MARSHALL & ILSLEY CORP
Form 10-Q
May 12, 2008

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 March 31, 2008

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	20-8995389
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
770 North Water Street Milwaukee, Wisconsin	53202
(Address of principal executive offices)	(Zip Code)

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 April 30, 2008

Common Stock, $1.00 Par Value	259,190,965

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MARSHALL & ILSLEY CORPORATION

CONSOLIDATED BALANCE SHEETS (Unaudited)
($000's except share data)

Assets	March 31, 2008	December 31, 2007	March 31, 2007
Cash and cash equivalents:			
Cash and due from banks	$ 1,359,808	$ 1,368,919	$ 1,036,774
Federal funds sold and security resale agreements	238,913	379,012	112,168
Money market funds	58,443	74,581	52,065
Total cash and cash equivalents	1,657,164	1,822,512	1,201,007
Interest bearing deposits at other banks	9,216	8,309	15,416
Trading assets, at fair value	195,195	124,607	117,297
Investment securities:			
Available for sale, at fair value	7,530,947	7,442,889	7,002,317
Held to maturity, fair value $331,429			
($383,190 December 31, 2007 and $460,310 March 31, 2007)	322,466	374,861	449,868
Total investment securities	7,853,413	7,817,750	7,452,185
Loan to Metavante	-	-	982,000
Loans held for sale	192,694	131,873	268,951
Loans and leases:			
Loans and leases, net of unearned income	49,107,698	46,164,385	41,984,998
Allowance for loan and lease losses	(543,539)	(496,191)	(423,084)
Net loans and leases	48,564,159	45,668,194	41,561,914
Premises and equipment, net	513,305	469,879	443,316
Goodwill and other intangibles	2,246,468	1,807,961	1,566,011
Accrued interest and other assets	2,166,734	1,997,511	1,546,275
Assets of discontinued operations	-	-	1,376,996
Total Assets	$ 63,398,348	$ 59,848,596	$ 56,531,368
Liabilities and Shareholders' Equity			
Deposits:			
Noninterest bearing	$ 6,137,771	$ 6,174,281	$ 5,410,853
Interest bearing	32,589,048	29,017,073	27,721,579
Total deposits	38,726,819	35,191,354	33,132,432
Federal funds purchased and security repurchase agreements	3,614,947	2,262,355	3,372,744
Other short-term borrowings	4,026,539	6,214,027	5,288,317

Accrued expenses and other liabilities	979,966	940,725	1,006,212
Long-term borrowings	9,075,921	8,207,406	7,313,718
Liabilities of discontinued operations	-	-	64,019
Total liabilities	56,424,192	52,815,867	50,177,442
Shareholders' Equity:			
Preferred stock, $1.00 par value; 5,000,000 shares authorized	-	-	-
Common stock, $1.00 par value; 267,455,394 shares issued			
(267,455,394 shares at December 31, 2007 and 261,972,424			
shares at March 31, 2007)	267,455	267,455	261,972
Additional paid-in capital	2,060,783	2,059,273	1,780,949
Retained earnings	4,989,349	4,923,008	4,531,426
Accumulated other comprehensive loss, net of related taxes	(67,558)	(53,707)	(14,778)
Treasury stock, at cost: 8,338,022 shares			
(3,968,651 December 31, 2007 and 5,196,118 March 31, 2007)	(231,160)	(117,941)	(165,263)
Deferred compensation	(44,713)	(45,359)	(40,380)
Total shareholders' equity	6,974,156	7,032,729	6,353,926
Total Liabilities and Shareholders' Equity	$ 63,398,348	$ 59,848,596	$ 56,531,368

See notes to financial statements.

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

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2007
Interest and fee income		
Loans and leases	$ 783,528	$ 783,152
Investment securities:		
Taxable	77,556	77,054
Exempt from federal income taxes	14,403	14,861
Trading securities	607	133
Short-term investments	2,916	3,525
Loan to Metavante	-	10,791
Total interest and fee income	879,010	889,516
Interest expense		
Deposits	272,774	296,403
Short-term borrowings	53,590	54,883
Long-term borrowings	122,262	143,747
Total interest expense	448,626	495,033
Net interest income	430,384	394,483
Provision for loan and lease losses	146,321	17,148
Net interest income after provision for loan and lease losses	284,063	377,335
Other income		
Wealth management	71,886	60,706
Service charges on deposits	35,681	27,663
Gains on sale of mortgage loans	8,452	8,793
Other mortgage banking revenue	912	1,347
Net investment securities gains	25,716	1,584
Life insurance revenue	12,395	7,520
Other	56,191	47,937
Total other income	211,233	155,550
Other expense		
Salaries and employee benefits	174,664	150,225
Net occupancy	21,646	17,784
Equipment	9,556	9,610
Software expenses	6,233	5,009
Processing charges	32,085	31,846
Supplies and printing	3,578	3,621
Professional services	13,479	8,187
Shipping and handling	8,190	6,911
Amortization of intangibles	5,945	4,502
Loss on termination of debt	-	9,478
Other	40,411	33,867
Total other expense	315,787	281,040

Income before income taxes		179,509		251,845
Provision for income taxes		33,300		83,064
Income from continuing operations		146,209		168,781
Income from discontinued operations, net of tax		-		47,981
Net income	$	146,209	$	216,762
Net income per common share				
Basic				
Continuing operations	$	0.56	$	0.66
Discontinued operations		-		0.19
Net income	$	0.56	$	0.85
Diluted				
Continuing operations	$	0.56	$	0.65
Discontinued operations		-		0.18
Net income	$	0.56	$	0.83
Dividends paid per common share	$	0.31	$	0.27
Weighted average common shares outstanding (000's) :				
Basic		259,973		255,493
Diluted		262,269		261,330

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, 2008	Three Months Ended March 31, 2007
Net Cash Provided by Operating Activities	$ 84,301	$ 208,958
Cash Flows From Investing Activities:		
Proceeds from sales of securities available for sale	105,759	8,449
Proceeds from maturities of securities available for sale	368,643	287,953
Proceeds from maturities of securities held to maturity	52,798	45,910
Purchases of securities available for sale	(305,392)	(363,136)
Net increase in loans	(1,603,268)	(388,796)
Purchases of assets to be leased	(32,524)	(74,120)
Principal payments on lease receivables	60,225	103,760
Purchases of premises and equipment, net	(19,214)	(25,029)
Acquisitions, net of cash and cash equivalents acquired	(476,625)	(46,617)
Other	14,413	4,542
Net cash used in investing activities	(1,835,185)	(447,084)
Cash Flows From Financing Activities:		
Net increase (decrease) in deposits	1,939,958	(1,457,129)
Proceeds from issuance of commercial paper	8,594,360	1,993,136
Principal payments on commercial paper	(8,553,668)	(2,015,742)
Net increase in other short-term borrowings	92,243	301,429
Proceeds from issuance of long-term borrowings	809,389	1,598,615
Payments of long-term borrowings	(1,093,401)	(369,773)
Dividends paid	(79,868)	(68,978)
Purchases of common stock	(130,870)	-
Proceeds from exercise of stock options	7,393	22,802
Other	-	(2,600)
Net cash provided by financing activities	1,585,536	1,760
Net decrease in cash and cash equivalents	(165,348)	(236,366)
Cash and cash equivalents, beginning of year	1,822,512	1,485,258
Cash and cash equivalents, end of period	1,657,164	1,248,892
Cash and cash equivalents of discontinued operations	-	(47,885)
Cash and cash equivalents from continuing operations, end of period	$ 1,657,164	$ 1,201,007
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	$ 488,201	$ 511,495
Income taxes	(4,244)	14,078

See notes to financial statements.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements
March 31, 2008 & 2007 (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, 2007. 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 months ended March 31, 2008 and 2007. The results of operations for the three months ended March 31, 2008 and 2007 are not necessarily indicative of results to be expected for the entire year.

2. Discontinued Operations

On November 1, 2007, old Marshall & Ilsley Corporation, the Accounting Predecessor to new Marshall & Ilsley Corporation (which is referred to as "M&I" or the "Corporation") and its wholly owned subsidiary, Metavante Corporation (Accounting Predecessor to Metavante Technologies, Inc.), which is referred to as "Metavante," became two separate publicly traded companies in accordance with the plan the Corporation announced in early April 2007. The Corporation believes this transaction, which the Corporation refers to as the "Separation," will provide substantial benefits to the shareholders of both companies by creating additional opportunities to focus on their core businesses. The Corporation's enhanced capital position post-Separation is expected to be a source of strength in the current credit environment and to drive earnings per share growth by enabling it to provide resources for continued organic growth, fund strategic initiatives within its business lines and pursue opportunities in new geographic markets.

As a result of the Separation, the assets, liabilities and net income of Metavante have been de-consolidated from the Corporation's historical consolidated financial statements and are now reported as discontinued operations. For the three months ended March 31, 2007, discontinued operations in the Consolidated Statements of Income also includes the expenses attributable to the Separation transaction. The assets and liabilities reported as discontinued operations as of March 31, 2007 do not directly reconcile to historical consolidated assets and liabilities reported by Metavante. The amounts reported as assets or liabilities of discontinued operations include adjustments for intercompany cash and deposits, receivables and payables, intercompany debt and reclassifications that were required to de-consolidate the financial information of the two companies.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
March 31, 2008 & 2007 (Unaudited)

The components of the assets and liabilities of discontinued operations as of March 31, 2007 were as follows ($000's):

	March 31, 2007
Assets	
Cash and cash equivalents	$ 47,885
Interest bearing deposits at other banks	2,287
Investment securities	
Available for sale, at fair value	77,336
Loan to Metavante	(982,000)
Loans and leases	692
Premises and equipment, net	132,667
Goodwill and other intangibles	1,679,460
Accrued interest and other assets	418,669
Total assets	$ 1,376,996
Liabilities	
Deposits:	
Noninterest bearing	$ (19,021)
Interest bearing	(478,111)
Total deposits	(497,132)
Short-term borrowings	313
Accrued expenses and other liabilities	560,798
Long-term borrowings	40
Total liabilities	$ 64,019

Prior to November 1, 2007, intercompany transactions between Metavante and old Marshall & Ilsley Corporation (which was re-named M&I LLC in connection with the Separation) and its affiliates were eliminated in the Corporation's consolidated financial statements. The above table reflects the reclassification of Metavante's intercompany borrowing from M&I LLC to "Loan to Metavante". On November 1, 2007, the Corporation received cash of $982 million from Metavante to retire this indebtedness. The "Noninterest bearing" and "Interest bearing deposits" in the above table reflects the reclassification of Metavante's cash and investments held as deposits at the Corporation's affiliate banks.

The results of discontinued operations for the three months ended March 31, 2007 consisted of the following ($000's):

	Three Months Ended March 31, 2007
Metavante income before provision for income taxes	$ 76,961
Transaction expenses and other related costs	(1,465)
Income before income taxes	75,496
Provision for income taxes	27,515

Income from discontinued operations, net of tax	$ 47,981

As permitted under U.S. generally accepted accounting principles, the Corporation has elected not to adjust the Consolidated Statements of Cash Flows for the three months ended March 31, 2007 to exclude cash flows attributable to discontinued operations.

Included in Acquisitions, net of cash and cash equivalents acquired in the Corporation's Consolidated Statements of Cash Flows for the three months ended March 31, 2007 are Metavante's acquisitions, which are now part of discontinued operations. The total cash consideration associated with Metavante's acquisitions amounted to $41.0 million for the three months ended March 31, 2007.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
March 31, 2008 & 2007 (Unaudited)

3. New Accounting Pronouncements

In March 2008, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No.133 ("SFAS 161"). SFAS 161 applies to all derivative instruments and related hedged items accounted for under FASB Statement No. 133, Accounting for Derivative Instruments and Hedging Activities ("SFAS 133"). SFAS 161 amends and expands the disclosures provided under SFAS 133 regarding how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under SFAS 133 and its related interpretations, and how derivative instruments and related hedged items affect an entity's financial position, results of operations, and cash flows. SFAS 161 is effective for the Corporation on January 1, 2009.

4. Fair Value Measurement

On January 1, 2008 the Corporation adopted, except as discussed below, 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. As permitted, adoption of SFAS 157 has been delayed for certain nonfinancial assets and nonfinancial liabilities to January 1, 2009.

All changes resulting from the application of SFAS 157 were applied prospectively with the effect of adoption 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.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
March 31, 2008 & 2007 (Unaudited)

For the Corporation’s investments in government agencies, mortgage-backed securities and obligations of states and political subdivisions where quoted prices are not available in an active market, the Corporation generally 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, to 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.

The Corporation’s Capital Markets Group 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 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. The Corporation does not consider counterparty credit risk to be a significant input. International Swaps and Derivative Association Master Agreements (“ISDA”) and Credit Support Annexes (“CSA”) are employed for all contracts with derivative counterparties. Under the CSAs, should an adverse event occur that materially affects the credit quality of the counterparty, such counterparty would be required to credit enhance the market value of its derivative transactions with the Corporation by posting eligible collateral. The Corporation has established policies and procedures to monitor the fair value of the derivatives and collateral thresholds, to measure collateral value on a daily basis and to execute collateral calls, returns and substitutions.

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 March 31, 2008 ($000’s):

	Quoted Prices in Active Markets for	Significant Other Observable Inputs	Significant Unobservable Inputs

	Identical Assets (Level 1)	(Level 2)	(Level 3)
Assets (1)			
Trading:			
Securities	$ -	$ 44,608	$ -
Derivative assets	332	150,255	-
Total trading assets	332	194,863	-
Investment securities available for sale (2):			
Investment securities	-	7,101,539	16,390
Private equity investments	-	-	57,854
Other	-	-	6,213
Total investment securities available for sale	-	7,101,539	80,457
Liabilities (1)			
Derivative liabilities	$ 308	$ 124,796	$ -

(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 14 in Notes to Financial Statements.

(2) The amounts presented above are exclusive of $312.2 million of investments in Federal Reserve Bank and FHLB stock, which are bought and sold at par and are carried at cost; $36.8 million in affordable housing partnerships, which are generally carried on the equity method; and other non-marketable equity investments carried at cost.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
March 31, 2008 & 2007 (Unaudited)

Level 3 Gains and Losses

The table presented below summarizes the change in balance sheet carrying values associated with financial instruments measured using significant unobservable inputs (Level 3) during the three months ended March 31, 2008 ($000's):

	Investment securities (1)	Private equity investments (2)	Other	Total
Balance at January 1, 2008	$ 2,066	$ 54,121	$ 9,030	$ 65,217
Net payments, purchases and sales	14,324	2,682	(768)	16,238
Net transfers in and/or out of Level 3	-	-	-	-
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
Unrealized gains or losses for the period included in earnings attributable to unrealized gains or losses for assets still held at March 31, 2008	$ -	$ (57)	$ (2,020)	$ (2,077)

(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.

For purposes of impairment testing, nonaccrual loans greater than an established threshold are individually evaluated for impairment. Substantially all of these loans are collateral dependent. A valuation allowance is recorded for the excess of the loan's recorded investment over the fair value of the collateral less estimated selling costs. This valuation allowance is a component of the Allowance for loan and lease losses. The Corporation generally obtains appraisals to support the fair value of collateral underlying loans subject to this impairment review. 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, a valuation allowance of $47.9 million was recorded for loans with a recorded investment of $378.5 million at March 31, 2008. See discussion of Allowance for Loan and Lease Losses in Critical Accounting Policies.

5. Fair Value Option

On January 1, 2008 the Corporation 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 at January 1, 2008. However, the Corporation may elect to measure newly acquired financial instruments at fair value in the future.

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
March 31, 2008 & 2007 (Unaudited)

6. Comprehensive Income

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

	Three Months Ended March 31, 2008		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			$ 146,209
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ 31,196	$ (11,233)	$ 19,963
Reclassification for securities transactions included in net income	(94)	33	(61)
Total unrealized gains (losses) on available for sale investment securities	$ 31,102	$ (11,200)	$ 19,902
Net gains (losses) on derivatives hedging variability of cash flows:			
Arising during the period	$ (57,147)	$ 20,001	$ (37,146)
Reclassification adjustments for hedging activities included in net income	5,730	(2,005)	3,725
Total net gains (losses) on derivatives hedging variability of cash flows	$ (51,417)	$ 17,996	$ (33,421)
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)			(13,851)
Total comprehensive income			$ 132,358

	Three Months Ended March 31, 2007		
	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
Net income			$ 216,762
Other comprehensive income (loss):			
Unrealized gains (losses) on available for sale investment securities:			
Arising during the period	$ 17,652	$ (6,247)	$ 11,405
Reclassification for securities transactions included in net income	(615)	215	(400)

Total unrealized gains (losses) on available for sale investment securities	$	17,037	$	(6,032)	$	11,005
Net gains (losses) on derivatives hedging variability of cash flows:						
Arising during the period	$	(6,182)	$	2,163	$	(4,019)
Reclassification adjustments for hedging activities included in net income		(5,948)		2,082		(3,866)
Total net gains (losses) on derivatives hedging variability of cash flows	$	(12,130)	$	4,245	$	(7,885)
Unrealized gains (losses) on funded status of defined benefit postretirement plan:						
Arising during the period	$	-	$	-	$	-
Reclassification for amortization of actuarial loss and prior service credit amortization included in net income		(559)		207		(352)
Total unrealized gains (losses) on funded status of defined benefit postretirement plan	$	(559)	$	207	$	(352)
Other comprehensive income						2,768
Total comprehensive income					$	219,530

MARSHALL & ILSLEY CORPORATION
Notes to Financial Statements - Continued
March 31, 2008 & 2007 (Unaudited)

7. Earnings Per Share

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

	Three Months Ended March 31, 2008		
	Income (Numerator)	Average Shares (Denominator)	Per Share Amount
Basic earnings per share:			
Income from continuing operations available to common shareholders	$ 146,209		$ 0.56
Income from discontinued operations	-		-
Net income available to common shareholders			