HUNTINGTON BANCSHARES INC/MD
Form 10-Q
October 31, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

QUARTERLY PERIOD ENDED September 30, 2012

Commission File Number 1-34073

Huntington Bancshares Incorporated

Maryland	**31-0724920**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

41 South High Street, Columbus, Ohio 43287

Registrant s telephone number (614) 480-8300

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 and (2) has been subject to such filing requirements for the past 90 days. x 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 for such shorter period that the registrant was required to submit and post such files). x 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. (Check one):

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

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

There were 855,485,376 shares of Registrant s common stock ($0.01 par value) outstanding on September 30, 2012.

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Glossary of Acronyms and Terms

The following listing provides a comprehensive reference of common acronyms and terms used throughout the document:

2011 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2011
ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ALCO	Asset & Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
C&I	Commercial and Industrial
CapPR	Capital Plan Review
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificates of Deposit
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS	Earnings Per Share
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Bank
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
IRS	Internal Revenue Service
ISE	Interest Sensitive Earnings
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LTV	Loan to Value
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area

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MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NCO	Net Charge-off
NPAs	Nonperforming Assets
NPR	Notice of Proposed Rulemaking
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa.
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
Plan	Huntington Bancshares Retirement Plan
Problem Loans	Includes nonaccrual loans and leases (Table 17), troubled debt restructured loans (Table 18), accruing loans and leases past due 90 days or more (aging analysis section of Footnote 3), and Criticized commercial loans (credit quality indicators section of Footnote 3).
REIT	Real Estate Investment Trust
ROC	Risk Oversight Committee
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SRIP	Supplemental Retirement Income Plan
TDR	Troubled Debt Restructured Loan
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

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PART I. FINANCIAL INFORMATION

When we refer to we, our, and us in this report, we mean Huntington Bancshares Incorporated and our consolidated subsidiaries, unless the context indicates that we refer only to the parent company, Huntington Bancshares Incorporated. When we refer to the Bank in this report, we mean our only bank subsidiary, The Huntington National Bank, and its subsidiaries.

Item 2: Management s Discussion and Analysis of Financial Condition and Results of Operations

INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have 145 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. Our over 690 banking offices are located in Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia. Selected financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio and a limited purpose office located in the Cayman Islands and another limited purpose office located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

This MD&A provides information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows. The MD&A included in our 2011 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2011 Form 10-K. This MD&A should also be read in conjunction with the financial statements, notes and other information contained in this report.

Our discussion is divided into key segments:

Executive Overview Provides a summary of our current financial performance, and business overview, including our thoughts on the impact of the economy, legislative and regulatory initiatives, and recent industry developments. This section also provides our outlook regarding our expectations for the remainder of 2012.

Discussion of Results of Operations Reviews financial performance from a consolidated Company perspective. It also includes a Significant Items section that summarizes key issues helpful for understanding performance trends. Key consolidated average balance sheet and income statement trends are also discussed in this section.

Risk Management and Capital Discusses credit, market, liquidity, operational, and compliance risks, including how these are managed, as well as performance trends. It also includes a discussion of liquidity policies, how we obtain funding, and related performance. In addition, there is a discussion of guarantees and / or commitments made for items such as standby letters of credit and commitments to sell loans, and a discussion that reviews the adequacy of capital, including regulatory capital requirements.

Business Segment Discussion Provides an overview of financial performance for each of our major business segments and provides additional discussion of trends underlying consolidated financial performance.

Additional Disclosures Provides comments on important matters including forward-looking statements, critical accounting policies and use of significant estimates, recent accounting pronouncements and developments, and acquisitions.

A reading of each section is important to understand fully the nature of our financial performance and prospects.

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EXECUTIVE OVERVIEW

Summary of 2012 Third Quarter Results

For the quarter, we reported net income of $167.8 million, or $0.19 per common share, compared with $152.7 million, or $0.17 per common share, in the prior quarter (*see Table 1*).

Fully-taxable equivalent net interest income was $435.6 million for the quarter, up $0.8 million, or less than 1%, from the prior quarter. The increase reflected the benefit of a $0.3 billion, or 1%, increase in average earning assets, partially offset by a 4 basis point decrease in the fully-taxable equivalent net interest margin to 3.38% from 3.42%. The 4 basis point decrease in the net interest margin reflected the negative impact of a 10 basis point decline in the yield on earning assets, 6 basis points of which were related to the yield on loans. This was partially offset by the benefit of a 6 basis point reduction in total funding costs.

The provision for credit losses increased $0.5 million, or 1%, from the prior quarter. This reflected a $20.9 million, or 25%, increase in NCOs to $105.1 million, or an annualized 1.05% of average total loans and leases, from $84.2 million, or an annualized 0.82%, in the prior quarter. Of this quarter s NCOs, $33.0 million related to regulatory guidance requiring loans discharged under Chapter 7 bankruptcy to be charged down to their collateral value. Approximately 90% of these borrowers continue to make payments as scheduled. Partially offsetting the increase in NCOs was significant improvement in asset quality trends, resulting in lower calculated reserves.

Total noninterest income increased $7.2 million, or 3%, from the prior quarter. This included a $6.3 million, or 16%, increase in mortgage banking income and a $3.8 million increase in securities gains. Gain on sale of loans increased $2.5 million, or 60%, due to the sale of $0.2 billion of automobile loans that we classified as held for sale at the end of the prior quarter. These positive impacts were partially offset by a $4.4 million, or 16%, decrease in other income as the prior quarter included a gain on the sale of affordable housing investments.

Noninterest expense increased $14.0 million, or 3%, from the prior quarter. This included a $4.7 million, or 2%, increase in personnel costs primarily reflecting higher healthcare costs and a $4.4 million increase in the cost associated with early extinguishment of trust preferred securities that were redeemed during the quarter. Noninterest expense included $4.5 million of expense related to the development of infrastructure and systems to support the Federal Reserve CCAR process.

The period-end ACL as a percentage of total loans and leases decreased to 2.09% from 2.28% in the prior quarter. The ACL as a percentage of period end NALs was essentially unchanged, decreasing 3 percentage points to 189%. NALs declined by $29.1 million, or 6%, to $445.0 million, or 1.11% of total loans, during the quarter despite a $63.0 million increase associated with the revised treatment of Chapter 7 bankruptcy consumer loans.

Our Tier 1 common risk-based capital ratio at September 30, 2012, was 10.27%, up from 10.08% at June 30, 2012, and our tangible common equity ratio increased to 8.74% from 8.41% over this same period. The regulatory Tier 1 risk-based capital ratio at September 30, 2012, was 11.87%, down from 11.93%, at June 30, 2012. This decline reflected the capital actions taken throughout the quarter and are discussed below.

Over the quarter, and consistent with planned capital actions, we redeemed $114.3 million of trust preferred securities and repurchased 3.7 million common shares at an average price of $6.68 per share. The weighted average coupon of the remaining $300 million of trust preferred securities is LIBOR + 1.02%. Reinvesting excess capital to grow the business organically remains our first priority. Importantly, through dividends and share repurchases, we have the flexibility, subject to market conditions, to return a meaningful amount of our earnings to the owners of the company.

Business Overview

General

Our general business objectives are: (1) grow net interest income and fee income, (2) increase cross-sell and share-of-wallet across all business segments, (3) improve efficiency ratio, (4) continue to strengthen risk management, including sustained improvement in credit metrics, and (5) maintain strong capital and liquidity positions.

The third quarter results clearly showed the continued benefit of the investment we have made over the preceding three years. Adding over 250,000 consumer households, a 27% increase, and 26,000 commercial relationships, or 21% increase, since the first quarter of 2010 has allowed us to grow quarterly total revenue by more than $59 million even with the negative impacts from the low absolute level of interest rates, the flat shape of the yield curve, and the reduction of over $25 million revenue per quarter due to the Durbin amendment and implementation of changes to Regulation E. Not only are we gaining customers, we are selling deeper with 76% of consumer checking account households and 33% of commercial relationships now with 4 or more products or services. Strategic investments have a maximum of two years to break even with many reaching that level in the first year. A portion of our strategic investments remain in the early stages, such as our strategy to build over 180 in-store full service branches. The in-store branches are on target with the estimated aggregate impact to operating income negligible next year and positive in 2014.

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Economy

We continue to see positive trends within our Midwest markets relative to the broader United States. Nevertheless, broad based customer sentiment began to change late in the quarter. Customers have increased concerns, in the near term, regarding the U.S. economy as we approach the election and scheduled impacts of the Budget Control Act of 2011. We are optimistic that once permanent solutions are in place, the strength of the Midwest and the soundness of our strategy will continue to drive growth and improved profitability.

Generally, our footprint large metropolitan statistical areas (MSA) unemployment rates were below the national average as of July 2012. In addition, our footprint states have continued to be strong export states. For the three-month average ending July 2012, exports from our footprint states were 8.5% greater than the same period last year. By comparison, overall U.S. exports were 5.1% higher. Office vacancy rates in our footprint MSAs were above the national vacancy rate in the prior quarter, but have generally remained on declining trends.

While our footprint has clearly benefited from certain aspects of this recovery, the United States and global economies continue to experience elevated levels of volatility and uncertainty.

Legislative and Regulatory

Regulatory reforms continue to be adopted which impose additional restrictions on current business practices. Recent actions affecting us include the Federal Reserve BASEL III proposal and the capital plans rule.

BASEL III and the Dodd-Frank Act In June 2012, the FRB, OCC, and FDIC (collectively, the Agencies) each issued Notices of Proposed Rulemaking (NPRs) that would revise and replace the Agencies current capital rules to align with the BASEL III capital standards and meet certain requirements of the Dodd-Frank Act. Certain requirements of the NPRs would establish more restrictive capital definitions, higher risk-weightings for certain asset classes, capital buffers and higher minimum capital ratios. The NPRs were in a comment period through October 22, 2012, and are subject to further modification by the Agencies. We are currently evaluating the impact of the NPRs on our regulatory capital ratios. We estimate a reduction of approximately 150 basis points to our BASEL I Tier I Common risk-based capital ratio based on our existing balance sheet composition, if the proposed NPRs are adopted as proposed. We anticipate that our capital ratios, on a BASEL III basis, would continue to exceed the well-capitalized minimum requirements. For additional discussion, please see BASEL III and the Dodd-Frank Act section within the Capital section.

Capital Plans Rule / Supervisory and Company-Run Stress Test Requirements During 2011, we participated in the Federal Reserve s Capital Plan Review (CapPR) process and made our capital plan submission in January 2012. On March 14, 2012, we announced that the Federal Reserve had completed its review of our capital plan submission and did not object to our proposed capital actions. The capital planning review process included reviews of our internal capital adequacy assessment process and our plans to make capital distributions, such as dividend payments or stock repurchases, as well as a stress test requirement designed to test our capital adequacy throughout times of economic and financial stress.

In October 2012, the Federal Reserve published two final rules with stress testing requirements for certain bank holding companies, state member banks, and savings and loan holding companies. The final rules implement sections 165(i)(1) and (i)(2) of the Dodd-Frank Act that require supervisory and company-run stress tests. The Federal Reserve will begin conducting supervisory stress tests under the final rules in the 2012 fourth quarter for the 19 bank holding companies that participated in the 2009 Supervisory Capital Assessment Program and subsequent Comprehensive Capital Analysis and Reviews. We were not included in this group of 19 bank holding companies.

Huntington will be subject to the Federal Reserve s supervisory stress tests beginning in late 2013, however as in the prior year, we are subject to CapPR and will conduct internal stress testing as part of the completion of our annual Capital Plan. The Federal Reserve is expected to release the scenarios for this year s supervisory and company-run stress tests no later than November 15, 2012. As required by the Dodd-Frank Act, the scenarios will describe hypothetical baseline, adverse, and severely adverse conditions, with paths for key macroeconomic and financial variables. We must submit our Capital Plan to the Federal Reserve no later than January 5, 2013.

In October 2012, the OCC issued its Annual Stress Test final rule. This final rule implements section 165(i) of the Dodd-Frank Act which requires certain companies to conduct annual stress tests pursuant to regulations prescribed by their respective primary financial regulatory agencies. The OCC has stipulated in its final rule that it will consult closely with the Federal Reserve to provide common stress scenarios for use at both the depository institution and holding company levels. The OCC has deferred the requirement for us to complete separate annual stress tests at the bank-level until next year. For additional discussion, please see Updates to Risk Factors within the Additional Disclosures section.

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Expectations

For the next several quarters, average net interest income is expected to be relatively stable from the third quarter s level as we anticipate an increase in total loans, excluding the impacts of any future loan securitizations. Those benefits to net interest income are expected to be mostly offset, however, by slight downward net interest margin pressure due to the anticipated competitive pressures on loan pricing, as well as reinvestment into lower rate securities, and declining positive impacts from deposit repricing. The C&I portfolio is expected to continue to show growth. Although, given the most recent trend, we are expecting near-term growth to be slower than the strong growth we experienced earlier this year. Our C&I sales pipeline remains robust with much of this reflecting the positive impact from our strategic initiatives, focused OCR sales process, and continued support of middle market and small business lending in the Midwest. We will continue to evaluate the use of automobile loan securitizations to limit total on-balance sheet exposure due to our expectation of continued strong levels of originations. On October 11, 2012, a $1.0 billion automobile loan securitization was completed and resulted in a gain of approximately $17 million. Residential mortgages and home equity loan balances are expected to be relatively stable in response to the proposed capital rules recently released by our regulators. CRE loans likely will experience declines from current levels.

Excluding potential future automobile loan securitizations, we anticipate the increase in total loans will modestly outpace growth in total deposits. This reflects our continued focus on our overall cost of funds and the continued shift towards low- and no-cost demand deposits and money market deposit accounts.

Noninterest income, excluding the impact of any automobile loan sales or security gains and any net MSR impact, is expected to be relatively stable at current levels. Continued growth in new customers and increased contribution from increased cross-sell are expected to be offset by a slowdown in mortgage banking activity.

Noninterest expense is expected to modestly increase above the 2012 third quarter level. For the full year, we continue to anticipate positive operating leverage and modest improvement in our expense efficiency ratio. Additional regulatory costs and expenses associated with strategic actions, including the planned opening of over 80 in-store branches this year, are expected to be partially offset by our focus on improving expense efficiencies throughout the company.

Credit quality is expected to experience improvement. The level of provision for credit losses in the first three quarters of the year was at the low end of our long-term expectation, and we expect some quarterly volatility given the absolute low level of the provision for credit losses and the uncertain and uneven nature of the economic recovery.

We anticipate the effective tax rate for the 2012 fourth quarter to approximate 24% to 26%, which includes permanent tax benefits primarily related to tax-exempt income, tax-advantaged investments, and general business credits.

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DISCUSSION OF RESULTS OF OPERATIONS

This section provides a review of financial performance from a consolidated perspective. It also includes a Significant Items section that summarizes key issues important for a complete understanding of performance trends. Key Unaudited Condensed Consolidated Balance Sheet and Unaudited Condensed Statement of Income trends are discussed. All earnings per share data are reported on a diluted basis. For additional insight on financial performance, please read this section in conjunction with the Business Segment Discussion.

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Table 1 - Selected Quarterly Income Statement Data (1)

	2012			2011	
(dollar amounts in thousands, except per share amounts)	**Third**	Second	First	Fourth	Third
Interest income	**$ 483,787**	$ 487,544	$ 479,937	$ 485,216	$ 490,996
Interest expense	**53,489**	58,582	62,728	70,191	84,518
Net interest income	**430,298**	428,962	417,209	415,025	406,478
Provision for credit losses	**37,004**	36,520	34,406	45,291	43,586
Net interest income after provision for credit losses	**393,294**	392,442	382,803	369,734	362,892
Service charges on deposit accounts	**67,806**	65,998	60,292	63,324	65,184
Trust services	**29,689**	29,914	30,906	28,775	29,473
Electronic banking	**22,135**	20,514	18,630	18,282	32,901
Mortgage banking income	**44,614**	38,349	46,418	24,098	12,791
Brokerage income	**16,526**	19,025	19,260	18,688	20,349
Insurance income	**17,792**	17,384	18,875	17,906	17,220
Bank owned life insurance income	**14,371**	13,967	13,937	14,271	15,644
Capital markets fees	**11,805**	13,455	9,982	9,811	11,256
Gain on sale of loans	**6,591**	4,131	26,770	2,884	19,097
Automobile operating lease income	**2,146**	2,877	3,775	4,727	5,890
Securities gains (losses)	**4,169**	350	(613)	(3,878)	(1,350)
Other income	**23,423**	27,855	37,088	30,464	30,104
Total noninterest income	**261,067**	253,819	285,320	229,352	258,559
Personnel costs	**247,709**	243,034	243,498	228,101	226,835
Outside data processing and other services	**49,880**	48,149	42,058	53,422	49,602
Net occupancy	**27,599**	25,474	29,079	26,841	26,967
Equipment	**25,950**	24,872	25,545	25,884	22,262
Deposit and other insurance expense	**15,534**	15,731	20,738	18,481	17,492
Marketing	**20,178**	21,365	16,776	16,379	22,251
Professional services	**18,024**	15,458	11,230	16,769	20,281
Amortization of intangibles	**11,431**	11,940	11,531	13,175	13,387
Automobile operating lease expense	**1,619**	2,183	2,854	3,362	4,386
OREO and foreclosure expense	**4,982**	4,106	4,950	5,009	4,668
Loss (Gain) on early extinguishment of debt	**1,782**	(2,580)		(9,697)	
Other expense	**33,615**	34,537	54,417	32,548	30,987
Total noninterest expense	**458,303**	444,269	462,676	430,274	439,118
Income before income taxes	**196,058**	201,992	205,447	168,812	182,333
Provision for income taxes	**28,291**	49,286	52,177	41,954	38,942
Net income	**$ 167,767**	$ 152,706	$ 153,270	$ 126,858	$ 143,391
Dividends on preferred shares	**7,983**	7,984	8,049	7,703	7,703
Net income applicable to common shares	**$ 159,784**	$ 144,722	$ 145,221	$ 119,155	$ 135,688
Average common shares basic	**857,871**	862,261	864,499	864,136	863,911
Average common shares diluted	**863,588**	867,551	869,164	868,156	867,633
Net income per common share basic	**$ 0.19**	$ 0.17	$ 0.17	$ 0.14	$ 0.16
Net income per common share diluted	**0.19**	0.17	0.17	0.14	0.16

Cash dividends declared per common share	**0.04**	0.04	0.04	0.04	0.04
Return on average total assets	**1.19%**	1.10%	1.13%	0.92%	1.05%
Return on average common shareholders equity	**11.9**	11.1	11.4	9.3	10.8
Return on average tangible common shareholders equity (2)	**13.9**	13.1	13.5	11.2	13.0
Net interest margin (3)	**3.38**	3.42	3.40	3.38	3.34
Efficiency ratio (4)	**64.5**	62.8	63.8	64.0	63.5
Effective tax rate	**14.4**	24.4	25.4	24.9	21.4
Revenue FTE					
Net interest income	**$ 430,298**	$ 428,962	$ 417,209	$ 415,025	$ 406,478
FTE adjustment	**5,254**	5,747	3,935	3,479	3,658
Net interest income (3)	**435,552**	434,709	421,144	418,504	410,136
Noninterest income	**261,067**	253,819	285,320	229,352	258,559
Total revenue (3)	**$ 696,619**	$ 688,528	$ 706,464	$ 647,856	$ 668,695

(1) Comparisons for presented periods are impacted by a number of factors. Refer to Significant Items.

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(2) Net income excluding expense for amortization of intangibles for the period divided by average tangible common shareholders equity. Average tangible common shareholders equity equals average total common shareholders equity less average intangible assets and goodwill. Expense for amortization of intangibles and average intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

(3) On a fully-taxable equivalent (FTE) basis assuming a 35% tax rate.

(4) Noninterest expense less amortization of intangibles and goodwill impairment divided by the sum of FTE net interest income and noninterest income excluding securities gains (losses).

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Table 2 - Selected Year to Date Income Statement Data(1)

	Nine Months Ended September 30,		Change	
(dollar amounts in thousands, except per share amounts)	**2012**	2011	Amount	Percent
Interest income	**$ 1,451,268**	$ 1,485,010	$ (33,742)	(2)%
Interest expense	**174,799**	270,865	(96,066)	(35)
Net interest income	**1,276,469**	1,214,145	62,324	5
Provision for credit losses	**107,930**	128,768	(20,838)	(16)
Net interest income after provision for credit losses	**1,168,539**	1,085,377	83,162	8
Service charges on deposit accounts	**194,096**	180,183	13,913	8
Trust services	**90,509**	90,607	(98)	
Electronic banking	**61,279**	93,415	(32,136)	(34)
Mortgage banking income	**129,381**	59,310	70,071	118
Brokerage income	**54,811**	61,679	(6,868)	(11)
Insurance income	**54,051**	51,564	2,487	5
Bank owned life insurance income	**42,275**	48,065	(5,790)	(12)
Capital markets fees	**35,242**	26,729	8,513	32
Gain on sale of loans	**37,492**	29,060	8,432	29
Automobile operating lease income	**8,798**	22,044	(13,246)	(60)
Securities gains (losses)	**3,906**	197	3,709	1,883
Other income	**88,366**	88,418	(52)	
Total noninterest income	**800,206**	751,271	48,935	7
Personnel costs	**734,241**	664,433	69,808	11
Outside data processing and other services	**140,087**	133,773	6,314	5
Net occupancy	**82,152**	82,288	(136)	
Equipment	**76,367**	66,660	9,707	15
Deposit and other insurance expense	**52,003**	59,211	(7,208)	(12)
Marketing	**58,319**	59,248	(929)	(2)
Professional services	**44,712**	53,826	(9,114)	(17)
Amortization of intangibles	**34,902**	40,143	(5,241)	(13)
Automobile operating lease expense	**6,656**	16,656	(10,000)	(60)
OREO and foreclosure expense	**14,038**	12,997	1,041	8
Gain on early extinguishment of debt	**(798)**		(798)	
Other expense	**122,569**	108,991	13,578	12
Total noninterest expense	**1,365,248**	1,298,226	67,022	5
Income before income taxes	**603,497**	538,422	65,075	12
Provision for income taxes	**129,754**	122,667	7,087	6

&nb