

MARSHALL & ILSLEY CORP
Form 10-Q
May 10, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2011

OR

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

For the transition period from _____ to _____

Commission file number 1-33488

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

Wisconsin
(State or other jurisdiction of
incorporation or organization)

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

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

53202
(Zip Code)

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

None

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

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

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

Yes No

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

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

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

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

Class	Outstanding at April 30, 2011
Common Stock, \$1.00 Par Value	530,601,411

MARSHALL & ILSLEY CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2011

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2011	December 31, 2010	March 31, 2010
Assets:			
Cash and cash equivalents:			
Cash and due from banks	\$ 517,915	\$ 510,961	\$ 588,687
Federal funds sold and security resale agreements	6,049	25,039	27,057
Money market funds	54,386	64,966	55,434
Total cash and cash equivalents	578,350	600,966	671,178
Interest bearing deposits at other banks	3,269,678	2,374,010	1,939,006
Trading assets, at fair value	222,908	258,066	254,549
Investment securities:			
Available for sale, at fair value	6,279,366	6,504,607	7,108,564
Federal Reserve Bank stock and FHLB stock, at cost	373,101	380,097	411,901
Held to maturity, fair value \$71,386 (\$74,555 at December 31, 2010 and \$107,319 at March 31, 2010)	68,819	71,918	104,245
Loans held for sale	139,564	138,213	174,103
Loans and leases	35,040,537	36,861,144	42,474,704
Allowance for loan and lease losses	(1,374,077)	(1,387,575)	(1,515,154)
Net loans and leases	33,666,460	35,473,569	40,959,550
Premises and equipment, net	519,825	527,962	557,650
Goodwill	609,517	609,517	609,517
Other intangible assets	110,424	114,813	129,064
Bank-owned life insurance	1,243,864	1,234,384	1,200,130
Other real estate owned (OREO)	340,842	339,462	454,317
Accrued interest and other assets	2,218,228	2,204,367	1,995,595
Total Assets	\$ 49,640,946	\$ 50,831,951	\$ 56,569,369
Liabilities and Equity:			
Deposits:			
Noninterest bearing	\$ 8,305,990	\$ 8,078,733	\$ 7,787,831
Interest bearing	29,097,465	30,179,899	34,194,419
Total deposits	37,403,455	38,258,632	41,982,250
Federal funds purchased and security repurchase agreements	195,977	211,823	829,665
Other short-term borrowings	3,753	16,015	64,348
Accrued expenses and other liabilities	836,564	977,821	957,329
Long-term borrowings	4,966,723	5,028,787	5,865,381

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Total Liabilities	43,406,472	44,493,078	49,698,973
Equity:			
Preferred stock, \$1.00 par value; 5,000,000 shares authorized; 1,715,000 shares issued and outstanding of Senior Preferred Stock, Series B (liquidation preference of \$1,000 per share)	1,715	1,715	1,715
Common stock, \$1.00 par value; 530,726,042 shares issued (530,164,081 shares at December 31, 2010 and 530,164,081 shares at March 31, 2010)	530,726	530,164	530,164
Additional paid-in capital	4,926,497	4,947,943	4,959,570
Retained earnings	880,754	1,028,051	1,520,214
Treasury stock, at cost: 203,635 shares (1,487,080 shares at December 31, 2010 and 3,029,908 shares at March 31, 2010)	(2,974)	(34,496)	(81,122)
Deferred compensation	(35,466)	(38,629)	(37,751)
Accumulated other comprehensive income, net of related taxes	(77,860)	(106,813)	(33,730)
Total Marshall & Ilsley Corporation shareholders' equity	6,223,392	6,327,935	6,859,060
Noncontrolling interest in subsidiaries	11,082	10,938	11,336
Total Equity	6,234,474	6,338,873	6,870,396
Total Liabilities and Equity	\$ 49,640,946	\$ 50,831,951	\$ 56,569,369

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 March 31,	
	2011	2010
Interest and fee income		
Loans and leases	\$ 424,034	\$ 509,573
Investment securities:		
Taxable	36,067	49,370
Exempt from federal income taxes	8,245	9,386
Trading securities	168	183
Short-term investments	1,719	1,086
Total interest and fee income	470,233	569,598
Interest expense		
Deposits	76,614	112,564
Short-term borrowings	146	677
Long-term borrowings	46,739	52,892
Total interest expense	123,499	166,133
Net interest income	346,734	403,465
Provision for loan and lease losses	418,803	458,112
Net interest income (loss) after provision for loan and lease losses	(72,069)	(54,647)
Other income		
Wealth management	74,260	68,092
Service charges on deposits	32,920	32,099
Gain on sale of mortgage loans	7,087	5,660
Other mortgage banking revenue	540	692
Net investment securities gains	7,212	102
Bank-owned life insurance revenue	11,180	10,794
Gain on termination of debt	-	10,296
Sale of merchant portfolio processing	-	48,272
Other	53,257	45,653
Total other income	186,456	221,660
Other expense		
Salaries and employee benefits	155,491	161,598
Net occupancy and equipment	34,090	34,102
Software expenses	8,907	7,902
Processing charges	30,638	32,082
Supplies, printing, postage and delivery	7,653	8,154
FDIC insurance	22,523	27,254
Professional services	22,290	20,790
Amortization of intangibles	4,390	5,140
Net OREO expenses	15,757	31,600
Loss on brokered CDs	-	5,792
Loss on termination of debt	795	-
Other	23,144	31,173
Total other expense	325,678	365,587

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Income (loss) before income taxes	(211,291)	(198,574)
Provision (benefit) for income taxes	(95,028)	(83,605)
Net income (loss) including noncontrolling interests	(116,263)	(114,969)
Less: Net income attributable to noncontrolling interests	(331)	(389)
Net loss attributable to Marshall & Ilsley Corporation	(116,594)	(115,358)
Preferred dividends	(25,415)	(25,180)
Net loss attributable to Marshall & Ilsley Corporation common shareholders	\$ (142,009)	\$ (140,538)
Per share attributable to Marshall & Ilsley Corporation common shareholders		
Basic	\$ (0.27)	\$ (0.27)
Diluted	\$ (0.27)	\$ (0.27)
Dividends paid per common share	\$ 0.01	\$ 0.01
Weighted average common shares outstanding (000's):		
Basic	526,020	524,086
Diluted	526,020	524,086
See notes to financial statements.		

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

	Three Months Ended March 31,	
	2011	2010
Net Cash Provided by Operating Activities	\$ 257,821	\$ 379,613
Cash Flows from Investing Activities:		
Net increase in short-term investments	(895,669)	(810,213)
Proceeds from sales of securities available for sale	2,816	8
Proceeds from redemptions of Federal Reserve Bank stock and FHLB stock	7,006	1
Proceeds from maturities of securities available for sale	276,467	346,053
Proceeds from maturities of securities held to maturity	5,180	14,009