of the goodwill impairment test.

The second step of the goodwill impairment test compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination is determined. The fair value of a reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of goodwill. The allocation process is performed solely for purposes of testing goodwill for impairment. Recognized assets and liabilities and previously unrecognized intangible assets are not adjusted or recognized as a result of the allocation process.

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The Corporation completed an evaluation of the second step of the process in order to determine if there is any goodwill impairment for the National Consumer Banking reporting unit.

The implied fair value of a reporting unit's goodwill will generally increase if the fair value of its loans and leases are less than the carrying value of the reporting unit's loans and leases. The fair value of loans and leases was derived from discounted cash flow analysis as described in Note 3 – Fair Value Measurements in Notes to Financial Statements.

The Corporation's allocation of the fair values to the assets and liabilities assigned to the National Consumer Banking reporting unit was less than its reported carrying values. As a result, the Corporation concluded that it was not required to recognize any goodwill impairment.

11. Deposits

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

	September 30, 2010	December 31, 2009	September 30, 2009
Noninterest bearing demand	\$ 7,620,406	\$ 7,832,752	\$ 8,286,269
Interest bearing:			
Savings and NOW	4,845,485	6,938,091	6,023,494
Money Market	15,342,605	11,314,909	10,402,907
CD's \$100,000 and over:			
CD's \$100,000 and over	5,412,975	9,702,183	10,909,210
Cash flow hedge - Institutional CDs	-	13,427	15,828
Total CD's \$100,000 and over	5,412,975	9,715,610	10,925,038
Other time	4,796,078	5,589,900	5,787,060
Foreign	183,794	246,263	295,621
Total interest bearing	30,580,937	33,804,773	33,434,120
Total deposits	\$ 38,201,343	\$ 41,637,525	\$ 41,720,389

FDIC's Temporary Liquidity Guarantee Program

On December 5, 2008, the Corporation announced that it and its eligible affiliates would be participating in a component of the FDIC's Temporary Liquidity Guarantee Program – the Transaction Account Guarantee Program (the "TAGP").

Under the TAGP, all noninterest-bearing transaction accounts held at the Corporation's affiliate banks were fully guaranteed by the FDIC for the entire amount in the account, in addition to and separate from the coverage available under the FDIC's general deposit rules.

Due to the stressed economic conditions that existed in 2008 and 2009, the Corporation believes that its participation in the TAGP was warranted and that such participation had a positive affect on its deposit growth in 2009. The Corporation subsequently determined that its participation in the TAGP program and the additional cost of

participating in the program were no longer warranted, and elected to opt out of the program effective as of June 30, 2010. As anticipated, certain NOW deposits and certain noninterest bearing demand deposits migrated to other deposit accounts, investment products or into products offered by other entities during the second quarter of 2010.

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Under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”), which was signed into law on July 21, 2010, beginning December 31, 2010 and continuing through January 1, 2013, all funds held in noninterest-bearing transaction accounts will be fully guaranteed by the FDIC for the full amount of the account. However, this unlimited insurance coverage will not extend to Interest on Lawyer Trust Accounts or minimal interest-bearing NOW accounts, which are currently covered under TAGP.

In addition to the continuation of insurance coverage for noninterest-bearing transaction accounts, the Dodd-Frank Act permanently increased the standard maximum FDIC deposit insurance amount to \$250,000.

12. 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, 2009.

During the second quarter of 2010 the Corporation began originating residential mortgage loans for sale to the secondary market on a mandatory basis. In conjunction with these activities, the Corporation elected to account for the loans held for sale on a mandatory basis at fair value and economically hedge the change in fair value of both the loan commitments and funded loans held for sale on a mandatory basis with To Be Announced (“TBA”) forward contracts on agency securities. The economic hedges are not intended to qualify for the special hedge accounting prescribed by the Derivative and Hedging Topic of the Codification. The activity for the three and nine months ended September 30, 2010 was not significant.

Interest rate risk, the exposure of the Corporation’s net interest income and net fair value of its assets and liabilities to adverse movements in interest rates, is a significant market risk exposure that can have a material effect on the Corporation’s financial condition, results of operations and cash flows. The Corporation has established policies that neither earnings nor fair value at risk should exceed established guidelines. These risks are assessed by modeling the impact of changes in interest rates that may adversely impact expected future earnings and fair values.

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

The Corporation employs certain over-the-counter interest rate swaps that are the designated hedging instruments in fair value and cash flow hedges that are used by the Corporation to manage interest rate risk. These interest rate swaps are measured at fair value on a recurring basis based on significant other observable inputs and are categorized as Level 2. See Note 3 – Fair Value Measurements in Notes to Consolidated Financial Statements for additional information.

In accordance with the Corporation’s accounting policy, derivative fair values are presented on a gross basis.

The Dodd-Frank Act contains a number of significant requirements and restrictions relating to derivative financial instruments and hedging activities by financial institutions and other companies. While many of the details of these requirements and restrictions are uncertain pending rules required to be promulgated under the Dodd-Frank Act, the

Corporation believes its derivative and hedging activities are in compliance with the provisions of the Dodd-Frank Act as they currently appear.

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Trading Instruments and Other Free Standing Derivatives

The Corporation enters into various derivative contracts which are designated as trading and other free standing derivative contracts. These 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 the Derivatives and Hedging Topic of the Codification. They are carried at fair value with changes in fair value recorded as a component of other noninterest income.

Trading and other free standing derivatives are used primarily to focus on providing derivative products to customers, which enable them to manage their exposures to interest rate risk. The Corporation's market risk from unfavorable movements in interest rates is generally economically hedged by concurrently entering into offsetting derivative contracts. The offsetting derivative contracts generally have nearly identical notional values, terms and indices. The Corporation used interest rate futures to economically hedge exposure to interest rate risk arising from the interest rate swap (designated as trading) entered into in conjunction with its auto securitization activities. There were no auto securitization activities during the nine months ended September 30, 2010.

The Corporation originates certain residential real estate loans that are intended to be sold to the secondary market. In conjunction with these activities, the Corporation enters into commitments to originate residential real estate loans whereby the interest rate of the loan is determined prior to funding ("interest rate lock") which are considered freestanding derivatives. Interest rate locks and funded held for sale residential mortgage loans are subject to interest rate risk between the date of the interest rate lock and the date loans are sold to the secondary market. To economically hedge interest rate risk, the Corporation enters into TBA forward contracts on agency securities. The interest rate locks, funded mortgage loans held for sale and TBA forward contracts are carried at fair value with changes in fair value included in gain on sale of mortgage loans which is reported in Other income in the Consolidated Statements of Income. The fair value of interest rate locks, funded mortgage loans held for sale and TBA forward contracts are based on current secondary market prices for underlying loans with similar interest rates, maturities and credit quality. The fair value of interest rate locks are subject to the anticipated probability that the loans will fund within the terms of the loan commitments.

Visa

As permitted under the by-laws of Visa, during the second quarter of 2009 the Corporation sold its 998,826 shares of Visa Class B common stock for \$35.4 million to a qualified purchaser ("purchaser"). At the time of the sale, the conversion ratio of Visa Class B common stock to Visa Class A common stock was 0.6296. That exchange ratio can change based on the outcome of certain litigation matters. Concurrently with the sale, the Corporation and the purchaser entered into a derivative transaction whereby the Corporation will make cash payments to the purchaser whenever the conversion ratio of Visa Class B common stock to Visa Class A common stock is reset to an amount less than 0.6296. The purchaser will make cash payments to the Corporation when the litigation is settled and the ultimate settlement results in a return of cash or additional shares of Visa common stock to the purchaser. The Corporation determined that the initial fair value of the derivative was equal to the Corporation's Visa U.S.A. membership proportion of the unfunded estimated fair value of the litigation settlement amount. That amount was determined to be a liability of \$14.7 million.

The Corporation's estimate of the fair value of the litigation settlement amount was based in part on the announced settled litigation and based in part on an estimate of the amount required to settle the unresolved matters. Estimating the amount required to settle the unresolved matters involved a significant amount of judgment that can not be

verified other than by information disclosed by Visa. As a result, the Corporation has determined that the estimated fair value should be classified in Level 3 of the fair value hierarchy.

On June 30, 2009, Visa announced that it had decided to deposit \$700 million into the litigation escrow account previously established under its retrospective responsibility plan. Despite the funding, Visa did not disclose any updates about the litigation matters that would change the Corporation's estimate of the fair value of the litigation settlement amount. As a result of the deposit, the conversion ratio of Visa Class B common stock to Visa Class A common stock was revised to 0.5824 and the Corporation made a \$3.1 million payment to the purchaser in 2009.

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On June 1, 2010, Visa announced that it had deposited an additional \$500 million into the litigation escrow account previously established under its retrospective responsibility plan. Despite the funding, Visa did not provide any updates about the litigation matters that would change the Corporation's estimate of the fair value of the litigation settlement amount. As a result of the deposit, the conversion ratio of Visa Class B common stock to Visa Class A common stock was revised to 0.5550 and the Corporation made a \$2.0 million payment to the purchaser in the second quarter of 2010.

On September 21, 2010, Visa announced that it had deposited an additional \$800 million in the litigation escrow account. Despite the additional funding, Visa did not provide any updates about the litigation matters that would change the Corporation's estimate of the fair value of the litigation settlement amount. As a result of the deposit, the conversion ratio of Visa Class B common stock to Visa Class A common stock decreased from 0.5550 to 0.5102 and on October 22, 2010, the Corporation made a \$3.5 million payment to the purchaser.

Financial Guarantees

The Corporation is both a purchaser and seller of credit protection in the financial guarantees market. The Corporation primarily uses financial guarantees to mitigate credit risk associated with the derivative receivables associated with loan participations (bought and sold).

Financial guarantees are financial instruments whose value is derived from credit risk associated with debt of a third-party issuer (the reference entity) and which allow one party (the protection purchaser) to transfer that risk to another party (the protection seller). Financial guarantees expose the protection purchaser to the creditworthiness of the protection seller, as the protection seller is required to make payments under the contract when the reference entity experiences a credit event, such as a bankruptcy, a failure to pay its obligation or a restructuring. The seller of credit protection receives a premium for providing protection but has the risk that the underlying instrument referenced in the contract will be subject to a credit event.

Upon a credit event, the protection seller would typically pay out only a percentage of the full notional amount of net protection sold, as the amount actually required to be paid on the contracts takes into account the recovery value of the reference obligation at the time of settlement. The Corporation does not use notional as the primary measure of risk management for credit derivatives because notional does not take into account the probability of occurrence of a credit event, recovery value of the reference obligation, or related cash instruments and economic hedges.

At September 30, 2010, the maximum potential amount of future payments (undiscounted) that the Corporation, as a protection seller, could be required to make under the credit protection derivative amounted to \$7.8 million, of which \$1.2 million matures within one year and \$6.6 million matures in one to five years. The fair value of the credit protection derivative amounted to a negative \$1.2 million at September 30, 2010 and is included in the Accrued Expenses and Other Liabilities category of the Corporation's Consolidated Balance Sheets.

At September 30, 2010, the maximum potential amount of future receivables that the Corporation, as a protection purchaser, may be eligible to receive under the credit protection derivative amounted to \$4.4 million, of which \$2.8 million matures in one to five years and \$1.6 million matures in five to ten years. At September 30, 2010, the fair value of the credit protection derivative was immaterial.

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The following tables summarize the balance sheet category and fair values of trading instruments and other free standing derivatives not designated as hedging instruments:

September 30, 2010	Notional Amount (\$ in millions)	Balance Sheet Category	Fair Value (\$ in millions)
Assets:			
Interest rate contracts - swaps	\$ 4,141.1	Trading assets	\$ 306.0
Interest rate contracts - purchased interest rate caps	180.1	Trading assets	0.8
Interest rate lock commitments	34.8	Trading assets	0.7
TBA forward contracts - agency securities	11.0	Trading assets	0.0
Equity derivative contracts - equity indexed CDs	94.5	Trading assets	6.8
Total assets			314.3
Liabilities:			
Interest rate contracts - swaps	\$ 4,208.8	Accrued expenses and other liabilities	\$ 278.7
Interest rate contracts - sold interest rate caps	170.7	Accrued expenses and other liabilities	0.8
TBA forward contracts - agency securities	24.5	Accrued expenses and other liabilities	0.1
Equity derivative contracts - equity indexed CDs	93.6	Accrued expenses and other liabilities	6.7
Equity derivative contracts - Visa	1.0	Accrued expenses and other liabilities	9.6
Total liabilities			\$ 295.9
Net positive fair value impact			\$ 18.4

September 30, 2009	Notional Amount (\$ in millions)	Balance Sheet Category	Fair Value (\$ in millions)
Assets:			

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Interest rate contracts - swaps	\$ 4,796.2	Trading assets	\$ 244.2
Interest rate contracts - purchased interest rate caps	169.6	Trading assets	1.6
Equity derivative contracts - equity indexed CDs	84.7	Trading assets	6.1
Total assets			251.9
Liabilities:			
		Accrued expenses and other liabilities	
Interest rate contracts - swaps	\$ 4,388.1		\$ 212.6
		Accrued expenses and other liabilities	
Interest rate contracts - sold interest rate caps	151.7		1.5
		Accrued expenses and other liabilities	
Equity derivative contracts - equity indexed CDs	84.4		6.1
		Accrued expenses and other liabilities	
Equity derivative contracts - Visa	1.0		11.6
Total liabilities			\$ 231.8
Net positive fair value impact			\$ 20.1

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The following tables summarize the income statement categories of the gain or (loss) recognized in income on trading instruments and other free standing derivatives not designated as hedging instruments:

		Amount of Gain or (Loss) Recognized in Income on Derivative (\$ in millions)			
Category of Gain or (Loss) Recognized in Income on Derivative		Three Months Ended September 30,		Nine Months Ended September 30,	
		2010	2009	2010	2009
Interest rate contracts:					
Interest rate swaps	Other income - Other	\$ 0.9	\$ 2.4	\$ 3.8	\$ 6.0
Purchased interest rate caps	Other income - Other	(0.3)	(1.0)	(0.6)	0.2
Sold interest rate caps	Other income - Other	0.3	0.9	0.6	(0.1)
Interest rate futures	Other income - Other	-	(0.3)	-	(1.0)
Interest rate lock commitments	Other income - Gain on sale of mortgage loans	0.4	-	0.8	-
TBA forward contracts - agency securities	Other income - Gain on sale of mortgage loans	0.1	-	(0.1)	-
Equity contracts:					
Equity-indexed CDs	Other income - Other	0.0	0.0	0.0	0.0
Warrants		-	(0.1)	-	(0.1)

	Other income - Other				
Visa	Other income - Other	-	(0.0)	-	(14.7)

Fair Value Hedges and Cash Flow Hedges

The Corporation uses various derivative instruments that qualify as hedging relationships under the Derivatives and Hedging Topic of the Codification. These instruments are designated as either fair value hedges or cash flow hedges. The Corporation recognizes these derivative instruments as either assets or liabilities at fair value in the consolidated statement of financial position.

The Corporation employs certain over-the-counter interest rate swaps that are designated hedging instruments in fair value and cash flow hedges that are used by the Corporation to manage its interest rate risk. These interest rate swaps are measured at fair value on a recurring basis based on significant other observable inputs and are categorized as Level 2. See Note 3 – Fair Value Measurements in Notes to Financial Statements for additional information.

The following tables summarize the balance sheet category and fair values of derivatives designated as hedging instruments:

September 30, 2010	Derivative Type	Hedged Item	Notional Amount (\$ in millions)	Balance Sheet Category	Fair Value (\$ in millions)	Weighted Average Remaining Term (Years)
Liabilities						
Interest rate contracts:						
Receive fixed rate swaps	Fair Value	Institutional CDs	\$ 25.0	Deposits	\$ (0.9)	25.7
Receive fixed rate swaps	Fair Value	Brokered bullet CD's	204.9	Deposits	(15.3)	2.7
Receive fixed rate swaps	Fair Value	Callable CDs	2,300.9	Deposits	(53.8)	13.7
Pay fixed rate swaps	Cash Flow	Security repurchase agreement	250.0	Short-term borrowings	7.7	0.6
Pay fixed rate swaps	Cash Flow	FHLB advances	800.0	Long-term borrowings	66.1	1.8
Receive fixed rate swaps	Fair Value	FHLB advances	280.0	Long-term borrowings	(10.2)	1.9
Pay fixed rate swaps	Cash Flow	Floating rate bank notes	73.9	Long-term borrowings	2.5	0.7
Receive fixed rate swaps	Fair Value	Fixed rate bank notes	520.0	Long-term borrowings	(32.2)	4.4
Receive fixed rate swaps	Fair Value	Medium term notes	6.5	Long-term borrowings	0.0	17.4

Total liabilities	\$ (36.1)
Net positive fair value impact	\$ 36.1

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September 30, 2009	Derivative Type	Hedged Item	Notional Amount (\$ in millions)	Balance Sheet Category	Fair Value (\$ in millions)	Weighted Average Remaining Term (Years)
Liabilities						
Interest rate contracts:						
Pay fixed rate swaps	Cash Flow	Institutional CDs	\$ 250.0	Deposits	\$ 15.8	1.6
Receive fixed rate swaps	Fair Value	Brokered bullet CD's	209.3	Deposits	(11.0)	3.7
Receive fixed rate swaps	Fair Value	Callable CDs	5,990.4	Deposits	(37.2)	13.9
Receive fixed rate swaps	Fair Value	Institutional CDs	25.0	Deposits	(1.1)	26.7
Pay fixed rate swaps	Cash Flow	FHLB advances	1,060.0	Long-term borrowings	69.3	2.3
Pay fixed rate swaps	Cash Flow	Floating rate bank notes	192.1	Long-term borrowings	12.9	1.7
Receive fixed rate swaps	Fair Value	FHLB advances	280.0	Long-term borrowings	(4.8)	2.9
Receive fixed rate swaps	Fair Value	Fixed rate bank notes	630.0	Long-term borrowings	(33.9)	5.7
Receive fixed rate swaps	Fair Value	Medium term notes	6.6	Long-term borrowings	(0.0)	18.4
Total liabilities					\$ 10.0	
Net negative fair value impact					\$ (10.0)	

The effect of fair value hedges on the Consolidated Statements of Income for the three months ended September 30, 2010 and 2009 was as follows (\$ in millions):

Interest rate contracts	Category of Gain (Loss) Recognized in Income	Amount of Gain (Loss) Recognized in		Category of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in	
	on Derivative	Income on Derivative (a)		Item	Income on Hedged Item (b)	
		Three Months Ended			Three Months Ended	
		2010	2009		2010	2009
	Interest expense:			Interest expense:		

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	Deposits:			Deposits:		
Receive fixed rate swaps	Institutional CDs	\$ 0.2	\$ (0.9)	Institutional CDs	\$ 0.2	\$ 1.3
Receive fixed rate swaps	Callable CDs	24.4	284.3	Callable CDs	14.4	(217.7)
Receive fixed rate swaps	Brokered Bullet CDs	3.5	4.5	Brokered Bullet CDs	(1.8)	(2.7)
	Long-term borrowings:			Long-term borrowings:		
Receive fixed rate swaps	FHLB advances	2.6	15.2	FHLB advances	(1.1)	(10.3)
Receive fixed rate swaps	Fixed rate bank notes	14.2	5.8	Fixed rate bank notes	(9.7)	(4.8)
Receive fixed rate swaps	Medium term notes	-	0.1	Medium term notes	-	0.1
	Other	-	-	Other	0.1	(0.1)
	Total	\$ 44.9	\$ 309.0	Total	\$ 2.1	\$ (234.2)

- (a) Included in the amount of gain or (loss) recognized in income on derivative is net derivative interest income, which totaled \$46.0 million and \$74.8 million for the three months ended September 30, 2010 and 2009, respectively.
- (b) Included in the amount of gain or (loss) recognized in income on hedged item was income related to the amortization of terminated swaps which totaled \$1.0 million for the three months ended September 30, 2010. Amortization income included in the gain or (loss) recognized in income on hedged item was immaterial for the three months ended September 30, 2009.

The effect of fair value hedges on the Consolidated Statements of Income for the nine months ended September 30, 2010 and 2009 was as follows (\$ in millions):

Interest rate contracts	Category of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in		Category of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in	
		Income on Derivative (a) Nine Months Ended September 30, 2010	Income on Derivative (a) Nine Months Ended September 30, 2009		Income on Hedged Item (b) Nine Months Ended September 30, 2010	Income on Hedged Item (b) Nine Months Ended September 30, 2009
	Interest expense:			Interest expense:		
	Deposits:			Deposits:		
Receive fixed rate swaps	Institutional CDs	\$ 0.9	\$ (0.4)	Institutional CDs	\$ 0.3	\$ 1.4
Receive fixed rate swaps	Callable CDs	270.6	125.9	Callable CDs	(119.3)	63.2
Receive fixed rate swaps	Brokered bullet CDs	11.7	1.5	Brokered bullet CDs	(6.5)	3.6
	Long-term borrowings:			Long-term borrowings:		

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Receive fixed rate swaps	FHLB advances	10.5	5.8	FHLB advances	(6.0)	(4.8)
Receive fixed rate swaps	Fixed rate bank notes	58.7	(9.9)	Fixed rate bank notes	(43.8)	20.0
Receive fixed rate swaps	Medium term notes	0.3	0.0	Medium term notes	(0.3)	0.2
	Other	-	-	Other	0.4	0.1
	Total	\$ 352.7	\$ 122.9	Total	\$ (175.2)	\$ 83.7

- (a) Included in the amount of gain or (loss) recognized in income on derivative is net derivative interest income which totaled \$175.1 million and \$206.6 million for the nine months ended September 30, 2010 and 2009, respectively.

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- (b) Included in the amount of gain or (loss) recognized in income on hedged item was income related to the amortization of terminated swaps which totaled \$2.4 million for the nine months ended September 30, 2010. Amortization income included in the gain or (loss) recognized in income on hedged item was immaterial for the nine months ended September 30, 2009.

The effect of cash flow hedges for the three months ended September 30, 2010 was as follows (\$ in millions):

Derivatives in Cash Flow Hedging Relationships	Three Months Ended September 30, 2010						
	Amount of Gain (Loss) Recognized			Category of Amount Reclassified From Accumulated OCI into Earnings (Effective Portion)	Amount Reclassified from		
	in OCI on Derivative (Effective Portion)				Accumulated OCI into Earnings (Effective Portion)		
	Gross	Tax	Net	Gross	Tax	Net	
Interest rate contracts				Interest rate contracts			
Deposits:				Deposits:			
Institutional CDs	\$ -	\$ -	\$ -	Institutional CDs	\$ -	\$ -	\$ -
Short-term borrowings:				Short-term borrowings:			
Repurchase Agreement	(0.8)	0.2	(0.6)	Repurchase Agreement	3.2	(1.2)	2.0
Long-term borrowings:				Long-term borrowings:			
FHLB advances	(9.7)	3.6	(6.1)	FHLB advances	9.6	(3.5)	6.1
Floating rate bank notes	(0.3)	0.2	(0.1)	Floating rate bank notes	0.8	(0.3)	0.5
Other	-	-	-	Other (a)	0.1	(0.1)	-
	\$ (10.8)	\$ 4.0	\$ (6.8)		\$ 13.7	\$ (5.1)	\$ 8.6

- (a) Represents amortization related to the termination of swaps.

The effect of cash flow hedges for the three months ended September 30, 2009 was as follows (\$ in millions):

	Three Months Ended September 30, 2009		
	Amount of Gain (Loss) Recognized		Category of Amount Reclassified
	in OCI on Derivative		

Derivatives in Cash Flow	Hedging Relationships			From Accumulated OCI into Earnings (Effective Portion)	(Effective Portion)		
	Gross	Tax	Net		Gross	Tax	Net
Interest rate contracts				Interest rate contracts			
Investment securities:				Investment securities:			
Corporate notes				Corporate notes			
- AFS	\$ (0.4)	\$ 0.1	\$ (0.3)	- AFS	\$ (0.2)	\$ 0.1	\$ (0.1)
Deposits:				Deposits:			
Institutional CDs	(0.5)	0.2	(0.3)	Institutional CDs	3.1	(1.0)	2.1
Long-term borrowings:				Long-term borrowings:			
FHLB advances	(7.3)	2.5	(4.8)	FHLB advances	10.3	(3.6)	6.7
Floating rate bank notes	8.8	(3.1)	5.7	Floating rate bank notes	3.0	(1.0)	2.0
Other	-	-	-	Other (a)	0.1	(0.1)	0.0
	\$ 0.6	\$ (0.3)	\$ 0.3		\$ 16.3	\$ (5.6)	\$ 10.7

(a) Represents amortization related to the termination of swaps.

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The effect of cash flow hedges for the nine months ended September 30, 2010 was as follows (\$ in millions):

Derivatives in Cash Flow Hedging Relationships	Nine Months Ended September 30, 2010			Category of Amount Reclassified From Accumulated OCI into Earnings (Effective Portion)	Amount Reclassified from		
	Amount of Gain (Loss) Recognized				Accumulated OCI into Earnings		
	in OCI on Derivative (Effective Portion)				(Effective Portion)		
	Gross	Tax	Net		Gross	Tax	Net
Interest rate contracts				Interest rate contracts			
Deposits:				Deposits:			
Institutional CDs	\$ 7.0	\$ (2.6)	\$ 4.4	Institutional CDs	\$ 6.4	\$ (2.4)	\$ 4.0
Short-term borrowings:				Short-term borrowings:			
Repurchase Agreement	(10.9)	4.0	(6.9)	Repurchase Agreement	3.2	(1.2)	2.0
Long-term borrowings:				Long-term borrowings:			
FHLB advances	(44.6)	16.6	(28.0)	FHLB advances	30.2	(11.2)	19.0
Floating rate bank notes	(2.9)	1.1	(1.8)	Floating rate bank notes	4.9	(1.8)	3.1
Other	-	-	-	Other (a)	0.2	(0.1)	0.1
	\$ (51.4)	\$ 19.1	\$ (32.3)		\$ 44.9	\$ (16.7)	\$ 28.2

(a) Represents amortization related to the termination of swaps.

The effect of cash flow hedges for the nine months ended September 30, 2009 was as follows (\$ in millions):

Derivatives in Cash Flow Hedging Relationships	Nine Months Ended September 30, 2009			Category of Amount Reclassified From Accumulated OCI into Earnings (Effective Portion)	Amount Reclassified from		
	Amount of Gain (Loss) Recognized				Accumulated OCI into Earnings		
	in OCI on Derivative (Effective Portion)				(Effective Portion)		
	Gross	Tax	Net		Gross	Tax	Net

Interest rate contracts				Interest rate contracts			
Investment securities:				Investment securities:			
Corporate notes				Corporate notes			
- AFS	\$ 0.2	\$ (0.1)	\$ 0.1	- AFS	\$ (0.3)	\$ 0.1	\$ (0.2)
Deposits:				Deposits:			
Institutional CDs	(0.8)	0.3	(0.5)	Institutional CDs	12.7	(4.4)	8.3
Long-term borrowings:				Long-term borrowings:			
FHLB advances	2.0	(0.7)	1.3	FHLB advances	27.2	(9.5)	17.7
Floating rate bank notes	9.9	(3.5)	6.4	Floating rate bank notes	7.8	(2.7)	5.1
Other	-	-	-	Other (a)	0.5	(0.2)	0.3
	\$ 11.3	\$ (4.0)	\$ 7.3		\$ 47.9	\$ (16.7)	\$ 31.2

(a) Represents amortization related to the termination of swaps.

The gain recognized in income representing the ineffective portion of the hedging relationships and excluded from the assessment of hedge effectiveness was not material for the three and nine months ended September 30, 2010 and 2009, respectively. The estimated net loss to be reclassified from accumulated other comprehensive income related to cash flow hedges in the next twelve months is approximately \$40.8 million.

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13. 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 after September 1, 1997, including employees hired following business combinations, 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 nine months ended September 30, 2010 and 2009 included the following components (\$000's):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Service cost	\$ 223	\$ 235	\$ 668	\$ 704
Interest cost on APBO	855	980	2,565	2,939
Expected return on plan assets	(446)	(396)	(1,337)	(1,187)
Prior service amortization	(560)	(560)	(1,679)	(1,678)
Actuarial loss amortization	-	210	-	629
Net periodic postretirement benefit cost	\$ 72	\$ 469	\$ 217	\$ 1,407

Benefit payments and expenses, net of participant contributions, for the three and nine months ended September 30, 2010 amounted to \$1.3 million and \$3.8 million respectively.

The funded status, which is the accumulated postretirement benefit obligation net of fair value of plan assets, as of September 30, 2010 is as follows (\$000's):

Total funded status, December 31, 2009	\$28,020
Service cost	668
Interest cost on APBO	2,565
Expected return on plan assets	(1,337)
Employer contributions/payments	(3,762)
Subsidy (Medicare Part D)	617
Total funded status, September 30, 2010	\$26,771

On March 23, 2010, the Patient Protection and Affordable Care Act (the "PPACA") was signed into law, and, on March 30, 2010, the Health Care and Reconciliation Act of 2010 (the "HCERA" and, together with PPACA, the "Acts"), which

makes various amendments to certain aspects of the PPACA, was signed into law. The Acts effectively change the income tax treatment of federal subsidies paid to sponsors of retiree health benefit plans that provide prescription drug benefits that are at least actuarially equivalent to the corresponding benefits provided under Medicare Part D. The federal subsidy paid to employers was introduced as part of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the "MPDIMA"). The Corporation has been receiving the federal subsidy related to its eligible retiree prescription plan. Under the MPDIMA, the federal subsidy does not reduce the Corporation's income tax deduction for the costs of providing such prescription drug plans nor is it subject to income tax individually. Under the Acts, beginning in 2013 the Corporation's income tax deduction for the costs of providing Medicare Part D-equivalent prescription drug benefits to retirees will be reduced by the amount of the subsidy. Under U.S. generally accepted accounting principles, any impact from a change in tax law must be recognized in earnings in the period enacted regardless of the effective date. As a result, during the first quarter of 2010, the Corporation recognized a noncash charge of \$4.1 million or \$0.01 per diluted common share for the write-off of deferred tax assets to reflect the change in tax treatment of the federal subsidy.

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14. Business Segments

The Corporation's operating segments are presented based on its management structure and management accounting practices. The structure and practices are specific to the Corporation; therefore, the financial results of the Corporation's business segments are not necessarily comparable with similar information for other financial institutions.

Based on the way the Corporation organizes its segments, the Corporation has determined that it has four reportable segments: Commercial Banking, Community Banking, Wealth Management and Treasury.

Total Net interest income and Other income by type in Others consist of the following (\$ in millions):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Capital Markets Division	\$ 12.6	\$ 13.1	\$ 37.0	\$ 39.3
National Consumer Banking Division	35.8	44.7	109.3	124.0
Administrative & Other	14.9	13.7	45.2	62.7
Others	74.4	59.9	204.9	196.4
Total	\$ 137.7	\$ 131.4	\$ 396.4	\$ 422.4

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September 30, 2010 & 2009 (Unaudited)

Three Months Ended September 30, 2010 (\$ in millions)

	Commercial Community Wealth					Eliminations, Corporate Reclassifications & Adjustments		Consolidated
	Banking	Banking	Management	Treasury	Others	Overhead		
Net interest income	\$ 219.9	\$ 199.7	\$ 17.0	\$ (96.0)	\$ 53.2	\$ (6.8)	\$ (5.5)	\$ 381.5
Provision for loan and lease losses	386.8	121.0	8.5	-	(84.6)	-	-	431.7
Net interest income after provision for loan and lease losses	(166.9)	78.7	8.5	(96.0)	137.8	(6.8)	(5.5)	(50.2)
Other income	16.2	44.4	73.4	51.7	84.5	38.6	(85.3)	223.5
Other expense	67.6	187.1	70.1	38.0	104.1	38.4	(85.6)	419.7
Income (loss) before income taxes	(218.3)	(64.0)	11.8	(82.3)	118.2	(6.6)	(5.2)	(246.4)
Provision (benefit) for income taxes	(87.3)	(25.6)	4.6	(32.9)	45.5	(1.6)	(5.5)	(102.8)
Net income (loss)	(131.0)	(38.4)	7.2	(49.4)	72.7	(5.0)	0.3	(143.6)
Less: Noncontrolling interest	-	-	-	-	-	-	(0.3)	(0.3)
Segment income (loss)	\$ (131.0)	\$ (38.4)	\$ 7.2					