MARSHALL & ILSLEY CORP
Form 10-Q
August 10, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2009

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 [X] 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 [ ]

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 [X] 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 [X]

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

Class	Outstanding at July 31, 2009
Common Stock, $1.00 Par Value	368,114,578

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2009	December 31, 2008	June 30, 2008
Assets:			
Cash and cash equivalents:			
Cash and due from banks	$ 796,981	$ 851,336	$ 1,316,397
Federal funds sold and security resale agreements	27,670	101,069	519,819
Money market funds	37,236	120,002	67,084
Total cash and cash equivalents	861,887	1,072,407	1,903,300
Interest bearing deposits at other banks	850,704	9,684	8,944
Trading assets, at fair value	261,117	518,361	133,128
Investment securities:			
Available for sale, at fair value	5,981,003	7,430,552	7,412,592
Held to maturity, fair value $148,029 ($243,395 at December 31, 2008 and $288,401 at June 30, 2008)	144,282	238,009	282,396
Loans held for sale	423,210	220,391	135,923
Loans and leases	47,759,934	49,764,153	50,096,609
Allowance for loan and lease losses	(1,367,782)	(1,202,167)	(1,028,809)
Net loans and leases	46,392,152	48,561,986	49,067,800
Premises and equipment, net	572,720	564,789	524,284
Goodwill	611,728	605,144	2,096,514
Other intangible assets	145,580	158,305	145,299
Bank-owned life insurance	1,173,765	1,157,612	1,147,234
Other real estate owned (OREO)	356,790	320,908	207,102
Accrued interest and other assets	1,918,765	1,478,270	1,195,906
Total Assets	$ 59,693,703	$ 62,336,418	$ 64,260,422
Liabilities and Equity:			
Deposits:			
Noninterest bearing	$ 7,847,624	$ 6,879,994	$ 6,390,374
Interest bearing	33,344,721	34,143,147	34,783,119
Total deposits	41,192,345	41,023,141	41,173,493
Federal funds purchased and security repurchase agreements	631,902	1,190,000	2,175,217
Other short-term borrowings	843,021	2,868,033	3,861,081

Accrued expenses and other liabilities	1,134,451	1,370,969	961,891
Long-term borrowings	9,297,487	9,613,717	9,564,597
Total Liabilities	53,099,206	56,065,860	57,736,279
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	-
Common stock, $1.00 par value; 373,764,081 shares issued (272,318,615 shares at December 31, 2008 and 267,455,394 shares at June 30, 2008)	373,764	272,319	267,455
Additional paid-in capital	4,287,733	3,838,867	2,062,289
Retained earnings	2,182,808	2,538,989	4,513,019
Treasury stock, at cost: 5,644,436 shares (6,977,434 shares at December 31, 2008 and 8,023,398 shares at June 30, 2008)	(155,914)	(192,960)	(222,026)
Deferred compensation	(36,945)	(40,797)	(37,913)
Accumulated other comprehensive income, net of related taxes	(69,390)	(157,952)	(68,594)
Total Marshall & Ilsley Corporation shareholders' equity	6,583,771	6,260,181	6,514,230
Noncontrolling interest in subsidiaries	10,726	10,377	9,913
Total Equity	6,594,497	6,270,558	6,524,143
Total Liabilities and Equity	$ 59,693,703	$ 62,336,418	$ 64,260,422

See notes to financial statements.

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

	Three Months Ended June 30,	
	2009	2008
Interest and fee income		
Loans and leases	$ 557,163	$ 726,621
Investment securities:		
Taxable	57,414	71,697
Exempt from federal income taxes	11,542	13,733
Trading securities	1,989	386
Short-term investments	400	2,171
Total interest and fee income	628,508	814,608
Interest expense		
Deposits	138,273	219,205
Short-term borrowings	2,881	37,972
Long-term borrowings	95,530	109,793
Total interest expense	236,684	366,970
Net interest income	391,824	447,638
Provision for loan and lease losses	618,992	885,981
Net interest income (loss) after provision for loan and lease losses	(227,168)	(438,343)
Other income		
Wealth management	65,837	74,753
Service charges on deposits	34,055	37,898
Gain on sale of mortgage loans	16,754	5,614
Other mortgage banking revenue	1,292	1,010
Net investment securities gains	82,665	452
Bank-owned life insurance revenue	7,962	11,968
Gain on termination of debt	9,242	-
OREO income	2,964	1,787
Other	46,430	53,515
Total other income	267,201	186,997
Other expense		
Salaries and employee benefits	187,238	186,572
Net occupancy and equipment	32,437	31,253
Software expenses	7,015	6,349
Processing charges	33,812	33,705
Supplies, printing, postage and delivery	8,930	11,552
FDIC insurance	49,233	2,153
Professional services	21,997	18,168
Amortization of intangibles	5,843	5,977
OREO expenses	35,778	20,263
Other	32,376	64,188
Total other expense	414,659	380,180
Loss before income taxes	(374,626)	(631,526)
Benefit for income taxes	(166,143)	(237,950)
Net loss	(208,483)	(393,576)
Less: Net income attributable to noncontrolling interests	(472)	(215)

Net loss attributable to Marshall & Ilsley Corporation		(208,955)		(393,791)
Preferred dividends		(25,013)		-
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$	(233,968)	$	(393,791)
Per share attributable to Marshall & Ilsley Corporation common shareholders:				
Basic	$	(0.83)	$	(1.52)
Diluted	$	(0.83)	$	(1.52)
Dividends paid per common share	$	0.01	$	0.32
Weighted average common shares outstanding (000's):				
Basic		280,836		258,592
Diluted		280,836		258,592

See notes to financial statements.

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

	Six Months Ended June 30, 2009	2008
Interest and fee income		
Loans and leases	$ 1,123,497	$ 1,510,149
Investment securities:		
Taxable	120,531	149,253
Exempt from federal income taxes	23,797	28,136
Trading securities	3,438	993
Short-term investments	1,028	5,087
Total interest and fee income	1,272,291	1,693,618
Interest expense		
Deposits	276,362	491,979
Short-term borrowings	6,873	91,562
Long-term borrowings	195,486	232,055
Total interest expense	478,721	815,596
Net interest income	793,570	878,022
Provision for loan and lease losses	1,096,916	1,032,302
Net interest income (loss) after provision for loan and lease losses	(303,346)	(154,280)
Other income		
Wealth management	128,519	146,639
Service charges on deposits	69,368	73,579
Gain on sale of mortgage loans	26,568	14,066
Other mortgage banking revenue	2,285	1,922
Net investment securities gains	82,737	26,168
Bank-owned life insurance revenue	17,278	24,363
Gain on termination of debt	12,298	-
OREO income	5,532	2,823
Other	99,322	108,670
Total other income	443,907	398,230
Other expense		
Salaries and employee benefits	342,426	361,236
Net occupancy and equipment	66,230	62,455
Software expenses	13,613	12,582
Processing charges	67,534	65,790
Supplies, printing, postage and delivery	18,024	23,320
FDIC insurance	64,337	4,017
Professional services	41,178	31,647
Amortization of intangibles	11,637	11,922
OREO expenses	68,401	35,212
Other	66,436	87,564
Total other expense	759,816	695,745
Loss before income taxes	(619,255)	(451,795)
Benefit for income taxes	(319,125)	(204,650)
Net loss	(300,130)	(247,145)
Less: Net income attributable to noncontrolling interests	(791)	(437)

Net loss attributable to Marshall & Ilsley Corporation		(300,921)		(247,582)
Preferred dividends		(49,972)		-
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$	(350,893)	$	(247,582)
Per share attributable to Marshall & Ilsley Corporation common shareholders:				
Basic	$	(1.29)	$	(0.95)
Diluted	$	(1.29)	$	(0.95)
Dividends paid per common share	$	0.02	$	0.63
Weighted average common shares outstanding (000's):				
Basic		272,735		259,282
Diluted		272,735		259,282

See notes to financial statements.

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

	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008
Net Cash Provided by Operating Activities	$ 481,863	$ 388,136
Cash Flows from Investing Activities:		
Proceeds from sales of securities available for sale	987,296	118,799
Proceeds from maturities of securities available for sale	873,109	701,106
Proceeds from sales of securities held to maturity	-	1,633
Proceeds from maturities of securities held to maturity	94,491	91,794
Purchases of securities available for sale	(1,317,626)	(591,555)
Net decrease/(increase) in loans and leases	755,822	(3,041,220)
Purchases of premises and equipment, net	(31,530)	(41,626)
Cash paid for acquisitions, net of cash and cash equivalents acquired	(479)	(476,625)
Proceeds from divestitures	-	2,485
Net proceeds from sale of OREO	118,687	41,677
Net cash provided by/(used in) investing activities	1,479,770	(3,193,532)
Cash Flows from Financing Activities:		
Net increase in deposits	169,954	4,387,544
Net decrease in short-term borrowings	(2,579,826)	(876,910)
Proceeds from issuance of long-term borrowings	375	809,389
Payments of long-term borrowings	(274,093)	(1,155,118)
Dividends paid on preferred stock	(43,113)	-
Dividends paid on common stock	(5,288)	(162,406)
Proceeds from the issuance of common stock	560,223	14,555
Purchases of common stock	-	(130,870)
Other	(385)	-
Net cash provided by/(used in) financing activities	(2,172,153)	2,886,184
Net increase/(decrease) in cash and cash equivalents	(210,520)	80,788
Cash and cash equivalents, beginning of year	1,072,407	1,822,512
Cash and cash equivalents, end of period	$ 861,887	$ 1,903,300
Supplemental Cash Flow Information:		
Cash paid/(received) during the period for:		
Interest	$ 492,771	$ 826,763
Income taxes	(118,747)	84,436

See notes to financial statements.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements
June 30, 2009 & 2008 (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, 2008. 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 six months ended June 30, 2009 and 2008. The results of operations for the three and six months ended June 30, 2009 and 2008 are not necessarily indicative of results to be expected for the entire year. The Corporation issued its consolidated financial statements by filing them with the Securities and Exchange Commission (the "SEC") on August 10, 2009 and has evaluated subsequent events up to the time the consolidated financial statements were filed.

2. New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 168, The FASB Accounting Standards CodificationTM and the Hierarchy of Generally Accepted Accounting Principles – a replacement of FASB Statement No. 162 ("SFAS 168"). SFAS 168 provides for the FASB Accounting Standards CodificationTM (the "Codification") to become the single official source of authoritative, nongovernmental U.S. Generally Accepted Accounting Principles ("GAAP"), except for rules and interpretive releases of the SEC, which are also sources of authoritative GAAP for SEC registrants. The Codification did not change GAAP but reorganizes the literature using a consistent structure. SFAS 168 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. As the Codification was not intended to change or alter existing GAAP, it is not expected to impact the consolidated financial statements, however the Corporation will cease using prior GAAP references and begin to use the new Codification when referring to GAAP in the Notes to the Consolidated Financial Statements in its quarterly report on Form 10-Q for the third quarter ending September 30, 2009.

In June 2009, the FASB issued SFAS No. 166, Accounting for Transfers of Financial Assets – an amendment of FASB Statement No. 140 ("SFAS 166") and SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ("SFAS 167"). SFAS No. 166 eliminates the concept of a "qualifying special-purpose entity," changes the requirements for derecognizing financial assets, and requires additional disclosures regarding an entity's continuing involvement in and exposure to risks related to transferred financial assets. SFAS 167, which amends FASB Interpretation No. 46 (revised December 2003), replaces the quantitative approach previously required for determining which enterprise should consolidate a variable interest entity with a consolidation approach focused on which enterprise has the power to direct the activities of a variable interest entity and the obligation to absorb losses of the entity or the right to receive benefits from the entity. SFAS 167 also requires ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity, and eliminates an exception indicating a troubled debt restructuring, as defined in paragraph 2 of FASB Statement No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, was 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. SFAS No. 166 and 167 are effective for the Corporation on January 1, 2010. The Corporation is evaluating the impact that adoption of SFAS 166 and 167 will have on the consolidated financial statements.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events ("SFAS 165"), which sets forth general standards for potential recognition or disclosure of events that occur after the balance sheet date but before financial statements are

issued or are available to be issued. SFAS 165 became effective in the second quarter of 2009 and did not have a material impact on the consolidated financial statements.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

In April 2009, the Financial Accounting Standards Board ("FASB") issued the following three FASB Staff Positions intended to provide additional application guidance and enhance disclosures regarding fair value measurements and impairments of investment securities:

FASB Staff Position ("FSP") FAS 157-4, Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly ("FSP FAS 157-4"), provides additional guidance for estimating fair value in accordance with SFAS No. 157, Fair Value Measurements, when the volume and level of activity for the asset or liability have decreased significantly. FSP FAS 157-4 also provides guidance on identifying circumstances that indicate a transaction is not orderly.

FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments ("FSP FAS 115-2"), amends current other-than-temporary impairment guidance in GAAP for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities in the financial statements. This FSP does not amend existing recognition and measurement guidance related to other-than-temporary impairments of equity securities.

As permitted, the Corporation elected to early adopt the provisions of FSP FAS 157-4 and FSP FAS 115-2 as of January 1, 2009. See Note 7 – Investment Securities in Notes to Financial Statements for information regarding the impact of adopting FSP FAS 157-4 and FSP FAS 115-2.

FSP FAS 107-1 and Accounting Principles Board ("APB") 28-1, Interim Disclosures about Fair Value of Financial Instruments ("FSP FAS 107-1 and APB 28-1"), requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. The provisions of FSP FAS 107-1 and APB 28-1 are effective for the Corporation's interim period ending on June 30, 2009. FSP FAS 107-1 and APB 28-1 amends only the Corporation's disclosure requirements. See Note 3 – Fair Value Measurements and Note 14 – Fair Value of Financial Instruments in Notes to Financial Statements for information regarding the fair value of financial instruments at June 30, 2009.

On January 1, 2009, the Corporation adopted the provisions of Statement of Financial Accounting Standard No. 160, Noncontrolling Interests in Consolidated Financial Statements, an amendment of Accounting Research Bulletin No. 51 ("SFAS 160"). The provisions of SFAS 160 establish accounting and reporting standards for ownership interests in consolidated subsidiaries held by parties other than the parent, previously known as minority interests and now known as noncontrolling interests, including the accounting treatment upon the deconsolidation of a subsidiary. This statement clarifies that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity that should be reported as a separate component within total equity in the consolidated financial statements. Additionally, consolidated net income is to be reported with separate disclosure of the amounts attributable to the parent and to the noncontrolling interests.

SFAS 160 was applied prospectively, except for the provisions related to the presentation of noncontrolling interests. As of June 30, 2009, December 31, 2008 and June 30, 2008, noncontrolling interests of $10.7 million, $10.4 million and $9.9 million, respectively, have been reclassified from Accrued Expenses and Other Liabilities to Total Equity in the Consolidated Balance Sheets. For the three months ended June 30, 2009 and 2008, net income attributable to noncontrolling interests of $0.5 million and $0.2 million, respectively, is included in net income. For the six months ended June 30, 2009 and 2008, net income attributable to noncontrolling interests of $0.8 million and

$0.4 million, respectively, is included in net income. Prior to the adoption of SFAS 160, noncontrolling interests were a deduction to determine net income. Under SFAS 160, noncontrolling interests are a deduction from net income used to arrive at net income attributable to the Corporation. Earnings per common share was not affected as a result of the adoption of the provisions of SAS 160.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

3. Fair Value Measurements

The Corporation adopted Statement of Financial Accounting Standard No. 157, Fair Value Measurements ("SFAS 157"). SFAS 157 provides enhanced guidance for using fair value to measure assets and liabilities. The standard generally applies whenever other standards require or permit assets or liabilities to be measured at fair value. Under the standard, 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 standard does not expand the use of fair value in any new circumstances.

All changes resulting from the application of SFAS 157 were applied prospectively. The effect of adoption has been recognized in either earnings or other comprehensive income, depending on the applicable accounting requirements for the particular asset or liability being measured.

Fair-Value Hierarchy

SFAS 157 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

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.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

The Corporation's Private Equity investments generally take the form of investments in private equity funds. The private equity investments are valued using the 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.

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 unforseen 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 June 30, 2009.

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 June 30, 2009. 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 June 30, 2009.

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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 as of June 30, 2009 ($000's):

	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	$ -	$ 18,484	$ -
Derivative assets	121	242,512	-
Total trading assets	$ 121	$ 260,996	$ -
Investment securities available for sale (2)			
Investment securities	$ 106	$ 5,280,838	$ 184,559
Private equity investments	-	-	70,517
Other assets	-	-	4,945
Total investment securities available for sale	$ 106	$ 5,280,838	$ 260,021
Liabilities (1)			
Other short-term borrowings	$ -	$ 210	$ -
Accrued expenses and other liabilities:			
Derivative liabilities	$ -	$ 200,875	$ 14,743

(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 13 – Derivative Financial Instruments and Hedging Activities in Notes to Financial Statements for further information. Level 3 derivative liabilities represent the fair value of the 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 17 – Guarantees in Notes to Financial Statements for additional information regarding Visa.

(2) The investment securities included in Level 3 are primarily senior tranche asset-backed securities. The amounts presented are exclusive of $386,036 of investments in Federal Reserve Bank and FHLB stock, which are bought and sold at par and are carried at cost, and $54,002 in affordable housing partnerships, which are generally carried on the equity method.

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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 six months ended June 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)	-
Discount accretion	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)	-
Discount accretion	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
Unrealized gains or (losses) for the period included in earnings attributable to unrealized gains or losses for financial instruments still held at June 30, 2009	$ -	$ 3,865	$ -	$ 3,865	$ (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 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 in the Consolidated

Statements of Income.

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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 as of June 30, 2008 ($000's):

	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	$ -	$ 38,119	$ -
Derivative assets	303	94,706	-
Total trading assets	$ 303	$ 132,825	$ -
Investment securities available for sale (2)			
Investment securities	$ 235	$ 6,905,554	$ 72,392
Private equity investments	-	-	61,559
Other assets	-	-	6,195
Total investment securities available for sale	$ 235	$ 6,905,554	$ 140,146
Liabilities (1)			
Other short-term borrowings	$ -	$ 6,394	$ -
Accrued expenses and other liabilities:			
Derivative liabilities	$ 40	$ 72,082	$ -

(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 13 in Notes to Financial Statements for further information.

(2) The amounts presented are exclusive of $327,815 of investments in Federal Reserve Bank and FHLB stock, which are bought and sold at par and are carried at cost, and $38,842 in affordable housing partnerships, which are generally carried on the equity method.

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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 six months ended June 30, 2008 ($000's):

	Investment Securities (1)	Private Equity Investments (2)	Other Assets	Total
Balance at January 1, 2008	$ 2,066	$ 54,121	$ 9,030	$ 65,217
Net payments, purchases and sales	14,319	2,682	(977)	16,024
Discount accretion	5	-	209	214
Total gains or losses (realized or unrealized):				
Included in earnings	-	1,051	(2,020)	(969)
Included in other comprehensive income	-	-	(29)	(29)
Balance at March 31, 2008	$ 16,390	$ 57,854	$ 6,213	$ 80,457
Net payments, purchases and sales	(3)	3,092	(965)	2,124
Discount accretion/(premium amortization)	(2)	-	183	181
Net transfers in and/or out of Level 3	56,007	-	-	56,007
Total gains or losses (realized or unrealized):				
Included in earnings	-	613	-	613
Included in other comprehensive income	-	-	764	764
Balance at June 30, 2008	$ 72,392	$ 61,559	$ 6,195	$ 140,146
Unrealized gains or losses for the period included in earnings attributable to unrealized gains or losses for financial instruments still held at June 30, 2008	$ -	$ 293	$ (2,020)	$ (1,727)

(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 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 in the Consolidated Statements of Income.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Loans held for sale are recorded at lower of cost or market and therefore are reported at fair value on a nonrecurring basis. Such fair values are generally based on bids and are considered Level 2 fair values. Nonaccrual loans greater than an established threshold are individually evaluated for impairment. Impairment is 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 are 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 is 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. For those loans individually evaluated for impairment using the collateral value method, a valuation allowance of $247,958 and $17,426 was recorded for loans with a recorded investment of $980,553 and $102,744 at June 30, 2009 and June 30, 2008, respectively. See Note 9 – Allowance for Loan and Lease Losses in Notes to Financial Statements for more information.

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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. At June 30, 2009 and 2008, the estimated fair value of OREO, less estimated selling costs amounted to $356,790 and $207,102, respectively.

The Corporation has adopted Statement of Financial Accounting Standard No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, Including an Amendment of FASB Statement No. 115 (“SFAS 159”). SFAS 159 permits entities to choose to measure many financial instruments and certain other items generally on an instrument-by-instrument basis at fair value that are not currently required to be measured at fair value. SFAS 159 is intended to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 does not change requirements for recognizing and measuring dividend income, interest income, or interest expense. The Corporation did not elect to measure any existing financial instruments at fair value. However, the Corporation may elect to measure newly acquired financial instruments at fair value in the future.

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4. Comprehensive Income

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

	Three Months Ended June 30, 2009		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss			$ (208,483)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ 26,536	$ (9,307)	$ 17,229
Reclassification for securities transactions included in net income	(43,622)	15,268	(28,354)
Total unrealized gains (losses) on available for sale investment securities	$ (17,086)	$ 5,961	$ (11,125)
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	$ 10,112	$ (3,539)	$ 6,573
Reclassification adjustments for hedging activities included in net income	17,000	(5,950)	11,050
Total net gains (losses) on derivatives hedging variability of cash flows	$ 27,112	$ (9,489)	$ 17,623
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)	68	(282)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	$ (350)	$ 68	$ (282)
Other comprehensive income, net of tax			6,216
Total comprehensive income (loss)			(202,267)
Less: Comprehensive income attributable to the noncontrolling interest			(472)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation			$ (202,739)

	Three Months Ended June 30, 2008		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount

Net loss			$ (393,576)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ (62,728)	$ 22,249	$ (40,479)
Reclassification for securities transactions included in net income	(39)	14	(25)
Total unrealized gains (losses) on available for sale investment securities	$ (62,767)	$ 22,263	$ (40,504)
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	$ 48,984	$ (17,144)	$ 31,840
Reclassification adjustments for hedging activities included in net income	12,247	(4,287)	7,960
Total net gains (losses) on derivatives hedging variability of cash flows	$ 61,231	$ (21,431)	$ 39,800
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	(528)	196	(332)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	$ (528)	$ 196	$ (332)
Other comprehensive income (loss), net of tax			(1,036)
Total comprehensive income (loss)			(394,612)
Less: Comprehensive income attributable to the noncontrolling interest			(215)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation			$ (394,827)

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	Six Months Ended June 30, 2009		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss			$ (300,130)
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ 138,802	$ (48,735)	$ 90,067
Reclassification for securities transactions included in net income	(43,868)	15,354	(28,514)
Total unrealized gains (losses) on available for sale investment securities	$ 94,934	$ (33,381)	$ 61,553
Unrealized gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	$ 10,726	$ (3,754)	$ 6,972
Reclassification adjustments for hedging activities included in net income	31,555	(11,044)	20,511
Total net gains (losses) on derivatives hedging variability of cash flows	$ 42,281	$ (14,798)	$ 27,483
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	(700)	226	(474)
Total net gains (losses) on funded status of defined benefit postretirement plan	$ (700)	$ 226	$ (474)
Other comprehensive income, net of tax			88,562
Total comprehensive income (loss)			(211,568)
Less: Comprehensive income attributable to the noncontrolling interest			(791)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation			$ (212,359)

	Six Months Ended June 30, 2008		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net loss			$ (247,145)
Other comprehensive income (loss):			

Unrealized gains (losses) on available for sale investment securities:								
Arising during the period	$	(31,532	)	$	11,016	$	(20,516	)
Reclassification for securities transactions included in net income		(133	)		47		(86	)
Total unrealized gains (losses) on available for sale investment securities	$	(31,665	)	$	11,063	$	(20,602	)
Unrealized gains (losses) on derivatives hedging variability of cash flows:								
Arising during the period	$	(8,163	)	$	2,857	$	(5,306	)
Reclassification adjustments for hedging activities included in net income		17,977			(6,292)		11,685	
Total net gains (losses) on derivatives hedging variability of cash flows	$	9,814		$	(3,435)	$	6,379	
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		(1,056	)		392		(664	)
Total net gains (losses) on funded status of defined benefit postretirement plan	$	(1,056	)	$	392	$	(664	)
Other comprehensive income (loss), net of tax							(14,887	)
Total comprehensive income (loss)							(262,032	)
Less: Comprehensive income attributable to the noncontrolling interest							(437	)
Comprehensive income (loss) attributable to Marshall & Ilsley Corporation						$	(262,469	)

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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 June 30, 2009		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	$ (208,955)		
Preferred stock dividends	(25,013)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (233,968)	280,836	$ (0.83)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	$ (208,955)		
Preferred stock dividends	(25,013)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (233,968)	280,836	$ (0.83)

	Three Months Ended June 30, 2008		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	$ (393,791)		
Preferred stock dividends	-		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (393,791)	258,592	$ (1.52)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	$ (393,791)		
Preferred stock dividends	-		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (393,791)	258,592	$ (1.52)

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	Six Months Ended June 30, 2009		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	$ (300,921)		
Preferred stock dividends	(49,972)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (350,893)	272,735	$ (1.29)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	$ (300,921)		
Preferred stock dividends	(49,972)		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (350,893)	272,735	$ (1.29)

	Six Months Ended June 30, 2008		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic:			
Net loss attributable to Marshall & Ilsley Corporation	$ (247,582)		
Preferred stock dividends	-		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (247,582)	259,282	$ (0.95)
Effect of dilutive securities:			
Stock option, restricted stock and other plans		-	
Diluted:			
Net loss attributable to Marshall & Ilsley Corporation	$ (247,582)		
Preferred stock dividends	-		
Net loss attributable to Marshall & Ilsley Corporation common shareholders	$ (247,582)	259,282	$ (0.95)

The table below presents the options to purchase shares of common stock not included in the computation of diluted earnings per common share because the exercise price of the outstanding stock options was greater than the average market price of the common shares for the periods ended 2009 and 2008 (anti-dilutive options). As a result of the Corporation's reported net loss for the quarter and six months ended June 30, 2009 and 2008, respectively, all of the stock options outstanding were excluded from the computation of diluted earnings per common share (shares in

thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Shares	32,570	29,884	32,570	29,884
Price Range	$4.76 - $36.82	$8.55 - $36.82	$4.76 - $36.82	$8.55 - $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 six months ended June 30, 2009 because of the reported net loss, and 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 six month periods ended June 30, 2009.

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Effective January 1, 2009, the Corporation adopted FSP No. EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities ("FSP EITF 03-6-1"). Under FSP EITF 03-6-1, unvested share-based payment awards that provide nonforfeitable rights to dividends (such as restricted stock units granted by the Corporation) are considered participating securities to be included in the computation of earnings per share pursuant to the "two-class method" described in FASB Statement No. 128, Earnings per Share. There was no impact to the Corporation's current or prior periods presented as a result of the adoption of FSP EITF 03-6-1.

6. Business Combinations

On May 27, 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. Initial goodwill, subject to the completion of appraisals and valuation of the assets acquired and liabilities assumed, amounted to $3.8 million. The estimated identifiable intangible assets to be amortized (customer relationships and noncompete agreement), subject to a completed valuation, amounted to $1.2 million. The goodwill and intangibles resulting from this acquisition are deductible for tax purposes.

7. Investment Securities

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

	June 30, 2009		December 31, 2008		June 30, 2008	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Available for sale:						
U.S. treasury and government agencies	$ 3,937,512	$ 3,992,153	$ 5,664,947	$ 5,679,970	$ 5,824,343	$ 5,803,940
States and political subdivisions	887,211	893,973	874,183	880,497	865,007	861,797
Residential mortgage backed securities	265,691	257,888	175,740	165,757	108,638	104,873
Corporate notes	153,537	154,939	133,844	134,295	10,000	10,000
	571	571	121	121	-	-

Cash flow hedge - corporate notes						
Corporate notes	154,108	155,510	133,965	134,416	10,000	10,000
Asset backed securities (1)	210,225	162,117	211,676	110,931	214,296	192,943
Equity	115	106	115	127	115	235
Private Equity investments	70,529	70,517	65,300	65,288	61,571	61,559
Federal Reserve Bank & FHLB stock	386,036	386,036	339,779	339,779	327,815	327,815
Affordable Housing Partnerships	54,002	54,002	43,481	43,481	38,842	38,842
Foreign	3,756	3,756	4,403	4,403	4,393	4,393
Other	4,386	4,945	4,465	5,903	5,205	6,195
Total	$ 5,973,571	$ 5,981,003	$ 7,518,054	$ 7,430,552	$ 7,460,225	$ 7,412,592
Held to maturity:						
States and political subdivisions	$ 143,282	$ 147,029	$ 237,009	$ 242,395	$ 281,396	$ 287,401
Foreign	1,000	1,000	1,000	1,000	1,000	1,000
Total	$ 144,282	$ 148,029	$ 238,009	$ 243,395	$ 282,396	$ 288,401

(1) Beginning in 2009, the Corporation incorporated a discounted cash flow valuation methodology, which involves an evaluation of the credit quality of the underlying collateral, cash flow structure and risk adjusted discount rates, with market or broker quotes for certain senior tranche asset backed securities that met the criteria of FSP FAS 157-4 for the use of such a valuation methodology. Primarily as a result of this change, the fair value of these securities increased, however, the amount was not material. This change was accounted for as a change in estimate and included in the unrealized gain included in other comprehensive income for the six months ended June 30, 2009.

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The unrealized gains and losses of selected securities, by major security type were as follows ($000's):

	June 30, 2009		December 31, 2008		June 30, 2008	
	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses	Unrealized Gains	Unrealized Losses
Available for sale:						
U.S. treasury and government agencies	$ 79,211	$ 24,570	$ 93,541	$ 78,518	$ 25,530	$ 45,933
States and political subdivisions	16,467	9,705	19,387	13,073	10,345	13,555
Residential mortgage backed securities	689	8,492	214	10,197	1	3,766
Corporate notes	1,411	9	464	13	-	-
Cash flow hedge - corporate notes	-	-	-	-	-	-
Corporate notes	1,411	9	464	13	-	-
Asset backed securities	-	48,108	-	100,745	30	21,383
Equity	-	9	12	-	120	-
Private Equity investments	52	64	52	64	52	64
Federal Reserve Bank & FHLB stock	-	-	-	-	-	-
Affordable Housing Partnerships	-	-	-	-	-	-
Foreign	-	-	-	-	-	-
Other	559	-	1,438	-	990	-
Total	$ 98,389	$ 90,957	$ 115,108	$ 202,610	$ 37,068	$ 84,701
Held to maturity:						
States and political subdivisions	$ 3,926	$ 179	$ 5,562	$ 176	$ 6,099	$ 94
Foreign	-	-	-	-	-	-
Total	$ 3,926	$ 179	$ 5,562	$ 176	$ 6,099	$ 94

The following table provides the gross unrealized losses and fair value, aggregated by investment category and the length of time the individual securities have been in a continuous unrealized loss position, at June 30, 2009 ($000's):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury and government agencies	$ 162,124	$ 1,363	$ 1,152,943	$ 23,207	$ 1,315,067	$ 24,570
States and political subdivisions	41,476	1,099	196,306	8,785	237,782	9,884
Residential mortgage backed securities	108,922	4,711	63,078	3,781	172,000	8,492
Corporate notes	12,942	9	-	-	12,942	9
Asset backed securities	-	-	160,815	48,108	160,815	48,108
Equity	106	9	-	-	106	9
Private Equity investments	-	-	-	64	-	64
Federal Reserve Bank & FHLB stock	-	-	-	-	-	-
Affordable Housing Partnerships	-	-	-	-	-	-
Foreign	1,975	-	400	-	2,375	-
Other	-	-	-	-	-	-
Total	$ 327,545	$ 7,191	$ 1,573,542	$ 83,945	$ 1,901,087	$ 91,136

The investment securities in the above table were temporarily impaired at June 30, 2009. This temporary impairment represents the amount of loss that would have been realized if the investment securities had been sold on June 30, 2009. The temporary impairment in the investment securities portfolio is the result of increases in market interest rates since the investment securities were acquired and not from deterioration in the creditworthiness of the issuer. At June 30, 2009, the Corporation does not intend to sell these temporarily impaired investment securities until a recovery of fair value, which may be at maturity, and it is more likely than not that the Corporation will not have to sell the investment securities prior to recovery of fair value.

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The following table provides the gross unrealized losses and fair value, aggregated by investment category and the length of time the individual securities have been in a continuous unrealized loss position, at June 30, 2008 ($000's):

	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. treasury and government agencies	$ 2,734,328	$ 30,129	$ 461,764	$ 15,804	$ 3,196,092	$ 45,933
States and political subdivisions	366,006	8,040	98,919	5,609	464,925	13,649
Residential mortgage backed securities	49,637	1,855	54,961	1,911	104,598	3,766
Corporate notes	-	-	-	-	-	-
Asset backed securities	190,637	21,383	-	-	190,637	21,383
Equity	-	-	-	-	-	-
Private Equity investments	-	-	-	64	-	64
Federal Reserve Bank & FHLB stock	-	-	-	-	-	-
Affordable Housing Partnerships	-	-	-	-	-	-
Foreign	825	-	400	-	1,225	-
Other	-	-	-	-	-	-
Total	$ 3,341,433	$ 61,407	$ 616,044	$ 23,388	$ 3,957,477	$ 84,795

The amortized cost and fair value of investment securities by contractual maturity at June 30, 2009 ($000's):

	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 442,318	$ 449,046	$ 31,026	$ 31,266
From one through five years	3,936,852	3,981,155	51,167	52,966
From five through ten years	477,507	486,760	61,895	63,600
After ten years	1,116,894	1,064,042	194	197
Total	$ 5,973,571	$ 5,981,003	$ 144,282	$ 148,029

The gross investment securities gains and losses, including Wealth Managment transactions, amounted to $85,448 and $2,500 for the six months ended June 30, 2009, respectively and $29,478 and $3,216 for the six months ended June 30, 2008, respectively. See the Consolidated Statements of Cash Flows for the proceeds from the sale of investment securities.

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8. Loans and Leases

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

	June 30, 2009	December 31, 2008	June 30, 2008
Commercial, financial and agricultural	$ 14,282,828	$ 14,880,153	$ 15,328,358
Cash flow hedge - variable rate loans	-	-	12
Commercial, financial and agricultural	14,282,828	14,880,153	15,328,370
Real estate:			
Commercial mortgage	13,938,317	12,541,506	11,891,077
Residential mortgage	5,464,643	5,733,908	5,631,449
Construction and development	6,829,293	9,043,263	9,968,878
Home equity loans and lines of credit	4,911,314	5,082,046	4,991,510
Total real estate	31,143,567	32,400,723	32,482,914
Personal	2,068,277	1,929,374	1,713,919
Lease financing	688,472	774,294	707,329
Total loans and leases	$ 48,183,144	$ 49,984,544	$ 50,232,532

Loans are presented net of unearned income and unamortized deferred fees, which amounted to $119,354, $149,894 and $153,233 at June 30, 2009, December 31, 2008 and June 30, 2008, respectively.

For the six months ended June 30, 2009 and 2008, loans transferred to OREO amounted to $271,317 and $179,605, respectively. These amounts are considered non-cash transactions for cash flow purposes.

9. Allowance for Loan and Lease Losses

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Balance at beginning of period	$ 1,352,117	$ 543,539	$ 1,202,167	$ 496,191
Allowance of banks and loans acquired	-	-	-	32,110
Provision for loan and lease losses	618,992	885,981	1,096,916	1,032,302
Charge-offs	(613,115)	(408,819)	(953,338)	(544,648)
Recoveries	9,788	8,108	22,037	12,854
Balance at end of period	$ 1,367,782	$ 1,028,809	$ 1,367,782	$ 1,028,809

As of June 30, 2009, December 31, 2008 and June 30, 2008, nonaccrual loans and leases totaled $2,416,148, $1,526,950 and $1,006,757 and renegotiated loans totaled $818,538, $270,357 and $16,523, respectively. Loans past due 90 days or more and still accruing interest amounted to $15,060, $14,528 and $17,676 at June 30, 2009, December 31, 2008 and June 30, 2008, respectively.

For purposes of impairment testing, nonaccrual loans greater than one million dollars and all renegotiated loans were individually assessed for impairment. 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.

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At June 30, 2009 and 2008, the Corporation's recorded investment in impaired loans and leases and the related valuation allowance are as follows ($000's):

	June 30, 2009		June 30, 2008	
	Recorded Investment	Valuation Allowance	Recorded Investment	Valuation Allowance
Total nonaccrual and renegotiated loans and leases	$ 3,234,686		$ 1,023,280	
Less: nonaccrual loans held for sale	(194,489)		(22,485)	
Total impaired loans and leases	$ 3,040,197		$ 1,000,795	
Loans and leases excluded from individual evaluation	(703,833)		(691,002)	
Impaired loans evaluated	$ 2,336,364		$ 309,793	
Valuation allowance required	$ 1,462,467	$ 324,633	$ 119,267	$ 20,596
No valuation allowance required	873,897	-	190,526	-
Impaired loans evaluated	$ 2,336,364	$ 324,633	$ 309,793	$ 20,596

The average recorded investment in total impaired loans and leases for the quarters ended June 30, 2009 and 2008 amounted to $3,139,492and $976,896 respectively. For the six months ended June 30, 2009 and 2008, the average recorded investment in total impaired loans and leases amounted to $2,705,435and $897,021, respectively.

The amount of cumulative net charge-offs recorded on the Corporation's impaired loans outstanding at June 30, 2009 was approximately $877,336.

10. Financial Asset Sales

The Corporation discontinued, on a recurring basis, the sale and securitization of automobile loans into the secondary market. The carrying values of the remaining retained interests associated with the securitizations are reviewed on a monthly basis to determine if there is a decline in value that is other than temporary. The propriety of the assumptions used are reviewed periodically based on current historical experience as well as the sensitivities of the carrying value of the retained interests to adverse changes in the key assumptions. The Corporation believes that its estimates result in a reasonable carrying value of the retained interests.

Retained interests and other assets consisted of the following ($000's):

June 30,
2009

Interest-only strips	$ 4,945
Cash collateral accounts	35,465
Servicing advances	55
Total retained interests	$ 40,465

There were no impairment losses associated with the remaining retained interests held in the form of interest-only strips and cash collateral accounts in the second quarter and first half of 2009. For the six months ended June 30, 2008, impairment losses amounted to $2.0 million. There were no impairment losses in the second quarter of 2008. The impairment in 2008 was primarily the result of the differences between the actual credit losses experienced compared to the expected credit losses used in measuring the retained interests.

Net trading gains associated with the auto securitization-related interest rate swap amounted to $0.3 million and $0.7 million for the three and six months ended June 30, 2009, respectively. For the three months ended June 30, 2008, net trading gains were immaterial. For the six months ended June 30, 2008, net trading gains associated with the auto securitization-related interest rate swap amounted to $0.8 million.

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At June 30, 2009, securitized automobile loans and other automobile loans managed together with them, along with delinquency and credit loss information, consisted of the following ($000's):

	Securitized	Portfolio	Total Managed
Loan balances	$ 240,918	$ 800,413	$ 1,041,331
Principal amounts of loans 60 days or more past due	1,891	1,196	3,087
Net credit losses year to date	2,650	1,344	3,994

As a result of clean-up calls and other events, the Corporation expects to acquire the remaining loans from the auto securitization trusts in the third quarter of 2009. The loans will be returned as portfolio loans at fair value.

11. Goodwill and Other Intangibles

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

	Commercial Banking	Wealth Management	Others	Total
Goodwill balance at December 31, 2008	$ 327,246	$ 157,121	$ 120,777	$ 605,144
Goodwill acquired during the period	-	3,770	-	3,770
Purchase accounting adjustments	-	2,814	-	2,814
Goodwill balance at June 30, 2009	$ 327,246	$ 163,705	$ 120,777	$ 611,728

Goodwill acquired during the second quarter of 2009 includes initial goodwill of $3.8 million for the acquisition of Delta. See Note 6 – Business Combinations in Notes to Financial Statements for additional information regarding this acquisition. Purchase accounting adjustments for Wealth Management represent adjustments made to the initial estimates of fair value associated with the acquisition of Taplin, Canida & Habacht ("TCH").

The changes in the carrying amount of goodwill for the six months ended June 30, 2008 were as follows ($000's):

	Commercial Banking	Community Banking	Wealth Management	Others	Total
Goodwill balance at December 31, 2007	$ 922,264	$ 560,332	$ 114,572	$ 87,777	$ 1,684,945
Goodwill acquired during the period	326,966	81,263	-	-	408,229

Purchase accounting adjustments		-		-		3,340		-	3,340
Reallocation of goodwill		-		(33,000)		-		33,000	-
Goodwill balance at June 30, 2008	$	1,249,230	$	608,595	$	117,912	$	120,777	$ 2,096,514

Goodwill acquired during 2008 included initial goodwill of $408.2 million for the acquisition of First Indiana Corporation. Purchase accounting adjustments for Wealth Management represent adjustments made to the initial estimates of fair value associated with the acquisition of North Star Financial Corporation and a reduction due to the divestiture of a component of North Star Financial Corporation. During the second quarter of 2008, management consolidated certain lending activities and transferred the assets and the related goodwill from the Community Banking segment to the National Consumer Lending Division reporting unit, which is a component of Others.

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At June 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	$ 254,229	$ (142,664)	$ 111,565
Trust customers	29,354	(5,758)	23,596
Tradename	3,975	(750)	3,225
Other intangibles	7,066	(2,012)	5,054
	$ 294,624	$ (151,184)	$ 143,440
Mortgage loan servicing rights			$ 2,140

At June 30, 2008, 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	$ 254,229	$ (123,811)	$ 130,418
Trust customers	11,384	(3,484)	7,900
Tradename	1,335	(319)	1,016
Other intangibles	4,146	(819)	3,327
	$ 271,094	$ (128,433)	$ 142,661
Mortgage loan servicing rights			$ 2,638

Amortization expense of other intangible assets for the three months ended June 30, 2009 and 2008 amounted to $5.6 million and $5.7 million, respectively. For the six months ended June 30, 2009 and 2008, amortization expense of other intangible assets amounted to $11.1 million and $11.3 million, respectively.

Amortization of mortgage loan servicing rights amounted to $0.2 million and $0.3 million for the three months ended June 30, 2009 and 2008, respectively. For the six month periods ended June 30, 2009 and 2008, amortization of mortgage loan servicing rights amounted to $0.5 million and $0.6 million, respectively.

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

2010	$21,900
2011	18,634
2012	16,095
2013	13,770

2014	11,867

Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets ("SFAS 142"), adopts an aggregate view of goodwill and bases the accounting for goodwill on the units of the combined entity into which an acquired entity is integrated (those units are referred to as Reporting Units). A Reporting Unit is an operating segment as defined in Statement of Financial Accounting Standards No. 131, Disclosures about Segments of an Enterprise and Related Information, or one level below an operating segment.

SFAS 142 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.

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The Corporation has elected to perform its annual test for goodwill as of June 30th. Other than goodwill, the Corporation did not have any other intangible assets that are not amortized at June 30, 2009.

As a result of applying the first step of goodwill impairment testing to determine if potential goodwill impairment existed at June 30, 2009, 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 Commercial segment and 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, 2009 and are being 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.

The Corporation is in the process of completing the second step of the process in order to determine if there is any goodwill impairment for the two Reporting Units that failed step one of the goodwill impairment tests and one reporting unit that marginally passed step one of the goodwill impairment test.

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 14 – Fair Value of Financial Instruments in Notes to Financial Statements ("Note 14").

As shown in Note 14, the Corporation believes that the stress and deterioration in the national real estate markets, liquidity stress and current economic conditions have depressed prices buyers and sellers are paying and receiving for bank-related assets, especially loans and leases. As a result, the Corporation believes that the allocation of the fair values to the assets and liabilities assigned to the individual Reporting Units will be less than their reported carrying values and does not expect that it will be required to recognize any goodwill impairment upon completion of the second step of the goodwill impairment test. See Fair Value Measurements within Critical Accounting Policies in Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion about goodwill impairment tests.

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12. Deposits

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

	June 30, 2009	December 31, 2008	June 30, 2008
Noninterest bearing demand	$ 7,847,624	$ 6,879,994	$ 6,390,374
Interest bearing:			
Savings and NOW	4,893,674	3,454,085	3,253,086
Money Market	9,978,638	10,753,000	10,773,424
CD's $100,000 and over:			
CD's $100,000 and over	12,323,896	12,301,142	12,397,614
Cash flow hedge - Institutional CDs	18,442	27,737	15,681
Total CD's $100,000 and over	12,342,338	12,328,879	12,413,295
Other time	5,737,826	5,743,480	5,065,119
Foreign	392,245	1,863,703	3,278,195
Total interest bearing	33,344,721	34,143,147	34,783,119
Total deposits	$ 41,192,345	$ 41,023,141	$ 41,173,493

13. 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, 2008. There were no significant new hedging strategies employed during the six months ended June 30, 2009.

The Corporation has strategies designed to confine these risks within the 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.

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 SFAS 133. 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 enables 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 uses interest rate futures to economically hedge the exposure to interest rate risk arising from the interest rate swap (designated as trading) entered into in conjunction with its auto securitization activities.

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 as described in Note 24 - Guarantees in Notes to Consolidated Financial Statements in Item 8 of the Corporation's 2008 Annual Report on Form 10-K ("2008 10-K"). 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 was 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.

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As explained in the 2008 10-K, 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 classified in Level 3 of the fair value hierarchy.

On June 30, 2009, Visa announced that it had decided to deposit $700 million ("Loss Funds") into the litigation escrow account previously established under its retrospective responsibilty 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 will be required to make a $3.1 million payment to the counterparty in the third quarter of 2009.

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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 under SFAS 133:

June 30, 2009	Notional Amount ($ in millions)	Balance Sheet Category	Fair Value ($ in millions)
Assets:			
Interest rate contracts - swaps	$ 4,978.5	Trading assets	$ 237.3
Interest rate contracts - purchased interest rate caps	133.2	Trading assets	1.2
Equity derivative contracts - equity indexed CDs	66.1	Trading assets	4.0
Equity derivative contracts - warrants	0.1	Trading assets	0.1
Total assets			$ 242.6
Liabilities:			
Interest rate contracts - swaps	$ 4,844.2	Accrued expenses and other liabilities	$ 196.0
Interest rate contracts - sold interest rate caps	152.1	Accrued expenses and other liabilities	1.0
Interest rate contracts - interest rate futures	1,205.0	Accrued expenses and other liabilities	(0.1)
Equity derivative contracts - equity indexed CDs	65.9	Accrued expenses and other liabilities	4.0
Equity derivative contracts - Visa	1.0	Accrued expenses and other liabilities	14.7
Total liabilities			$ 215.6
Net positive fair value impact			$ 27.0

June 30, 2008	Notional Amount ($ in millions)	Balance Sheet Category	Fair Value ($ in millions)
Assets:			
Interest rate contracts - swaps	$ 3,484.5	Trading assets	$ 90.8
Interest rate contracts - purchased interest rate caps	119.4	Trading assets	0.7
Equity derivative contracts - equity indexed CDs	55.1	Trading assets	3.2
Equity derivative contracts - warrants	0.1	Trading assets	0.3

Total assets				$	95.0
Liabilities:					
Interest rate contracts - swaps	$	3,158.5	Accrued expenses and other liabilities	$	68.2
Interest rate contracts - sold interest rate caps		119.4	Accrued expenses and other liabilities		0.7
Interest rate contracts - interest rate futures		2,155.0	Accrued expenses and other liabilities		-
Equity derivative contracts - equity indexed CDs		55.1	Accrued expenses and other liabilities		3.2
Total liabilities				$	72.1
Net positive fair value impact				$	22.9

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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 under SFAS 133:

Contract	Category of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative ($ in millions) Three Months Ended June 30, 2009	2008
Interest Rate Contracts – Swaps	Other income - Other	$ 0.4	$ (0.4)
Interest Rate Contracts – Purchased Interest Rate Caps	Other income - Other	0.2	(0.3)
Interest Rate Contracts – Sold Interest Rate Caps	Other income - Other	-	0.3
Interest Rate Contracts – Interest Rate Futures	Other income - Other	(0.2)	4.1
Equity Derivative Contracts – Equity-Indexed CDs	Other income - Other	-	-
Equity Derivative Contracts – Warrants	Other income - Other	-	-
Equity Derivative Contracts – Visa	Other income - Other	(14.7)	-

Contract	Category of Gain or (Loss) Recognized in Income on Derivative	Amount of Gain or (Loss) Recognized in Income on Derivative ($ in millions) Six Months Ended June 30, 2009	2008
Interest Rate Contracts – Swaps	Other income - Other	$ 3.6	$ 10.9
Interest Rate Contracts – Purchased Interest Rate Caps	Other income - Other	1.2	0.7
Interest Rate Contracts – Sold Interest Rate Caps	Other income - Other	(1.0)	(0.7)

Interest Rate Contracts – Interest Rate Futures	Other income - Other	(0.7)	(2.4)
Equity Derivative Contracts – Equity-Indexed CDs	Other income - Other	-	-
Equity Derivative Contracts – Warrants	Other income - Other	-	(0.2)
Equity Derivative Contracts – Visa	Other income - Other	(14.7)	-

Fair Value Hedges and Cash Flow Hedges

The Corporation uses various derivative instruments that qualify as hedging relationships under SFAS 133. 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 statement of financial position.

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 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.

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The following tables summarize the balance sheet category and fair values of derivatives designated as hedging instruments under SFAS 133:

June 30, 2009	Derivative Type	Hedged Item	Notional Amount ($ in millions)	Balance Sheet Category	Fair Value ($ in millions)	Weighted Average Remaining Term (Years)
Assets						
Interest rate contracts:						
Receive fixed rate swaps	Cash Flow	Corporate notes - AFS	$ 57.4	Investment securities	$ 0.6	1.1
Total assets					$ 0.6	
Liabilities						
Interest rate contracts:						
Pay fixed rate swaps	Cash Flow	Institutional CDs	$ 300.0	Deposits	$ 18.4	1.6
Receive fixed rate swaps	Fair Value	Brokered Bullet CDs	209.3	Deposits	(8.2)	3.9
Receive fixed rate swaps	Fair Value	Callable CDs	6,019.4	Deposits	180.5	13.8
Receive fixed rate swaps	Fair Value	Institutional CDs	25.0	Deposits	(2.3)	26.9
Pay fixed rate swaps	Cash Flow	FHLB advances	1,340.0	Long-term borrowings	72.2	2.6
Pay fixed rate swaps	Cash Flow	Floating rate bank notes	416.4	Long-term borrowings	24.8	1.8
Receive fixed rate swaps	Fair Value	Fixed rate bank notes	648.2	Long-term borrowings	(23.7)	5.8
Receive fixed rate swaps	Fair Value	Medium term notes	6.6	Long-term borrowings	-	18.7
Total liabilities					$ 261.7	
Net negative fair value					$ (261.1)	

impact

June 30, 2008	Derivative Type	Hedged Item	Notional Amount ($ in millions)	Balance Sheet Category	Fair Value ($ in millions)	Weighted Average Remaining Term (Years)
Assets						
Interest rate contracts:						
Receive fixed rate swaps	Cash Flow	Variable rate loans	$ 100.0	Loans and leases	$ 0.0	0.0
Total assets					$ 0.0	
Liabilities						
Interest rate contracts:						
Pay fixed rate swaps	Cash Flow	Institutional CDs	$ 725.0	Deposits	$ 15.7	1.4
Receive fixed rate swaps	Fair Value	Brokered Bullet CDs	210.7	Deposits	5.1	4.9
Receive fixed rate swaps	Fair Value	Callable CDs	4,810.2	Deposits	129.6	12.9
Receive fixed rate swaps	Fair Value	Institutional CDs	25.0	Deposits	(0.2)	27.9
Pay fixed rate swaps	Cash Flow	FHLB advances	1,060.0	Long-term borrowings	34.2	3.5
Pay fixed rate swaps	Cash Flow	Floating rate bank notes	800.0	Long-term borrowings	10.8	1.8
Receive fixed rate swaps	Fair Value	Fixed rate bank notes	100.0	Long-term borrowings	1.5	7.8
Receive fixed rate swaps	Fair Value	Fixed rate bank notes	354.5	Long-term borrowings	(3.8)	7.4
Receive fixed rate swaps	Fair Value	Medium term notes	7.0	Long-term borrowings	0.2	19.7
Total liabilities					$ 193.1	
Net negative fair value impact					$ (193.1)	

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

The effect of fair value hedges under SFAS 133 on the Consolidated Statements of Income for the three and six months ended June 30, 2009 and 2008 ($ in millions):

Interest rate contracts	Category of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative		Category of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in Income on Hedged Item	
		Three Months Ended June 30,			Three Months Ended June 30,	
		2009	2008		2009	2008
	Interest expense:			Interest expense:		
	Deposits:			Deposits:		
Receive fixed rate swaps	Institutional CDs	$ 0.1	$ (0.7)	Institutional CDs	$ 0.2	$ 1.1
Receive fixed rate swaps	Callable CDs	(118.3)	(103.6)	Callable CDs	177.5	124.4
Receive fixed rate swaps	Brokered Bullet CDs	(3.5)	(7.7)	Brokered Bullet CDs	5.2	8.2
	Long-term borrowings:			Long-term borrowings:		
Receive fixed rate swaps	Fixed rate bank notes	(16.7)	(14.7)	Fixed rate bank notes	19.7	16.4
Receive fixed rate swaps	Medium term notes	-	(0.1)	Medium term notes	-	0.2
Receive fixed rate swaps	Other	-	-	Other	0.1	0.1
	Total	$ (138.4)	$ (126.8)	Total	$ 202.7	$ 150.4

Interest rate contracts	Category of Gain (Loss) Recognized in Income on Derivative	Amount of Gain (Loss) Recognized in Income on Derivative	Category of Gain (Loss) Recognized in Income on Hedged Item	Amount of Gain (Loss) Recognized in Income on Hedged Item

		Six Months Ended June 30,			Six Months Ended June 30,	
		2009	2008		2009	2008
	Interest expense:			Interest expense:		
	Deposits:			Deposits:		
Receive fixed rate swaps	Institutional CDs	$ 0.5	$ 0.6	Institutional CDs	$ 0.1	$ 0.1
Receive fixed rate swaps	Callable CDs	(158.4)	(102.6)	Callable CDs	280.9	127.6
Receive fixed rate swaps	Brokered Bullet CDs	(3.0)	(4.5)	Brokered Bullet CDs	6.3	5.1
	Long-term borrowings:			Long-term borrowings:		
Receive fixed rate swaps	Fixed rate bank notes	(25.1)	3.2	Fixed rate bank notes	30.3	(1.0)
Receive fixed rate swaps	Medium term notes	(0.1)	(0.1)	Medium term notes	0.1	0.1
Receive fixed rate swaps	Other	-	-	Other	0.2	0.2
	Total	$ (186.1)	$ (103.4)	Total	$ 317.9	$ 132.1

For the three and six months ended June 30, 2009 and 2008, respectively, the impact to net interest income due to ineffectiveness was not material.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

The effect of cash flow hedges under SFAS 133 for the three months ended June 30, 2009 and 2008 ($ in millions):

Three Months Ended June 30, 2009	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			Category of Amount Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount Reclassified from Accumulated OCI into Earnings (Effective Portion)		
	Gross	Tax	Net		Gross	Tax	Net
Interest rate contracts				Interest and fee income			
Investment securities - Corporate notes AFS	$ 0.2	$ (0.1)	$ 0.1	Investment securities - Corporate notes AFS	$ (0.1)	$ -	$ (0.1)
Interest rate contracts				Interest expense			
Deposits:				Deposits:			
Institutional CDs	(0.5)	0.2	(0.3)	Institutional CDs	5.0	(1.8)	3.2
Long-term borrowings:				Long-term borrowings:			
FHLB advances	10.0	(3.5)	6.5	FHLB advances	9.3	(3.2)	6.1
Floating rate bank notes	0.4	(0.1)	0.3	Floating rate bank notes	2.6	(1.0)	1.6
Other	-	-	-	Other (1)	0.2	-	0.2
	$ 10.1	$ (3.5)	$ 6.6		$ 17.0	$ (6.0)	$ 11.0

(1) Represents amortization for the three months ended June 30, 2009 from the termination of swaps.

Three Months Ended June 30, 2008	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Category of Amount Reclassified from Accumulated OCI into Earnings	Amount Reclassified from Accumulated OCI into Earnings (Effective Portion)

	Gross	Tax	Net	(Effective Portion)	Gross	Tax	Net
Interest rate contracts				Interest and fee income			
Loans and leases - Variable rate loans	$ -	$ -	$ -	Loans and leases - Variable rate loans	$ (0.1)	$ -	$ (0.1)
Interest rate contracts				Interest expense			
Deposits:				Deposits:			
Institutional CDs	10.2	(3.6)	6.6	Institutional CDs	4.6	(1.6)	3.0
Brokered Money Market	0.1	-	0.1	Brokered Money Market	-	-	-
Long-term borrowings:				Long-term borrowings:			
FHLB advances	29.2	(10.2)	19.0	FHLB advances	4.6	(1.6)	3.0
Floating rate bank notes	9.5	(3.3)	6.2	Floating rate bank notes	3.0	(1.1)	1.9
Other (1)	(0.1)	-	(0.1)	Other (1)	0.2	-	0.2
	$ 48.9	$ (17.1)	$ 31.8		$ 12.3	$ (4.3)	$ 8.0

(1) Represents amortization for the three months ended June 30, 2008 from the termination of swaps.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

The effect of cash flow hedges under SFAS 133 for the six months ended June 30, 2009 and 2008 ($ in millions):

Six Months Ended June 30, 2009	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)			Category of Amount Reclassified from Accumulated OCI into Earnings (Effective Portion)	Amount Reclassified from Accumulated OCI into Earnings (Effective Portion)		
	Gross	Tax	Net		Gross	Tax	Net
Interest rate contracts				Interest and fee income			
Investment securities - Corporate notes AFS	$ 0.6	$ (0.2)	$ 0.4	Investment securities - Corporate notes AFS	$ (0.1)	$ -	$ (0.1)
Interest rate contracts				Interest expense			
Deposits:				Deposits:			
Institutional CDs	(0.3)	0.1	(0.2)	Institutional CDs	9.6	(3.4)	6.2
Long-term borrowings:				Long-term borrowings:			
FHLB advances	9.3	(3.2)	6.1	FHLB advances	16.9	(5.9)	11.0
Floating rate bank notes	1.1	(0.4)	0.7	Floating rate bank notes	4.8	(1.7)	3.1
Other	-	-	-	Other (1)	0.4	(0.1)	0.3
	$ 10.7	$ (3.7)	$ 7.0		$ 31.6	$ (11.1)	$ 20.5

(1) Represents amortization for the six months ended June 30, 2009 from the termination of swaps.

Six Months Ended June 30, 2008	Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion)	Category of Amount Reclassified from Accumulated OCI into Earnings	Amount Reclassified from Accumulated OCI into Earnings (Effective Portion)

	Gross	Tax	Net	(Effective Portion)	Gross	Tax	Net
Interest rate contracts				Interest and fee income			
Loans and leases - Variable rate loans	$ 0.5	$ (0.2)	$ 0.3	Loans and leases - Variable rate loans	$ 0.2	$ (0.1)	$ 0.1
Interest rate contracts				Interest expense			
Deposits:				Deposits:			
Institutional CDs	(4.3)	1.5	(2.8)	Institutional CDs	6.6	(2.3)	4.3
Brokered Money Market	0.1	-	0.1	Brokered Money Market	-	-	-
Long-term borrowings:				Long-term borrowings:			
FHLB advances	(3.0)	1.1	(1.9)	FHLB advances	7.1	(2.5)	4.6
Floating rate bank notes	(1.4)	0.5	(0.9)	Floating rate bank notes	3.7	(1.3)	2.4
Other	(0.1)	-	(0.1)	Other (1)	0.4	(0.1)	0.3
	$ (8.2)	$ 2.9	$ (5.3)		$ 18.0	$ (6.3)	$ 11.7

(1) Represents amortization for the six months ended June 30, 2008 from 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 six months ended June 30, 2009 and 2008, respectively. The estimated reclassification from accumulated other comprehensive income related to cash flow hedges in the next twelve months is approximately $72.6 million.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

14. Fair Value of Financial Instruments

The carrying amount and estimated fair values for on and off-balance sheet financial instruments as of June 30, 2009 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 and Derivative liabilities. See Note 3 – Fair Value Measurements and Note 13 – Derivative Financial Instruments and Hedging Activities in Notes to Financial Statements for additional information regarding trading and other free standing derivatives.

	June 30, 2009	
	Carrying Amount	Fair Value
	($ in millions)	
Financial assets:		
Cash and short term investments	$ 1,712.6	$ 1,712.6
Trading assets	261.1	261.1
Investment securities available for sale	5,981.0	5,981.0
Investment securities held to maturity	144.3	148.0
Net loans and leases	46,815.4	42,203.5
Interest receivable	180.2	180.2
Financial liabilities:		
Deposits	$ 41,192.3	$ 41,584.0
Short-term borrowings	1,474.9	1,481.2
Long-term borrowings	9,297.5	8,662.3
Derivative liabilities	215.6	215.6
Interest payable	226.0	226.0

Where readily available, quoted market prices are utilized by the Corporation. If quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. These techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. The calculated fair value estimates, therefore, cannot be substantiated by comparison to independent markets and, in many cases, could not be realized upon immediate settlement of the instrument. 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.

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. Estimated fair values for residual interests in the form of interest-only strips from automobile loan securitizations are based on discounted cash flow analysis. 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. See Note 3 – Fair Value Measurements in Notes to Financial Statements for additional information.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

Net loans and leases

The fair value of loans and leases was derived from discounted cash flow analyses. Loans and leases as of June 30, 2009 were grouped into 1,900 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 judgmentally made 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 2 credit rating adjustment could affect the aggregate fair value of the loans and leases by approximately $0.8 billion or 1.8% of the net carrying value of total loans and leases at June 30, 2009. The fair value of loans held for sale is based on the expected sales price. At June 30, 2009, the fair value of net loans and leases are 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 the 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 June 30. 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 June 30, 2009, 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. The fair value of borrowings are considered Level 2 in the Fair Value Hierarchy.

Off-Balance Sheet Financial Instruments

Fair values of off-balance sheet financial instruments have been estimated based on the equivalent fees, net of expenses, that would be charged for similar contracts and customers at June 30, 2009 ($ in millions):

	June 30, 2009
Loan commitments	$ 14.2
Commercial letters of	0.5

credit	
Capital support agreements	3.8
Standby letters of credit	10.9

15. Postretirement Health Plan

The Corporation sponsors a defined benefit health plan that provides health care benefits to eligible current and retired employees. Eligibility for retiree benefits is dependent upon age, years of service, and participation in the health plan during active service. The plan is contributory and in 1997 and 2002 the plan was amended. Employees hired 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.

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

Net periodic postretirement benefit cost for the three and six months ended June 30, 2009 and 2008 included the following components ($000's):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Service cost	$ 235	$ 238	$ 470	$ 476
Interest cost on APBO	980	984	1,960	1,968
Expected return on plan assets	(396)	(435)	(792)	(870)
Prior service amortization	(560)	(593)	(1,119)	(1,186)
Actuarial loss amortization	210	75	419	150
Net periodic postretirement benefit cost	$ 469	$ 269	$ 938	$ 538

Benefit payments and expenses, net of participant contributions, for the three and six months ended June 30, 2009 amounted to $1.2 million and $2.4 million, respectively.

The funded status, which is the accumulated postretirement benefit obligation net of fair value of plan assets, as of June 30, 2009 is as follows ($000's):

Total funded status, December 31, 2008	$(36,576)
Service cost	(470)
Interest cost on APBO	(1,960)
Expected return on plan assets	792
Employer contributions/payments	2,400
Subsidy (Medicare Part D)	(390)
Total funded status, June 30, 2009	$(36,204)

16. 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.

During the second quarter of 2008, management consolidated certain lending activities and transferred the related assets and goodwill from the Community Banking segment to the National Consumer Lending Division reporting unit, which is a component of Others. Prior period segment information has been adjusted to reflect the transfer.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Capital Markets Division	$ 13.2	$ 11.9	$ 26.2	$ 26.4
National Consumer Banking Division	40.1	33.2	80.1	60.7
Administrative & Other	35.3	11.8	49.0	53.8
Other	69.5	64.9	136.4	137.2
Total	$ 158.1	$ 121.8	$ 291.7	$ 278.1

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

Three Months Ended June 30, 2009 ($ in millions)

	Commercial Banking	Community Banking	Wealth Management	Treasury	Others	Corporate Overhead	Eliminations, Reclassifications & Adjustments	Consolidated
Net interest income	$214.6	$166.1	$14.8	$(33.5)	$56.0	$(19.5)	$(6.7)	$391.8
Provision for loan and lease losses	193.4	316.9	6.5	-	102.2	-	-	619.0
Net interest income after provision for loan and lease losses	21.2	(150.8)	8.3	(33.5)	(46.2)	(19.5)	(6.7)	(227.2)
Other income	14.8	55.8	68.5	59.4	102.1	52.9	(86.3)	267.2
Other expense	69.6	211.4	68.9	18.2	102.6	30.7	(86.8)	414.6
Income before income taxes	(33.6)	(306.4)	7.9	7.7	(46.7)	2.7	(6.2)	(374.6)
Provision (benefit) for income taxes	(13.5)	(122.6)	3.1	3.1	(23.5)	(6.0)	(6.7)	(166.1)
Net income	(20.1)	(183.8)	4.8	4.6	(23.2)	8.7	0.5	(208.5)
Less: Noncontrolling interest	-	-	-	-	-	-	(0.5)	(0.5)
Segment income	$(20.1)	$(183.8)	$4.8	$4.6	$(23.2)	$8.7	$-	$(209.0)
Identifiable assets	$24,944.8	$17,799.8	$1,690.6	$7,240.5	$8,290.4	$3,667.6	$(3,940.0)	$59,693.7

Three Months Ended June 30, 2008 ($ in millions)

	Commercial Banking	Community Banking	Wealth Management	Treasury	Others	Corporate Overhead	Eliminations, Reclassifications & Adjustments	Consolidated
Net interest income	$194.6	$197.7	$14.6	$19.8	$41.9	$(14.2)	$(6.8)	$447.6
Provision for loan and lease losses	769.6	107.1	2.6	-	6.7	-	-	886.0
Net interest income after provision for loan and lease losses	(575.0)	90.6	12.0	19.8	35.2	(14.2)	(6.8)	(438.4)
Other income	26.2	48.0	77.8	11.2	79.9	29.4	(85.5)	187.0
Other expense	81.6	177.6	65.8	4.4	103.7	32.8	(85.7)	380.2
Income before income taxes	(630.4)	(39.0)	24.0	26.6	11.4	(17.6)	(6.6)	(631.6)
Provision (benefit) for income taxes	(252.2)	(15.6)	9.7	10.6	19.9	(3.6)	(6.8)	(238.0)
Net income	(378.2)	(23.4)	14.3	16.0	(8.5)	(14.0)	0.2	(393.6)
Less: Noncontrolling interest	-	-	-	-	-	-	(0.2)	(0.2)

Segment income	$(378.2)	$(23.4)	$14.3	$16.0	$(8.5)	$(14.0)	$-	$(393.8)
Identifiable assets	$27,537.6	$19,373.0	$1,513.5	$8,802.2	$7,182.9	$2,464.9	$(2,613.7)	$64,260.4

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

Six Months Ended June 30, 2009 ($ in millions)

	Commercial Banking	Community Banking	Wealth Management	Treasury	Others	Corporate Overhead	Eliminations, Reclassifications & Adjustments	Consolidated
Net interest income	$414.2	$339.5	$29.9	$(48.2)	$110.9	$(38.9)	$(13.8)	$793.6
Provision for loan and lease losses	347.7	450.5	16.5	-	282.2	-	-	1,096.9
Net interest income after provision for loan and lease losses	66.5	(111.0)	13.4	(48.2)	(171.3)	(38.9)	(13.8)	(303.3)
Other income	41.4	103.6	133.4	71.4	180.8	85.9	(172.6)	443.9
All other expense	127.2	390.1	125.6	29.1	200.9	60.3	(173.4)	759.8
Income before income taxes	(19.3)	(397.5)	21.2	(5.9)	(191.4)	(13.3)	(13.0)	(619.2)
Provision (benefit) for income taxes	(7.7)	(159.0)	8.8	(2.4)	(129.5)	(15.5)	(13.8)	(319.1)
Net income	(11.6)	(238.5)	12.4	(3.5)	(61.9)	2.2	0.8	(300.1)
Less: Noncontrolling interest	-	-	-	-	-	-	(0.8)	(0.8)
Segment income	$(11.6)	$(238.5)	$12.4	$(3.5)	$(61.9)	$2.2	$-	$(300.9)
Identifiable assets	$24,944.8	$17,799.8	$1,690.6	$7,240.5	$8,290.4	$3,667.6	$(3,940.0)	$59,693.7

Six Months Ended June 30, 2008 ($ in millions)

	Commercial Banking	Community Banking	Wealth Management	Treasury	Others	Corporate Overhead	Eliminations, Reclassifications & Adjustments	Consolidated
Net interest income	$383.5	$393.7	$29.1	$21.3	$86.7	$(22.5)	$(13.8)	$878.0
Provision for loan and lease losses	889.8	133.7	5.4	-	3.4	-	-	1,032.3
Net interest income after provision for loan and lease losses	(506.3)	260.0	23.7	21.3	83.3	(22.5)	(13.8)	(154.3)
Other income	50.9	91.8	152.0	22.2	191.4	59.1	(169.2)	398.2
Other expense	145.8	336.8	126.5	8.3	200.5	47.5	(169.7)	695.7
Income before income taxes	(601.2)	15.0	49.2	35.2	74.2	(10.9)	(13.3)	(451.8)
Provision (benefit) for income taxes	(240.5)	6.0	19.8	14.1	11.9	(2.2)	(13.8)	(204.7)
Net income	(360.7)	9.0	29.4	21.1	62.3	(8.7)	0.5	(247.1)
Less: Noncontrolling interest	-	-	-	-	-	-	(0.5)	(0.5)

Segment income	$(360.7)	$9.0	$29.4	$21.1	$62.3	$(8.7)	$-	$(247.6)
Identifiable assets	$27,537.6	$19,373.0	$1,513.5	$8,802.2	$7,182.9	$2,464.9	$(2,613.7)	$64,260.4

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MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

17. Guarantees

Securities Lending

As described in Note 24 – Guarantees, in Notes to Consolidated Financial Statements in Item 8 of the Corporation's 2008 Annual Report on Form 10-K, as part of securities custody activities and at the direction of trust clients, the Corporation's Wealth Management segment lends securities owned by its clients to borrowers who have been evaluated for credit risk in a manner similar to that employed in making lending decisions. In connection with these activities, Marshall & Ilsley Trust Company N.A. ("M&I Trust") has issued an indemnification against loss resulting from the default by a borrower under the master securities loan agreement due to the failure of the borrower to return loaned securities when due. The borrowing party is required to fully collateralize securities received with cash or marketable securities. As securities are loaned, collateral is maintained at a minimum of 100 percent of the fair value of the securities plus accrued interest and the collateral is revalued on a daily basis. The amount of securities loaned subject to indemnification was $7.5 billion at June 30, 2009, $8.2 billion at December 31, 2008 and $9.6 billion at June 30, 2008. Because of the requirement to fully collateralize the securities borrowed, management believes that the exposure to credit loss from this activity is remote and there are no liabilities reflected on the Consolidated Balance Sheets at June 30, 2009, December 31, 2008 and June 30, 2008, related to these indemnifications.

Capital Support Agreement

Certain entities within the Wealth Management segment are the investment advisor and trustee of the M&I Employee Benefit Stable Principal Fund ("SPF"). The SPF periodically participates in securities lending activities. Although not obligated to do so, during the first quarter of 2009, the Corporation entered into a capital support agreement with SPF that replaced all prior agreements. Under the terms of the current agreement, the Corporation would be required to contribute capital, under certain specific and defined circumstances and not to exceed $75.0 million in the aggregate and for no consideration, should certain asset loss events occur. The agreement expires September 30, 2009 and contains terms that provide for three month renewals with all of the significant terms, including maximum contribution limits, remaining unchanged. At June 30, 2009, the estimated fair value of the contingent liability under the agreement that is recorded within other liabilities in the Consolidated Balance Sheet amounted to $3.8 million. As of August 10, 2009, no contributions have been made under the agreement.

Visa Litigation Update

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. In conjunction with the sale, the Corporation re-affirmed its responsibilities to Visa under Visa's retrospective responsibilty plan ("the plan") which was discussed in Note 24 - Guarantees in Notes to Consolidated Financial Statements in Item 8 of the Corporation's 2008 Annual Report on Form 10-K.

On June 30, 2009, Visa announced that it had decided to deposit $700 million ("Loss Funds") into the litigation escrow account previously established under the 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.

The Corporation continues to expect that the ultimate value of the shares of Visa Class B common stock will exceed the amount of the Corporation's indemnification obligations.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
June 30, 2009 & 2008 (Unaudited)

18. Other Contingent Liabilities

In the normal course of business, the Corporation and its subsidiaries are routinely defendants in or parties to a number of pending and threatened legal actions, including, but not limited to, actions brought on behalf of various classes of claimants, employment matters, and challenges from tax authorities regarding the amount of taxes due. In certain of these actions and proceedings, claims for monetary damages or adjustments to recorded tax liabilities are asserted. In view of the inherent difficulty of predicting the outcome of such matters, particularly matters that will be decided by a jury and actions that seek large damages based on novel and complex damage and liability legal theories or that involve a large number of parties, the Corporation cannot state with confidence the eventual outcome of these matters or the timing of their ultimate resolution, or estimate the possible loss or range of loss associated with them; however, based on current knowledge and after consultation with legal counsel, management does not believe that judgments or settlements in excess of amounts already reserved, if any, arising from pending or threatened legal actions, employment matters, or challenges from tax authorities, either individually or in the aggregate, would have a material adverse effect on the consolidated financial position or liquidity of the Corporation, although they could have a material effect on operating results for a particular period.

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

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

	Three Months Ended June 30, 2009	2008
Assets		
Cash and due from banks	$ 747,773	$ 879,213
Trading assets	581,127	162,048
Short-term investments	458,650	370,650
Investment securities:		
Taxable	6,254,354	6,548,896
Tax-exempt	1,059,464	1,185,827
Total investment securities	7,313,818	7,734,723
Loans and leases:		
Loans and leases, net of unearned income	48,875,520	49,930,536
Allowance for loan and lease losses	(1,361,173)	(681,983)
Net loans and leases	47,514,347	49,248,553
Premises and equipment, net	572,193	521,284
Accrued interest and other assets	3,755,832	4,573,140
Total Assets	$ 60,943,740	$ 63,489,611
Liabilities and Equity		
Deposits:		
Noninterest bearing	$ 7,354,814	$ 5,827,732
Interest bearing	32,503,139	33,225,352
Total deposits	39,857,953	39,053,084
Federal funds purchased and security repurchase agreements	1,735,291	3,002,304
Other short-term borrowings	2,471,202	3,796,189
Long-term borrowings	9,439,766	9,638,628
Accrued expenses and other liabilties	1,040,822	1,023,151
Total Liabilities	54,545,034	56,513,356
Equity		
Marshall & Ilsley Corporation shareholders' equity	6,388,188	6,966,343
Noncontrolling interest in subsidiaries	10,518	9,912
Total Equity	6,398,706	6,976,255
Total Liabilities and Equity	$ 60,943,740	$ 63,489,611

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

	Six Months Ended June 30, 2009	2008
Assets		
Cash and due from banks	$ 775,316	$ 916,090
Trading assets	583,045	170,178
Short-term investments	514,207	351,423
Investment securities:		
Taxable	6,429,895	6,608,841
Tax-exempt	1,070,508	1,214,174
Total investment securities	7,500,403	7,823,015
Loans and leases:		
Loans and leases, net of unearned income	49,343,013	49,270,264
Allowance for loan and lease losses	(1,303,627)	(619,730)
Net loans and leases	48,039,386	48,650,534
Premises and equipment, net	570,739	515,272
Accrued interest and other assets	3,703,387	4,494,598
Total Assets	$ 61,686,483	$ 62,921,110
Liabilities and Equity		
Deposits:		
Noninterest bearing	$ 6,920,679	$ 5,728,051
Interest bearing	32,842,406	32,662,390
Total deposits	39,763,085	38,390,441
Federal funds purchased and security repurchase agreements	1,842,092	3,279,978
Other short-term borrowings	3,119,008	3,327,055
Long-term borrowings	9,504,882	9,829,554
Accrued expenses and other liabilties	1,081,435	1,087,268
Total Liabilities	55,310,502	55,914,296
Equity		
Marshall & Ilsley Corporation shareholders' equity	6,365,528	6,996,903
Noncontrolling interest in subsidiaries	10,453	9,911
Total Equity	6,375,981	7,006,814
Total Liabilities and Equity	$ 61,686,483	$ 62,921,110

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OVERVIEW

For the three months ended June 30, 2009, the net loss attributable to the Corporation's common shareholders amounted to $234.0 million or $0.83 per diluted common share compared to the net loss attributable to the Corporation's common shareholders of $393.8 million or $1.52 per diluted common share for the three months ended June 30, 2008. For the six months ended June 30, 2009, the net loss attributable to common shareholders amounted to $350.9 million or $1.29 per diluted common share compared to the net loss attributable to common shareholders of $247.6 million or $0.95 per diluted common share for the six months ended June 30, 2008.

The net loss attributable to the Corporation's common shareholders for the three and six months ended June 30, 2009 includes $25.0 million and $50.0 million, or $0.09 and $0.18 per diluted common share, respectively, for dividends on the Series B preferred stock issued to the U.S. Treasury in the fourth quarter of 2008 under the Capital Purchase Program.

Consistent with recent quarters, credit quality-related charges were the primary driver of the Corporation's financial performance. For the three months ended June 30, 2009, the provision for loan and lease losses amounted to $619.0 million, which on an after-tax basis was approximately $390.0 million or $1.39 per diluted share. For the six months ended June 30, 2009, the provision for loan and lease losses amounted to $1,096.9 million, which on an after-tax basis was approximately $691.1 million or $2.53 per diluted share. For the three months ended June 30, 2008, the provision for loan and lease losses amounted to $886.0 million, which on an after-tax basis was approximately $566.7 million or $2.19 per diluted share. For the six months ended June 30, 2008, the provision for loan and lease losses amounted to $1,032.3 million, which on an after-tax basis was approximately $660.3 million or $2.55 per diluted share.

The recessionary economy, which includes elevated levels of unemployment, and the weak national real estate markets continued to adversely affect the Corporation's loan and lease portfolio in the second quarter and first half of 2009. Since March 31, 2009, nonaccrual loans and leases, which the Corporation refers to as nonperforming loans and leases, have increased $341.6 million or 16.5% and since December 31, 2008, nonperforming loans and leases have increased $889.2 million or 58.2% and amounted to $2,416.1 million at June 30, 2009. In addition, the amount of impairment, which affects charge-offs and the level of the allowance for loans and leases, remained elevated due to the depressed state of underlying real estate collateral values.

The Corporation continued to experience elevated levels of expenses due to the increase in operating costs associated with collection efforts and carrying nonperforming assets. The estimated increase in expense associated with collection efforts and carrying nonperforming assets, net of related revenue, amounted to $18.8 million for the second quarter of 2009 compared to the second quarter of 2008, which on an after-tax basis was approximately $11.9 million or $0.04 per diluted common share. For the first half of 2009 compared to the first half of 2008, the estimated increase in expense associated with collection efforts and carrying nonperforming assets, net of related revenue, amounted to $39.8 million, which on an after-tax basis was approximately $25.1 million or $0.09 per diluted common share.

Slowing loan growth, declining asset yields, competitive deposit pricing in the low interest rate environment and the increase in nonperforming loans, resulted in lower net interest income in the second quarter and six months ended June 30, 2009 compared to the second quarter and six months ended June 30, 2008. The equity market showed some improvement in the second quarter of 2009 compared to the first quarter of 2009. However, equity market volatility along with downward pressure in the equity markets resulted in lower wealth management revenue in the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008. An increase in mortgage loan closings, primarily due to re-financings, and sales of those loans to the secondary market resulted in mortgage banking revenue growth in the three and six months ended June 30, 2009 compared to the three and six months ended June 30, 2008. During the second quarter of 2009, the Corporation sold United States government agency investment

securities and sold its Visa, Inc. (“Visa”), Series B common stock. The gain resulting from these transactions amounted to $79.0 million, which on an after-tax basis was approximately $49.8 million or $0.18 per diluted common share.

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Operating expenses for the three and six months ended June 30, 2009 include the Federal Deposit Insurance Corporation ("FDIC") special assessment related to insurance on deposits in addition to the increase related to regular insurance premiums for insurance on deposits. The special assessment amounted to $29.3 million, which on an after-tax basis was approximately $18.5 million or $0.07 per diluted common share. Operating expenses, excluding the expenses associated with collection efforts and carrying nonperforming assets, FDIC insurance expense and the reversal of the Visa litigation accrual in the first quarter of 2008, declined 7.7% in the first half of 2009 compared to the first half of 2008. That decline reflects lower incentive compensation and the impact of the expense reduction initiatives announced in the Corporation's fourth quarter 2008 earnings release. During the second quarter of 2009, the Corporation recorded a tax benefit of $18.0 million or $0.06 per diluted common share due to the favorable resolution of a tax matter. For the six months ended June 30, 2009, tax benefits arising from the previous disclosed favorable resolution of a tax matter and recently enacted legislation that required combined reporting for Wisconsin state income tax purposes in the first quarter of 2009 amounted to $69.0 million or $0.25 per diluted common share.

The allowance for loans and leases amounted to $1,367.8 million or 2.84% of total loans and leases outstanding at June 30, 2009 compared to $1,352.1 million or 2.75% at March 31, 2009 and $1,028.8 million or 2.05% at June 30, 2008. Net charge-offs amounted to $603.3 million or 4.95% of average loans and leases for the three months ended June 30, 2009 compared to $400.7 million or 3.23% of average loans and leases for the three months ended June 30, 2008. For the six months ended June 30, 2009, net charge-offs amounted to $931.3 million or 3.81% of average loans and leases compared to $531.8 million or 2.17% of average loans and leases for the six months ended June 30, 2008.

On July 31, 2009, the Corporation sold a pool of predominantly nonperforming residential loans. The total amount sold had an unpaid principal balance of $296.7 million. These loans were classified as loans held for sale and charge-offs of $150.8 million, which are included in net charge-offs above, were recognized at June 30, 2009.

The Corporation continued to employ a variety of strategies to mitigate and reduce its loan loss exposures such as loan sales and restructuring loan terms to lessen the financial stress and the probability of foreclosure for qualifying customers that have demonstrated the capacity and ability to repay their debt obligations in a manner that serves the best interests of both the customer and the Corporation. Troubled debt restructurings, which the Corporation refers to as renegotiated loans, increased approximately $548.2 million since December 31, 2008 and amounted to $818.5 million at June 30, 2009.

At June 30, 2009, the Corporation's Tier 1 regulatory capital ratio was 9.88% or $2,079.0 million in excess of well capitalized under the Federal Reserve Board's regulatory framework. To be well capitalized under the regulatory framework, the Tier 1 capital ratio must meet or exceed 6%. The Corporation's Tier 1 regulatory capital ratio at June 30, 2009 includes the impact of the closing of its public offering of 100.0 million shares of its common stock at $5.75 per share in the second quarter. The 100.0 million shares included 13.0 million shares issued pursuant to the option granted to the underwriters by the Corporation, which was exercised in full. In addition, under the initial shelf registration, the Corporation issued shares of its common stock prior to the public offering previously discussed.

With regard to the outlook for the remainder of 2009, the low interest rate environment together with the numerous other factors that impact net interest income and the net interest margin have made it very difficult to project the net interest margin with a reasonable degree of certainty. However, management expects net interest margin will be relatively stable and comparable with the net interest margin reported for the second quarter of 2009 in the near term with potential opportunities for longer-term net interest margin growth. Commercial and industrial loans contracted slightly in the second quarter of 2009 compared to the first quarter of 2009. Commercial and industrial loan balances are expected to be relatively unchanged in 2009 compared to 2008. Construction and development loans are expected to continue to contract as the Corporation reduces its concentration in these types of loans to its corporate goal of 10% of total loans and leases. At June 30, 2009, construction and development loans were 14.2% of total loans and leases outstanding, which is down from the peak at September 30, 2007, when construction and development loans were

22.6% of total loans and leases outstanding. Commercial real estate loan growth in 2009 compared to 2008 is expected to be unchanged or relatively modest. Wealth management revenue will continue to be affected by market volatility and direction.

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Management expects the prevailing economic and difficult real estate market conditions will last well into 2010 in many of the Corporation's markets. The Corporation expects that the bulk of the credit quality issues related to Florida have been realized. A weak and unstable economy and rising unemployment has resulted in increased stress in consumer loans, particularly consumer mortgage and home equity loans and lines of credit. The Corporation expects that the level of new larger construction loans placed on nonaccrual may be at or near their peak; however, nonaccrual consumer loans are expected to increase. As a result, total nonperforming loans and leases are expected to subside but remain at elevated levels in future quarters. The elevated levels are expected to be consistent with the level of nonperforming loans and leases experienced in the second quarter of 2009 reflecting the broader economic stress.

Management expects the provision for loan and lease losses will continue to be at elevated levels due to the recessionary economy and weak national real estate markets. The credit environment and underlying collateral values continue to be rapidly changing and, as a result, there are numerous unknown factors at this time that will ultimately affect the timing and amount of nonperforming loans and leases, net charge-offs and the provision for loan and lease losses that will be recognized in the remainder of 2009. The Corporation expects that the provision for loan and lease losses and net charge-offs in the third quarter of 2009 will be signficantly less than the provision for loan and lease losses and net charge-offs reported for the second quarter of 2009 due to the additional net charge-offs recorded for the predominately nonperforming residential loans that were classified as held for sale at June 30, 2009 as a result of the July 31, 2009 sale of those loans as discussed below. The timing and amount of charge-offs will continue to be influenced by the Corporation's strategies for managing its nonperforming loans and leases. If the economy and real estate markets deteriorate more than management currently expects, the Corporation will continue to experience increased levels of nonperforming assets, increased net charge-offs, a higher provision for loan and lease losses, lower net interest income and increased operating costs due to the expense associated with collection efforts and the operating expense of carrying nonperforming assets.

As previously noted, on July 31, 2009, the Corporation sold a pool of predominantly nonperforming residential loans with an unpaid principal balance of $296.7 million. These loans were classified as loans held for sale and charge-offs of $150.8 million were recognized at June 30, 2009.

The Corporation's actual results for the remainder of 2009 could differ materially from those expected by management. See "Forward-Looking Statements" in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2008 for a discussion of the various risk factors that could cause actual results to differ materially from expected results.

OTHER NOTEWORTHY TRANSACTIONS AND EVENTS

Some of the other more noteworthy transactions and events that occurred in the six months ended June 30, 2009 and 2008, by quarter, consisted of the following:

Second Quarter 2009

During the second quarter of 2009, the Corporation recognized a gain of $35.4 million in conjunction with the sale of its Visa Class B common stock. Also during the second quarter, the Corporation realized a gain of $43.6 million from the sale of approximately $1.1 billion in aggregate principal amount of United States government agency investment securities. These gains are included in Net investment securities gains in the Consolidated Statements of Income. On an after-tax basis, these gains amounted to $49.8 million or $0.18 per diluted common share.

In the second quarter of 2009, the Corporation recognized a tax benefit of $18.0 million or $0.06 per diluted common share from a favorable resolution of a tax matter associated with a 2002 stock issuance.

During the second quarter of 2009, the Corporation recorded a special FDIC insurance assessment charge of $29.3 million. On an after-tax basis, the assessment amounted to $18.5 million or $0.07 per diluted common share.

On June 17, 2009, the Corporation announced the closing of its public offering of 100.0 million shares of its $1.00 par value common stock at $5.75 per share. The 100.0 million shares include 13.0 million shares issued pursuant to the option granted to the underwriters by the Corporation, which was exercised in full. The proceeds, net of underwriting discounts and commissions and offering expenses, from their issuance amounted to $551.8 million. In addition, under the initial shelf registration, the Corporation issued 670,300 shares of its common stock valued at $4.5 million, net of underwriting discounts and commissions and offering expenses.

On May 27, 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.

First Quarter 2009

The State of Wisconsin enacted legislation that requires combined reporting for state income tax purposes. As a result, the Corporation recorded an additional income tax benefit of $51.0 million, or $0.19 per diluted common share to recognize certain state deferred tax assets, which included the reduction of a valuation allowance for Wisconsin net operating losses. The Corporation expects that income tax expense will increase in future periods due to the enacted legislation.

First Quarter 2008

On January 2, 2008, the Corporation completed its acquisition of First Indiana Corporation ("First Indiana").

During the first quarter of 2008, the Corporation recognized income of $39.1 million due to the completion of the initial public offering ("IPO") by Visa. As a result of the IPO, Visa redeemed 38.7% of the Class B Visa common stock owned by the Corporation. The gain from the redemption amounted to $26.9 million and is reported in Net investment securities gains in the Consolidated Statements of Income. In addition, Visa established an escrow for certain litigation matters from the proceeds of the IPO. As a result of the funded escrow, the Corporation reversed $12.2 million of the litigation accruals that were originally recorded due to the Corporation's membership interests in Visa which is reported in Other expense in the Consolidated Statements of Income. On an after-tax basis, these two Visa-related items increased net income by approximately $25.4 million or $0.10 per diluted common share.

During the first quarter of 2008, the Corporation recognized an additional income tax benefit of approximately $20.0 million, or $0.08 per diluted common share, related to how the TEFRA (interest expense) disallowance should be calculated within a consolidated group.

NET INTEREST INCOME

Net interest income is the difference between interest income on earning assets and interest expense on interest bearing liabilities.

Net interest income for the second quarter of 2009 amounted to $391.8 million compared to $447.6 million reported for the second quarter of 2008, a decrease of $55.8 million or 12.5%. For the six months ended June 30, 2009, net interest income amounted to $793.6 million compared to $878.0 million for the six months ended June 30, 2008, a decrease of $84.4 million or 9.6%. During the past year, net interest income has been under pressure as interest rates on earning assets have declined more rapidly than the rates paid for interest bearing liabilities. The Corporation's inability to continue to lower deposit pricing in the low interest rate environment due to competition for deposits and a shift in deposit mix to higher cost deposits has contributed to lower net interest income. In addition, net interest income has been compressed as a result of higher levels of nonperforming loans and leases and interest rate concessions associated with renegotiated loans.

Average earning assets decreased $1.0 billion or 1.7% in the second quarter of 2009 compared to the second quarter of 2008. A decline in average loans and leases accounted for substantially all of the decline in average earning assets in the three months ended June 30, 2009 compared to the three months ended June 30, 2008.

Average interest bearing liabilities decreased $3.5 billion or 7.1% in the second quarter of 2009 compared to the second quarter of 2008, and amounted to $46.1 billion for the second quarter of 2009. Average interest bearing deposits decreased $0.7 billion or 2.2% in the second quarter of 2009 compared to the second quarter of

2008. Average short-term borrowings decreased $2.6 billion or 38.1% in the second quarter of 2009 compared to the same period in 2008. Average long-term borrowings decreased $0.2 billion or 2.1% in the second quarter of 2009 compared to the second quarter of 2008. During the second quarter of 2009, the Corporation re-acquired and extinguished $218.7 million of long-term borrowings.

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Average noninterest bearing deposits increased approximately $1.5 billion or 26.2% in the three months ended June 30, 2009 compared to the three months ended June 30, 2008.

For the six months ended June 30, 2009, average earning assets amounted to $57.9 billion compared to $57.6 billion for the six months ended June 30, 2008, an increase of $0.3 billion or 0.6%. An increase in average short-term investments and trading assets accounted for the majority of the increase in the first half of 2009 over the first half of 2008.

Average interest bearing liabilities decreased $1.8 billion or 3.6% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Average interest bearing deposits increased $0.2 billion or 0.6% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. Average short-term borrowings declined approximately $1.7 billion or 24.9% in the first half of 2009 compared to the same period in 2008. Average long-term borrowings decreased $0.3 billion or 3.3% in the six months ended June 30, 2009 compared to the six months ended June 30, 2008. During the first half of 2009, the Corporation re-acquired and extinguished approximately $260.8 million of long-term borrowings.

For the six months ended June 30, 2009 compared to the six months ended June 30, 2008, average noninterest bearing deposits increased $1.2 billion or 20.8%.

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

Consolidated Average Loans and Leases

	2009		2008			Growth Percent	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	Annual	Prior Quarter
Commercial:							
Commercial	$ 14,404	$ 14,745	$ 14,888	$ 15,002	$ 15,086	(4.5) %	(2.3) %
Commercial lease financing	522	547	534	511	517	1.0	(4.6)
Total commercial loans and leases	14,926	15,292	15,422	15,513	15,603	(4.3)	(2.4)
Commercial real estate	13,549	12,872	12,203	11,942	11,703	15.8	5.3
Residential real estate	5,695	5,768	5,675	5,631	5,525	3.1	(1.3)
Construction and development:							
Commercial							
Construction	3,290	3,966	4,577	4,433	4,431	(25.7)	(17.0)
Land	898	854	913	986	992	(9.5)	5.2
Commercial construction and development	4,188	4,820	5,490	5,419	5,423	(22.8)	(13.1)
Residential							

Construction by individuals	690	834	938	1,009	1,013	(31.9)	(17.3)
Land	2,016	2,094	2,200	2,254	2,419	(16.7)	(3.8)
Construction by developers	693	923	1,158	1,275	1,518	(54.4)	(24.9)
Residential construction and development	3,399	3,851	4,296	4,538	4,950	(31.3)	(11.8)
Total construction and development	7,587	8,671	9,786	9,957	10,373	(26.9)	(12.5)
Personal:							
Home equity loans and lines of credit	4,969	5,064	5,071	5,027	4,835	2.8	(1.9)
Other personal loans	1,959	1,942	1,878	1,766	1,693	15.7	0.9
Personal lease financing	190	207	211	196	199	(4.9)	(8.3)
Total personal loans and leases	7,118	7,213	7,160	6,989	6,727	5.8	(1.3)
Total consolidated average loans and leases	$ 48,875	$ 49,816	$ 50,246	$ 50,032	$ 49,931	(2.1) %	(1.9) %
Total consolidated average loans and leases excluding total construction and development	$ 41,288	$ 41,145	$ 40,460	$ 40,075	$ 39,558	4.4 %	0.3 %

Total consolidated average loans and leases decreased approximately $1.1 billion or 2.1% in the second quarter of 2009 compared to the second quarter of 2008. For the six months ended June 30, 2009, total consolidated average loans and leases were relatively unchanged compared to total consolidated average loans and leases for the six months ended June 30, 2008.

Total average commercial loans and leases declined $0.7 billion or 4.3% in the second quarter of 2009 compared to the second quarter of 2008. Compared to the first quarter of 2009, total average commercial loans and leases decreased $0.4 billion or 2.4%. For the six months ended June 30, 2009, total average commercial loans and leases amounted to $15.1 billion compared to $15.3 billion for the six months ended June 30, 2008, a decrease of $0.2 billion or 1.0%. The weak economy has resulted in commercial customers reducing expenses and paying down their debt, delaying capital expenditures and reducing inventories. Management expects that the growth in year-over-year commercial loans and leases will be relatively unchanged in 2009 compared to 2008.

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Total average commercial real estate loan growth was $1.8 billion or 15.8% in the second quarter of 2009 compared to the second quarter of 2008. Compared to the first quarter of 2009, total average commercial real estate loans increased $0.7 billion or 5.3%. For the six months ended June 30, 2009, total average commercial real estate loans amounted to $13.2 billion compared to $11.6 billion for the six months ended June 30, 2008, an increase of $1.6 billion or 13.8%. A portion of this growth represents the migration of construction loans to commercial real estate loans once construction is completed. As a result of the commercial real estate lending environment, the Corporation has provided more interim financing for post construction loans than it has historically and expects this trend to continue until such time as the liquidity in the commercial real estate lending environment normalizes. The Corporation continues to experience slowing in new construction and development activity and to some extent throughout its commercial real estate business in response to the weak economy. Commercial real estate loan growth in 2009, outside of the post construction financing previously discussed, is expected to be unchanged or relatively modest.

Total average residential real estate loan growth was $0.2 billion or 3.1% in the second quarter of 2009 compared to the second quarter of 2008. Compared to the first quarter of 2009, total average residential real estate loans decreased $0.1 billion or 1.3%. For the first half of 2009, total average residential real estate loans amounted to $5.7 billion compared to approximately $5.3 billion for the first half of 2008, an increase of $0.4 billion or 7.1%. From a production standpoint, residential real estate loan closings in the second quarter of 2009 were $1.1 billion compared to $0.8 billion in the first quarter of 2009 and $0.9 billion in the second quarter of 2008. For the six months ended June 30, 2009, residential real estate loan closings were $1.9 billion compared to $2.3 billion for the same period in 2008. Approximately 79% of new mortgage volumes in the first half of 2009 were associated with re-financings due to low interest rates. The Corporation sold predominantly all of its residential real estate production (residential real estate and home equity loans) in the secondary market. Selected residential real estate loans with rate and term characteristics that are considered desirable are retained in the portfolio. For the three months ended June 30, 2009 and 2008, real estate loans sold to investors amounted to $1.0 billion and $0.4 billion, respectively. For the six months ended June 30, 2009 and 2008, real estate loans sold to investors amounted to $1.8 billion and $0.9 billion, respectively. At June 30, 2009 and 2008, the Corporation had approximately $164.1 million and $45.3 million of residential mortgage loans and home equity loans held for sale, respectively. Gains from the sale of mortgage loans amounted to $16.8 million in the second quarter of 2009 compared to $5.6 million in the second quarter of 2008. For the six months ended June 30, 2009, gains from the sale of mortgage loans amounted to $26.6 million compared to $14.1 million for the six months ended June 30, 2008.

Total average construction and development loans declined $2.8 billion or 26.9% in the second quarter of 2009 compared to the second quarter of 2008 and declined $1.1 billion or 12.5% since the first quarter of 2009. For the six months ended June 30, 2009, total average construction and development loans amounted to $8.1 billion compared to $10.5 billion for the six months ended June 30, 2008, a decrease of $2.4 billion or 22.3%. Certain construction and development loans currently have a higher risk profile because the value of the underlying collateral is dependent on the real estate markets and these loans are somewhat concentrated in markets experiencing elevated levels of stress. Construction and development loans consist of:

Commercial Construction - Loans primarily to mid-sized local and regional companies to construct a variety of commercial projects.

Commercial Land - Loans primarily to mid-sized local and regional companies to acquire and develop land for a variety of commercial projects.

Residential Construction by Individuals - Loans primarily to individuals to construct 1-4 family homes.

Residential Land - Loans primarily to individuals and mid-sized local and regional builders to acquire and develop land for 1-4 family homes.

Residential Construction by Developers - Loans primarily to mid-sized local and regional builders to construct 1-4 family homes in residential subdivisions.

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The decrease in construction and development loans has been due to payments, transfers to other loan types when projects are completed and permanent financing is obtained, loan sales and charge-offs. Construction and development loans held for sale amounted to $73.8 million at June 30, 2009. Construction and development loans are expected to continue to contract as the Corporation reduces its concentration in these types of loans to its corporate goal of 10% of total loans and leases. Period-end construction and development loans amounted to $6,829 million which was 14.2% of total loans and leases outstanding at June 30, 2009 and is $758 million less than average construction and development loans for the three months ended June 30, 2009.

Total average personal loan growth was $0.4 billion or 5.8% in the second quarter of 2009 compared to the second quarter of 2008. Approximately $0.1 billion of the growth was attributable to home equity loans and lines of credit and $0.3 billion of the growth was attributable to consumer auto loans. Compared to the first quarter of 2009, total average personal loans decreased $0.1 billion or 1.3%. For the six months ended June 30, 2009, total average personal loans amounted to $7.2 billion compared to $6.6 billion for the same period in 2008, an increase of $0.6 billion or 8.7%. Approximately $0.3 billion of the growth in the first half of 2009 was attributable to home equity loans and lines of credit and $0.2 billion was attributable to consumer auto loans. Credit card loans averaged $0.3 billion in the second quarter and first half of 2009, respectively. Credit card loans are not significant to the Corporation's loan and lease portfolio.

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

Consolidated Average Deposits

	2009		2008			Growth Percent	
	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Second Quarter	Annual	Prior Quarter
Noninterest bearing deposits							
Commercial	$ 5,505	$ 4,849	$ 4,470	$ 4,305	$ 4,168	32.1 %	13.5 %
Personal	1,003	979	985	1,005	1,056	(5.0)	2.5
Other	847	654	608	599	604	40.2	29.4
Total noninterest bearing deposits	7,355	6,482	6,063	5,909	5,828	26.2	13.5
Interest bearing deposits							
Savings and NOW							
Savings	1,386	887	883	902	882	57.3	56.4
NOW	2,746	2,624	2,340	2,391	2,391	14.8	4.6
Brokered NOW	43	19	5	-	-	n.m.	119.8
Total savings and NOW	4,175	3,530	3,228	3,293	3,273	27.6	18.3
Money market							
Money market index	6,185	6,541	7,085	7,848	8,335	(25.8)	(5.4)
Money market savings	916	1,069	1,143	1,224	1,339	(31.6)	(14.3)
	3,106	3,021	2,413	1,473	1,525	103.6	2.8

Brokered money market							
Total money market	10,207	10,631	10,641	10,545	11,199	(8.9)	(4.0)
Time							
CDs $100,000 and over							
Large CDs	4,461	4,152	3,714	3,881	4,074	9.5	7.4
Brokered CDs	7,485	7,888	9,059	8,295	7,090	5.6	(5.1)
Total CDs $100,000 and over	11,946	12,040	12,773	12,176	11,164	7.0	(0.8)
Other CDs and time	5,706	5,861	5,499	5,152	4,813	18.6	(2.7)
Total time	17,652	17,901	18,272	17,328	15,977	10.5	(1.4)
Foreign							
Foreign activity	469	866	1,583	1,813	1,834	(74.4)	(45.8)
Foreign time	-	257	823	800	942	(100.0)	(100.0)
Total foreign	469	1,123	2,406	2,613	2,776	(83.1)	(58.2)
Total interest bearing deposits	32,503	33,185	34,547	33,779	33,225	(2.2)	(2.1)
Total consolidated average deposits	$ 39,858	$ 39,667	$ 40,610	$ 39,688	$ 39,053	2.1 %	0.5 %

Total consolidated average deposits increased $0.8 billion or 2.1% in the second quarter of 2009 compared to the second quarter of 2008. Average noninterest bearing deposits increased approximately $1.5 billion or 26.2% in the second quarter of 2009 compared to the second quarter of 2008 and increased $0.9 billion or 13.5% compared to the first quarter of 2009. Average interest bearing deposits decreased $0.7 billion or 2.2% in the second quarter of 2009 compared to the second quarter of 2008 and decreased $0.7 billion or 2.1% compared to the first quarter of 2009. The decrease in average interest bearing deposits in the second quarter of 2009 compared to the first quarter of 2009 was due to brokered CDs that matured or were called due to the rate structure and a decline in higher-priced foreign activity and time deposits. Of the $0.7 billion decrease in average interest bearing deposits over the prior year, average money market deposits decreased approximately $1.0 billion and foreign deposits decreased $2.3 billion in the second quarter of 2009 compared to the second quarter of 2008. The decline in average money market and foreign deposits reflects the competitive pricing environment. The declines in average money market deposits and foreign deposits were offset by growth in average savings and NOW and time deposits. Average savings and NOW increased $0.9 billion and average time deposits increased $1.7 billion.

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For the six months ended June 30, 2009 compared to the six months ended June 30, 2008, total consolidated average deposits increased $1.4 billion or 3.6%. Average noninterest bearing deposits increased approximately $1.2 billion or 20.8% in the first half of 2009 compared to the first half of 2008. Average interest bearing deposits increased $0.2 billion or 0.6% in the six months ended June 30, 2009 compared to the same period in 2008. Of the $0.2 billion increase in average interest bearing deposits over the prior year, average savings and NOW increased $0.6 billion and average time deposits increased $2.8 billion. The growth in savings and NOW and time deposits was offset by declines in average money market deposits of approximately $1.0 billion and foreign deposits of $2.2 billion in the first half of 2009 compared to the first half of 2008. The decline in average money market and foreign deposits reflects the competitive pricing environment.

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

The Corporation continued to experience shifts in the deposit mix. In their search for higher yields, both new and existing customers have been migrating their deposit balances to higher cost deposit products. Management expects this behavior to continue.

Total borrowings amounted to $10.8 billion at June 30, 2009 compared to $13.7 billion at December 31, 2008. During the first half of 2009, the Corporation re-acquired and extinguished $260.8 million of long-term borrowings at a gain of $12.3 million that is reported as gain on termination of debt in the Consolidated Statements of Income.

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The Corporation's consolidated average interest earning assets and interest bearing liabilities, interest earned and interest paid for the three months ended June 30, 2009 and 2008, are presented in the following table ($ in millions):

Consolidated Yield and Cost Analysis

	Three Months Ended June 30, 2009			Three Months Ended June 30, 2008		
	Average Balance	Interest	Average Yield or Cost (b)	Average Balance	Interest	Average Yield or Cost (b)
Loans and leases (a):						
Commercial loans and leases	$ 14,926.1	$ 149.2	4.01 %	$ 15,602.3	$ 208.3	5.37 %
Commercial real estate loans	17,737.2	206.3	4.67	17,126.4	256.8	6.03
Residential real estate loans	9,094.1	109.3	4.82	10,474.7	156.7	6.02
Home equity loans and lines	4,969.5	62.7	5.06	4,834.5	75.4	6.27
Personal loans and leases	2,148.6	30.2	5.64	1,892.6	30.0	6.38
Total loans and leases	48,875.5	557.7	4.58	49,930.5	727.2	5.86
Investment securities (b):						
Taxable	6,254.3					