HUNTINGTON BANCSHARES INC/MD
Form 10-Q
April 30, 2012
Table of Contents

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 March 31, 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 864,674,530 shares of Registrant s common stock ($0.01 par value) outstanding on March 31, 2012.

Table of Contents

HUNTINGTON BANCSHARES INCORPORATED

INDEX

PART I.	**FINANCIAL INFORMATION**	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets at March 31, 2012, December 31, 2011, and March 31, 2011	63
	Condensed Consolidated Statements of Income for the three months ended March 31, 2012 and 2011	64
	Condensed Consolidated Statements of Comprehensive Income for the three months ended March 31, 2012 and 2011	65
	Condensed Consolidated Statements of Changes in Shareholders Equity for the three months ended March 31, 2012 and 2011	66
	Condensed Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011	67
	Notes to Unaudited Condensed Consolidated Financial Statements	68
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	6
	Executive Overview	7
	Discussion of Results of Operations	10
	Risk Management and Capital:	
	Credit Risk	21
	Market Risk	36
	Liquidity Risk	38
	Operational Risk	42
	Compliance Risk	43
	Capital	44
	Business Segment Discussion	47
	Additional Disclosures	60
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	131
Item 4.	Controls and Procedures	131
PART II.	**OTHER INFORMATION**	
Item 1.	Legal Proceedings	131
Item 1A.	Risk Factors	131
Item 6.	Exhibits	131
Signatures		133

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
ARRA	American Recovery and Reinvestment Act of 2009
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
CDARS	Certificate of Deposit Account Registry Service
CDO	Collateralized Debt Obligations
CDs	Certificates of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CPP	Capital Purchase Program
CRE	Commercial Real Estate
DDA	Demand Deposit Account
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EESA	Emergency Economic Stabilization Act of 2008
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FOMC	Federal Open Market Committee
FNMA	Federal National Mortgage Association
Franklin	Franklin Credit Management Corporation

Table of Contents

FRB	Federal Reserve Bank
FSP	Financial Stability Plan
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
GSIFI	Globally Systemically Important Financial Institution
GSE	Government Sponsored Enterprise
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HASP	Homeowner Affordability and Stability Plan
HCER Act	Health Care and Education Reconciliation Act of 2010
IPO	Initial Public Offering
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
MRC	Market Risk Committee
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NAV	Net Asset Value
NCO	Net Charge-off
NPAs	Nonperforming Assets
NSF / OD	Nonsufficient Funds and Overdraft
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
Reg E	Regulation E of the Electronic Fund Transfer Act
REIT	Real Estate Investment Trust
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SIFIs	Systemically Important Financial Institutions
Sky Financial	Sky Financial Group, Inc.
SRIP	Supplemental Retirement Income Plan
Sky Trust	Sky Bank and Sky Trust, National Association
TAGP	Transaction Account Guarantee Program
TARP	Troubled Asset Relief Program
TARP Capital	Series B Preferred Stock

Table of Contents

TCE	Tangible Common Equity
TDR	Troubled Debt Restructured Loan
TLGP	Temporary Liquidity Guarantee Program
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

Table of Contents

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 650 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.

6

Table of Contents

EXECUTIVE OVERVIEW

Summary of 2012 First Quarter Results

For the quarter, we reported net income of $153.3 million, or $0.17 per common share, compared with $126.9 million, or $0.14 per common share, in the prior quarter (*see Table 1*).

Fully-taxable equivalent net interest income was $421.1 million for the quarter, up $2.6 million, or 1%, from the prior quarter. The increase reflected the benefit of a $0.6 billion, or 1% (5% annualized), increase in average earning assets, and a 2 basis point increase in the fully-taxable equivalent net interest margin to 3.40% from 3.38%. The 2 basis point increase in the net interest margin reflected the benefits from the 7 basis point reduction in the cost of deposit pricing and an increase in low cost funding, partially offset by a 5 basis point decrease from the mix and yield of earning assets.

The provision for credit losses decreased $10.9 million, or 24%, from the prior quarter. This reflected a larger reduction of the ACL than in the prior quarter due to the continued improvement in credit quality as we gradually migrate toward normal levels.

Noninterest income increased $56.0 million, or 24%. This included a $23.9 million increase in gain on loan sales as the current quarter included a $23.0 million gain associated with the automobile loan securitization. In addition, the first quarter was positively impacted by a $22.3 million increase in mortgage banking income. This was driven by an $11.7 million increase in MSR net hedging income and a $10.1 million increase in origination and secondary marketing income. Other income included an $11.4 million bargain purchase gain related to the FDIC-assisted acquisition of Dearborn, Michigan-based Fidelity Bank on March 30, 2012. As part of this transaction, we acquired approximately $520.6 million of loans, $713.4 million of deposits, and certain other assets and liabilities of Fidelity Bank from the FDIC. All assets and liabilities were recorded at their estimated fair value.

Noninterest expense increased $32.4 million, or 8%. This reflected a $23.5 million addition to litigation reserves in other expense and the absence of a $9.7 million gain on the early extinguishment of debt (trust preferred securities) recorded last quarter. Personnel costs increased $15.4 million, or 7%, most notably impacted by approximately $9 million of costs related to the annual payroll tax resets and other benefit expense. These negative impacts were partially offset by an $11.4 million decrease in outside data processing and other services, reflecting the absence of $5.0 million of expenses associated with the conversion to a new debit card processor that were incurred last quarter.

The period end ACL as a percentage of total loans and leases decreased to 2.37%, from 2.60%. The ACL as a percentage of period end NALs increased to 206% from 187% at the end of 2011. NALs declined 14% to $467.6 million, or 1.15% of total loans. Total NCOs for the 2012 first quarter were $83.0 million, or an annualized 0.85% of average total loans and leases. This was consistent with $83.9 million, or an annualized 0.85%, in the prior quarter. The continued improvement in credit quality performance reflected the positive results of the actions taken over the last three years to address credit-related issues in our loan portfolio. Many of our credit quality performance metrics remain elevated compared with historical levels, and we expect continued improvement.

Capital levels continued to be strong. Our Tier 1 common risk-based capital ratio at March 31, 2012, was 10.15%, up from 10.00% at December 31, 2011, with our tangible common equity ratio increasing to 8.33% from 8.30% over this same period. The regulatory Tier 1 risk-based capital ratio at March 31, 2012 was 12.22%, up from 12.11%, at year end, while our Total risk based capital ratio declined slightly to 14.76% from 14.77%. This decline reflected an increase in risk-weighted assets due to balance sheet growth.

The Federal Reserve completed its review of our January 2012 capital plan submission and did not object to our proposed capital actions. This allows us to maintain our common dividend through the first quarter of 2013. It also gives us the potential to repurchase up to $182 million of common stock. Reinvesting excess capital to grow the business organically remains our first priority. Importantly, through dividends and now share repurchases, we have the flexibility, subject to market conditions, to return a meaningful amount of our earnings to our shareholders.

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, and (4) continue to strengthen risk management, including sustained improvement in credit metrics.

Consumer checking account households grew at a 14.2% annualized rate during the quarter and were up 11.7% compared to a year ago. The percent of consumer checking account households with four or more products or services was 1.6 percentage points higher, up to 75.1% from 73.5% last quarter. The percent of commercial relationships with four or more products or services at the end of the quarter was 32.7%, up from 31.4% in the prior quarter. These growth and cross-sell rates are why service charges on deposit accounts increased 11% from a year ago and limited the decline in electronic banking income to $10 million over a similar timeframe. We have already made up 20% of the electronic banking revenue lost due to the Durbin Amendment of the Dodd-Frank Act. These financial results point to the competitive advantage we are building through our Fair Play consumer strategy that is built on simply doing the right thing for our customers.

7

Table of Contents

Economy

Some of the encouraging signs seen late last year continued to build throughout the quarter and drove modest economic growth. Parts of the Midwest region are recovering faster than the broader United States, with lower levels of unemployment, resurgence in manufacturing, and budget surpluses for several states for the first time in years. All of our footprint large metropolitan statistical areas (MSA) unemployment rates were below the national average as of February 2012, with the exception of Detroit. However, Michigan s unemployment rate has declined faster than the national average. In addition, our footprint states have continued to be strong export states. For the three-month average ending February 2012, exports from our footprint states were 12.6% greater than the prior period. By comparison, overall U.S. exports were 9.4% higher. However, office vacancy rates in our footprint MSAs were above the national vacancy rate in the prior quarter, with the exception of Pittsburgh. While our footprint has clearly benefitted 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. A recent action affecting us was the Federal Reserve capital plans rule.

Capital Plans Rule / Comprehensive Capital Analysis and Review (CCAR) In November 2011, the Federal Reserve issued its final rule requiring top-tier U.S. bank holding companies with total consolidated assets of $50 billion or more, including us, to submit to an annual capital planning review process. The capital planning review process includes 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 supervisory stress test designed to test our capital adequacy.

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. During 2012, we will transition into the Federal Reserve s more rigorous CCAR or equivalent process, which had previously been required of only the largest 19 bank holding companies.

The Federal Reserve s objective with CCAR is to ensure that large, systemically important banking institutions have forward-looking, risk tailored capital planning processes that provide reasonable assurance that they will have sufficient capital to remain going concerns in times of economic and financial distress. We are expected to have credible two year pro forma plans that illustrate that we will have sufficient capital to operate as usual, under adverse conditions, while still meeting certain regulatory capital thresholds.

Annually, the Federal Reserve will issue detailed instructions outlining the information they are requiring from us, as well as the required timeframes. The instructions will include the Federal Reserve s adverse stress scenario that is required to be used in this exercise and is designed to represent economic conditions that could occur in a prolonged global economic recession. For additional discussion, please see Updates to Risk Factors within the Additional Disclosures section.

Expectations

For the remainder of 2012, net interest income is expected to be modestly higher than the first quarter level. The momentum we are seeing in total loan and low-cost deposit growth is expected to continue. These benefits are expected to be mostly offset by downward pressure on the net interest margin later in the year due to the anticipated continued mix shift to lower-rate, higher quality loans and lower securities reinvestment rates given the low absolute level of interest rates and shape of the yield curve. The C&I portfolio is expected to continue to show meaningful growth as our sales pipeline remains robust with much of this reflecting the positive impact from strategic initiatives to expand our commercial lending expertise into areas such as specialty banking, asset based lending, and equipment financing. It also reflects our long-standing continued support of middle market and small business lending. For automobile loans, we will continue to evaluate, subject to market conditions, another automobile loan securitization in the second half of the year. Such securitizations allow us to continue to expand this business while generating strong levels of originations that would otherwise limit on-balance sheet automobile loan concentration. Residential mortgages and home equity loans are expected to show modest growth. CRE loans will likely continue to experience low levels of declines, as the runoff in the noncore portion of the portfolio is partially offset by new core originations.

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

Noninterest income is expected to show a modest increase from a normalized 2012 first quarter level, which excludes the impact of the automobile loan securitization gain, the Fidelity Bank related bargain purchase gain, and any net MSR impact. This growth is expected to primarily reflect the benefit of new customers and increased contribution from fee income businesses, including capital markets, treasury management services, and brokerage, as well as the continued positive impact of our cross-sell and product penetration initiatives throughout the company.

For the full year, we anticipate positive operating leverage and modest improvement in our expense efficiency ratio, resulting primarily from revenue growth more than offsetting expenses. While we continue our focus on expense control throughout the company, additional regulatory costs and strategic actions, including the planned opening of over 40 in-store branches and integration of Fidelity Bank, may offset such improvements.

Nonaccrual loans and net charge-offs are expected to decline from first quarter levels. The level of provision for credit losses is currently at the low end of our long-term expectation, and we expect some quarterly volatility given the absolute low level and the uncertain and uneven nature of the economic recovery.

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

Table of Contents

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.

Table of Contents

Table 1 - Selected Quarterly Income Statement Data (1)

	2012	2011			
(dollar amounts in thousands, except per share amounts)	**First**	Fourth	Third	Second	First
Interest income	**$ 479,937**	$ 485,216	$ 490,996	$ 492,137	$ 501,877
Interest expense	**62,728**	70,191	84,518	88,800	97,547
Net interest income	**417,209**	415,025	406,478	403,337	404,330
Provision for credit losses	**34,406**	45,291	43,586	35,797	49,385
Net interest income after provision for credit losses	**382,803**	369,734	362,892	367,540	354,945
Service charges on deposit accounts	**60,292**	63,324	65,184	60,675	54,324
Trust services	**30,906**	28,775	29,473	30,392	30,742
Electronic banking	**18,630**	18,282	32,901	31,728	28,786
Mortgage banking income	**46,418**	24,098	12,791	23,835	22,684
Brokerage income	**19,260**	18,688	20,349	20,819	20,511
Insurance income	**18,875**	17,906	17,220	16,399	17,945
Bank owned life insurance income	**13,937**	14,271	15,644	17,602	14,819
Capital markets fees	**9,982**	9,811	11,256	8,537	6,936
Gain on sale of loans	**26,770**	2,884	19,097	2,756	7,207
Automobile operating lease income	**3,775**	4,727	5,890	7,307	8,847
Securities gains (losses)	**(613)**	(3,878)	(1,350)	1,507	40
Other income	**37,088**	30,464	30,104	34,210	24,104
Total noninterest income	**285,320**	229,352	258,559	255,767	236,945
Personnel costs	**243,498**	228,101	226,835	218,570	219,028
Outside data processing and other services	**42,058**	53,422	49,602	43,889	40,282
Net occupancy	**29,079**	26,841	26,967	26,885	28,436
Equipment	**25,545**	25,884	22,262	21,921	22,477
Deposit and other insurance expense	**20,738**	18,481	17,492	23,823	17,896
Marketing	**16,776**	16,379	22,251	20,102	16,895
Professional services	**11,230**	16,769	20,281	20,080	13,465
Amortization of intangibles	**11,531**	13,175	13,387	13,386	13,370
Automobile operating lease expense	**2,854**	3,362	4,386	5,434	6,836
OREO and foreclosure expense	**4,950**	5,009	4,668	4,398	3,931
Gain on early extinguishment of debt		(9,697)			
Other expense	**54,417**	32,548	30,987	29,921	48,083
Total noninterest expense	**462,676**	430,274	439,118	428,409	430,699
Income before income taxes	**205,447**	168,812	182,333	194,898	161,191
Provision for income taxes	**52,177**	41,954	38,942	48,980	34,745
Net income	**$ 153,270**	$ 126,858	$ 143,391	$ 145,918	$ 126,446
Dividends on preferred shares	**8,049**	7,703	7,703	7,704	7,703
Net income applicable to common shares	**$ 145,221**	$ 119,155	$ 135,688	$ 138,214	$ 118,743
Average common shares basic	**864,499**	864,136	863,911	863,358	863,359
Average common shares diluted	**869,164**	868,156	867,633	867,469	867,237

Net income per common share basic	**$ 0.17**	$ 0.14	$ 0.16	$ 0.16	$ 0.14
Net income per common share diluted	**0.17**	0.14	0.16	0.16	0.14
Cash dividends declared per common share	**0.04**	0.04	0.04	0.01	0.01
Return on average total assets	**1.13 %**	0.92 %	1.05 %	1.11 %	0.96 %
Return on average common shareholders equity	**11.4**	9.3	10.8	11.6	10.3
Return on average tangible common shareholders equity (2)	**13.5**	11.2	13.0	13.3	12.7
Net interest margin (3)	**3.40**	3.38	3.34	3.40	3.42
Efficiency ratio (4)	**63.8**	64.0	63.5	62.7	64.7
Effective tax rate	**25.4**	24.9	21.4	25.1	21.6
Revenue FTE					
Net interest income	**$ 417,209**	$ 415,025	$ 406,478	$ 403,337	$ 404,330
FTE adjustment	**3,935**	3,479	3,658	3,834	3,945
Net interest income (3)	**421,144**	418,504	410,136	407,171	408,275
Noninterest income	**285,320**	229,352	258,559	255,767	236,945
Total revenue (3)	**$ 706,464**	$ 647,856	$ 668,695	$ 662,938	$ 645,220

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

Table of Contents

(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).

Significant Items

Definition of Significant Items

From time-to-time, revenue, expenses, or taxes, are impacted by items judged by us to be outside of ordinary banking activities and / or by items that, while they may be associated with ordinary banking activities, are so unusually large that their outsized impact is believed by us at that time to be infrequent or short-term in nature. We refer to such items as Significant Items. Most often, these Significant Items result from factors originating outside the company; e.g., regulatory actions / assessments, windfall gains, changes in accounting principles, one-time tax assessments / refunds, litigation actions, etc. In other cases, they may result from our decisions associated with significant corporate actions outside of the ordinary course of business; e.g., merger / restructuring charges, recapitalization actions, goodwill impairment, etc.

Even though certain revenue and expense items are naturally subject to more volatility than others due to changes in market and economic environment conditions, as a general rule volatility alone does not define a Significant Item. For example, changes in the provision for credit losses, gains / losses from investment activities, asset valuation writedowns, etc., reflect ordinary banking activities and are, therefore, typically excluded from consideration as a Significant Item.

We believe the disclosure of Significant Items provides a better understanding of our performance and trends to ascertain which of such items, if any, to include or exclude from an analysis of our performance; i.e., within the context of determining how that performance differed from expectations, as well as how, if at all, to adjust estimates of future performance accordingly. To this end, we adopted a practice of listing Significant Items in our external disclosure documents; e.g., earnings press releases, investor presentations, Forms 10-Q and 10-K.

Significant Items for any particular period are not intended to be a complete list of items that may materially impact current or future period performance.

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons were impacted by the Significant Items summarized below.

1. **Litigation Reserve.** $23.5 million and $17.0 million of additions to litigation reserves were recorded as other noninterest expense in the first quarter of 2012 and 2011, respectively. This resulted in a negative impact of $0.02 per common share in 2012 and $0.01 per common share in 2011.

2. **Bargain Purchase Gain.** During the 2012 first quarter, an $11.4 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition was recorded in noninterest income. This resulted in a positive impact of $0.01 per common share.

3. **Early Extinguishment of Debt.** The positive impact relating to the early extinguishment of debt on our reported results was $9.7 million ($0.01 per common share) in the 2011 fourth quarter. This amount was recorded as a reduction to noninterest expense.

4. **Visa®-related Derivative Loss.** Prior to the Visa® IPO occurring in March 2008, Visa® was owned by its member banks, which included the Bank. As a result of this ownership, we received Class B shares of Visa® stock at the time of the Visa® IPO, and in the 2009 second quarter, we subsequently sold these Visa® stock shares. In the 2011 fourth quarter, a $6.4 million derivative loss due to an increase in the liability associated with the sale of these shares was recorded to noninterest income.

12

Table of Contents

The following table reflects the earnings impact of the above-mentioned Significant Items for periods affected by this Results of Operations discussion:

Table 2 - Significant Items Influencing Earnings Performance Comparison

	Three Months Ended					
	March 31, 2012		December 31, 2011		March 31, 2011	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS (2)**	After-tax	EPS (2)	After-tax	EPS (2)
Net income - GAAP	**$ 153,270**		$ 126,858		$ 126,446	
Earnings per share, after-tax		**$ 0.17**		$ 0.14		$ 0.14
Change from prior quarter - $		**0.03**		(0.02)		0.09
Change from prior quarter - %		**21%**		(13)%		180 %
Change from year-ago - $		**$ 0.03**		$ 0.09		$ 0.13
Change from year-ago - %		**21%**		180 %		1,300 %
Significant Items - favorable (unfavorable) impact:	**Earnings (1)**	**EPS (2)**	Earnings (1)	EPS (2)	Earnings (1)	EPS (2)
Bargain purchase gain	**$ 11,409**	**$ 0.01**	$	$	$	$
Litigation reserves addition	**(23,500)**	**(0.02)**			(17,028)	(0.01)
Gain on early extinguishment of debt			9,697	0.01		
Visa®-related derivative loss			(6,385)			

(1) Pretax unless otherwise noted.
(2) After-tax.

Net Interest Income / Average Balance Sheet

The following tables detail the change in our average balance sheet and the net interest margin:

Table of Contents

Table 3 - Consolidated Quarterly Average Balance Sheets

	Average Balances				
	2012	2011			
(dollar amounts in millions)	**First**	Fourth	Third	Second	First
Assets					
Interest-bearing deposits in banks	**$ 100**	$ 107	$ 164	$ 131	$ 130
Trading account securities	**50**	81	92	112	144
Federal funds sold and securities purchased under resale agreement				21	
Loans held for sale	**1,265**	316	237	181	420
Available-for-sale and other securities:					
Taxable	**8,171**	8,065	7,902	8,428	9,108
Tax-exempt	**404**	409	421	436	445
Total available-for-sale and other securities	**8,575**	8,474	8,323	8,864	9,553
Held-to-maturity securities taxable	**632**	650	665	174	
Loans and leases: (1)					
Commercial:					
Commercial and industrial	**14,824**	14,219	13,664	13,370	13,121
Commercial real estate:					
Construction	**598**	533	670	554	611
Commercial	**5,254**	5,425	5,441	5,679	5,913
Commercial real estate	**5,852**	5,958	6,111	6,233	6,524
Total commercial	**20,676**	20,177	19,775	19,603	19,645
Consumer:					
Automobile	**4,576**	5,639	6,211	5,954	5,701
Home equity	**8,234**	8,149	8,002	7,874	7,728
Residential mortgage	**5,174**	5,043	4,788	4,566	4,465
Other consumer	**485**	511	521	538	559
Total consumer	**18,469**	19,342	19,522	18,932	18,453
Total loans and leases	**39,145**	39,519	39,297	38,535	38,098
Allowance for loan and lease losses	**(961)**	(1,014)	(1,066)	(1,128)	(1,231)
Net loans and leases	**38,184**	38,505	38,231	37,407	36,867
Total earning assets	**49,767**	49,147	48,778	48,018	48,345
Cash and due from banks	**1,012**	1,671	1,700	1,068	1,299
Intangible assets	**613**	625	639	652	665
All other assets	**4,225**	4,221	4,142	4,160	4,291
Total assets	**$ 54,656**	$ 54,650	$ 54,193	$ 52,770	$ 53,369
Liabilities and Shareholders Equity					
Deposits:					
Demand deposits - noninterest-bearing	$ 11,273	$ 10,716	$ 8,719	$ 7,806	$ 7,333
Demand deposits - interest-bearing	5,646	5,570	5,573	5,565	5,357
Money market deposits	13,141	13,594	13,321	12,879	13,492

Savings and other domestic deposits	4,817	4,706	4,752	4,778	4,701
Core certificates of deposit	6,510	6,769	7,592	8,079	8,391
Total core deposits	41,387	41,355	39,957	39,107	39,274
Other domestic time deposits of $250,000 or more	347	405	387	467	606
Brokered deposits and negotiable CDs	1,301	1,410	1,533	1,333	1,410
Deposits in foreign offices	430	434	401	347	374
Total deposits	43,465	43,604	42,278	41,254	41,664
Short-term borrowings	1,512	1,728	2,251	2,112	2,134
Federal Home Loan Bank advances	419	29	285	97	30
Subordinated notes and other long-term debt	2,652	2,866	3,030	3,249	3,525
Total interest-bearing liabilities	36,775	37,511	39,125	38,906	40,020
All other liabilities	**1,116**	978	1,017	913	994
Shareholders equity	**5,492**	5,445	5,332	5,145	5,022
Total liabilities and shareholders equity	**$ 54,656**	$ 54,650	$ 54,193	$ 52,770	$ 53,369

(1) For purposes of this analysis, NALs are reflected in the average balances of loans.

Table of Contents

Table 4 - Consolidated Quarterly Net Interest Margin Analysis

	Average Rates (2)				
Fully-taxable equivalent basis (1)	**2012**	2011			
	First	Fourth	Third	Second	First
Assets					
Interest-bearing deposits in banks	**0.05%**	0.06%	0.04%	0.22%	0.11%
Trading account securities	**1.65**	0.97	1.41	1.59	1.37
Federal funds sold and securities purchased under resale agreement				0.09	
Loans held for sale	**3.80**	3.96	4.46	4.97	4.08
Available-for-sale and other securities:					
Taxable	**2.39**	2.37	2.43	2.59	2.53
Tax-exempt	**4.17**	4.22	4.17	4.02	4.70
Total available-for-sale and other securities	**2.47**	2.46	2.52	2.66	2.63
Held-to-maturity securities taxable	**2.98**	2.99	3.04	2.96	
Loans and leases: (3)					
Commercial:					
Commercial and industrial	**4.01**	4.01	4.13	4.31	4.57
Commercial real estate:					
Construction	**3.85**	4.78	3.87	3.37	3.36
Commercial	**3.82**	3.91	3.91	3.90	3.93
Commercial real estate	**3.82**	3.99	3.91	3.84	3.88
Total commercial	**3.96**	4.01	4.06	4.16	4.34
Consumer:					
Automobile	**4.87**	4.80	4.89	5.06	5.22
Home equity	**4.30**	4.41	4.45	4.49	4.54
Residential mortgage	**4.17**	4.30	4.47	4.62	4.76
Other consumer	**7.47**	7.32	7.57	7.76	7.85
Total consumer	**4.49**	4.57	4.68	4.79	4.90
Total loans and leases	**4.21**	4.28	4.37	4.47	4.61
Total earning assets	**3.91%**	3.95%	4.02%	4.14%	4.24%
Liabilities					
Deposits:					
Demand deposits - noninterest-bearing	**%**	%	%	%	%
Demand deposits - interest-bearing	**0.06**	0.08	0.10	0.09	0.09
Money market deposits	**0.26**	0.32	0.41	0.40	0.50
Savings and other domestic deposits	**0.45**	0.52	0.69	0.74	0.81
Core certificates of deposit	**1.60**	1.69	1.95	2.04	2.07
Total core deposits	**0.54**	0.61	0.77	0.82	0.89
Other domestic time deposits of $250,000 or more	**0.68**	0.78	0.93	1.01	1.08
Brokered deposits and negotiable CDs	**0.79**	0.77	0.77	0.89	1.11
Deposits in foreign offices	**0.18**	0.19	0.26	0.26	0.20
Total deposits	**0.55**	0.61	0.77	0.82	0.90
Short-term borrowings	**0.16**	0.18	0.16	0.16	0.18

Federal Home Loan Bank advances	**0.21**	2.09	0.32	0.88	2.98
Subordinated notes and other long-term debt	**2.74**	2.56	2.43	2.39	2.34
Total interest-bearing liabilities	**0.68%**	0.74%	0.86%	0.91%	0.99%
Net interest rate spread	**3.15%**	3.15%	3.11%	3.19%	3.21%
Impact of noninterest-bearing funds on margin	**0.25**	0.23	0.22	0.21	0.22
Net interest margin	**3.40%**	3.38%	3.34%	3.40%	3.42%

(1) FTE yields are calculated assuming a 35% tax rate.

(2) Loan and lease and deposit average rates include impact of applicable derivatives, non-deferrable fees, and amortized deferred fees.

(3) For purposes of this analysis, NALs are reflected in the average balances of loans.

Table of Contents

Table 5 - Average Loans/Leases and Deposits

	First Quarter		Fourth Quarter	1Q12 vs 1Q11		1Q12 vs 4Q11	
(dollar amounts in millions)	**2012**	2011	2011	Amount	Percent	Amount	Percent
Loans/Leases							
Commercial and industrial	**$ 14,824**	$ 13,121	$ 14,219	$ 1,703	13 %	$ 605	4%
Commercial real estate	**5,852**	6,524	5,958	(672)	(10)	(106)	(2)
Total commercial	**20,676**	19,645	20,177	1,031	5	499	2
Automobile	**4,576**	5,701	5,639	(1,125)	(20)	(1,063)	(19)
Home equity	**8,234**	7,728	8,149	506	7	85	1
Residential mortgage	**5,174**	4,465	5,043	709	16	131	3
Other loans	**485**	559	511	(74)	(13)	(26)	(5)
Total consumer	**18,469**	18,453	19,342	16		(873)	(5)
Total loans and leases	**$ 39,145**	$ 38,098	$ 39,519	$ 1,047	3%	$ (374)	(1)%
Deposits							
Demand deposits noninterest-bearing	**$ 11,273**	$ 7,333	$ 10,716	$ 3,940	54%	$ 557	5%
Demand deposits interest-bearing	**5,646**	5,357	5,570	289	5	76	1
Money market deposits	**13,141**	13,492	13,594	(351)	(3)	(453)	(3)
Savings and other domestic time deposits	**4,817**	4,701	4,706	116	2	111	2
Core certificates of deposit	**6,510**	8,391	6,769	(1,881)	(22)	(259)	(4)
Total core deposits	**41,387**	39,274	41,355	2,113	5	32	
Other deposits	**2,078**	2,390	2,249	(312)	(13)	(171)	(8)
Total deposits	**$ 43,465**	$ 41,664	$ 43,604	$ 1,801	4%	$ (139)	(0)%

2012 First Quarter versus 2011 First Quarter

Fully-taxable equivalent net interest income increased $12.9 million, or 3%, from the year-ago quarter. This reflected a $1.4 billion, or 3%, increase in average total earning assets, partially offset by a 2 basis point decline in the FTE net interest margin. The increase in average earning assets reflected:

- $1.0 billion, or 3%, increase in average total loans and leases.
- $0.8 billion, or 201%, increase in average loans held for sale.
- $0.6 billion in average held-to-maturity securities compared with none in the year-ago quarter.

Partially offset by:

- $1.0 billion, or 10%, decrease in average total available-for-sale and other securities.

The 2 basis point decline in the FTE net interest margin reflected the reduction in derivatives income, lower loan and securities yields, partially offset by the positive impacts of increases in low cost deposits and improved deposit pricing.

The $1.0 billion, or 3%, increase in average total loans and leases primarily reflected:

- $1.7 billion, or 13%, growth in the average C&I portfolio reflected a combination of factors including the benefits from our strategic initiatives focusing on large corporate and equipment finance. In addition, we continued to see growth in more traditional middle-market, and business banking loans. This growth was evident despite line utilization rates that remained well below historical norms.

- $0.7 billion, or 16%, increase in average residential mortgages that were predominantly 15-year fixed rate loans.

- $0.5 billion, or 7%, increase in average home equity loans with over 70% of new originations in a first lien position.

Table of Contents

Partially offset by:

- $1.1 billion, or 20%, decrease in the average automobile portfolio. This reflected the securitization and sale of $1.0 billion of such loans in the 2011 third quarter and the reclassification of automobile loans to loans held for sale related to the securitization and sale in the 2012 first quarter of $1.3 billion of auto loans.

- $0.7 billion, or 10%, decrease in the average CRE portfolio, reflected the continued execution of our plan to reduce the total CRE exposure, primarily in the noncore CRE portfolio. This reduction is expected to continue, evidenced by the combined impact of amortization, paydowns, refinancing, and restructures.

The $1.8 billion, or 4%, increase in average total deposits from the year-ago quarter reflected:

- $2.1 billion, or 5%, growth in average total core deposits. The drivers of this change were a $3.9 billion, or 54%, growth in average noninterest-bearing demand deposits, partially offset by $1.9 billion, or 22%, decline in average core certificates of deposit, and $0.4 billion, or 3%, decline in average money market deposits.

Partially offset by:

- $0.3 billion, or 43%, decline in average other domestic deposits of $250,000 or more, reflecting a strategy of reducing such noncore funding.

2012 First Quarter versus 2011 Fourth Quarter

Fully-taxable equivalent net interest income increased $2.6 million, or 1%, from the 2011 fourth quarter. This reflected a $0.6 billion, or 1%, increase in average earning assets and a 2 basis point increase in the FTE net interest margin. While average earning assets increased, average total loans and leases declined $0.4 billion, or 1%. This reflected the reclassification of automobile loans to loans held for sale related to the securitization and sale in the 2012 first quarter of $1.3 billion of auto loans. The primary items impacting the increase in the fully-taxable equivalent net interest margin were:

- 7 basis points positive impact from improved deposit pricing and an increase in low cost funding.

Partially offset by:

- 5 basis points negative impact from lower earning asset yields and a shift to lower-yield, higher quality credits.

The $0.4 billion, or 1% (4% annualized), decrease in average total loans and leases from the 2011 fourth quarter reflected:

- $1.1 billion, or 19% (75% annualized), decline in average automobile loans. Automobile loan origination levels remained strong throughout the quarter. The decline in first quarter average balances reflected the reclassification of $1.3 billion of auto loans to loans held for sale at the end of the prior quarter, which were subsequently securitized and sold in a transaction on March 8, 2012.

Partially offset by:

- $0.6 billion, or 4% (17% annualized), growth in the average C&I portfolio. The growth in the C&I portfolio reflected increased activity from several business lines including large corporate, dealer floorplan, and equipment finance.

The $0.1 billion, or less than 1% (1% annualized), decrease in average total deposits from the 2011 fourth quarter reflected:

- $0.5 billion, or 3% (13% annualized), decrease in average money market deposits.

- $0.3 billion, or 4% (15% annualized), decrease in core certificates of deposits.

Partially offset by:

- $0.6 billion, or 5% (21% annualized), increase in noninterest-bearing demand deposits.

Table of Contents

Provision for Credit Losses

(This section should be read in conjunction with the Credit Risk section.)

The provision for credit losses is the expense necessary to maintain the ALLL and the AULC at levels appropriate to absorb our estimate of inherent credit losses in the loan and lease portfolio and the portfolio of unfunded loan commitments and letters-of-credit.

The provision for credit losses for the 2012 first quarter was $34.4 million, a decrease of $10.9 million, or 24%, from the prior quarter, and $15.0 million, or 30%, from the year-ago quarter. These declines reflected the combination of lower total NCOs, total NPAs, and commercial Criticized loans as a result of improvement in the underlying quality of the loan portfolio. The reduction in commercial Criticized loans reflected the resolution of problem credits for which reserves had been previously established. The current quarter s provision for credit losses was $48.6 million less than total NCOs. *(See Credit Quality discussion).*

Noninterest Income

(This section should be read in conjunction with Significant Items 2 and 4.)

The following table reflects noninterest income for each of the past five quarters:

Table 6 - Noninterest Income

(dollar amounts in thousands)	**2012 First**	2011 Fourth	2011 Third	2011 Second	2011 First	1Q12 vs 1Q11 Amount	1Q12 vs 1Q11 Percent	1Q12 vs 4Q11 Amount	1Q12 vs 4Q11 Percent
Service charges on deposit accounts	**$ 60,292**	$ 63,324	$ 65,184	$ 60,675	$ 54,324	$ 5,968	11%	$ (3,032)	(5)%
Trust services	**30,906**	28,775	29,473	30,392	30,742	164	1	2,131	7
Electronic banking	**18,630**	18,282	32,901	31,728	28,786	(10,156)	(35)	348	2
Mortgage banking income	**46,418**	24,098	12,791	23,835	22,684	23,734	105	22,320	93
Brokerage income	**19,260**	18,688	20,349	20,819	20,511	(1,251)	(6)	572	3
Insurance income	**18,875**	17,906	17,220	16,399	17,945	930	5	969	5
Bank owned life insurance income	**13,937**	14,271	15,644	17,602	14,819	(882)	(6)	(334)	(2)
Capital markets fees	**9,982**	9,811	11,256	8,537	6,936	3,046	44	171	2
Gain on sale of loans	**26,770**	2,884	19,097	2,756	7,207	19,563	271	23,886	828
Automobile operating lease income	**3,775**	4,727	5,890	7,307	8,847	(5,072)	(57)	(952)	(20)
Securities gains (losses)	**(613)**	(3,878)	(1,350)	1,507	40	(653)	(1,633)	3,265	(84)
Other income	**37,088**	30,464	30,104	34,210	24,104	12,984	54	6,624	22
Total noninterest income	**$ 285,320**	$ 229,352	$ 258,559	$ 255,767	$ 236,945	$ 48,375	20%	$ 55,968	24%

2012 First Quarter versus 2011 First Quarter

The $48.4 million, or 20%, increase in total noninterest income from the year-ago quarter reflected:

- $23.7 million, or 105%, increase in mortgage banking income. This primarily reflected an $11.5 million increase in origination and secondary marketing income, as originations increased 25% from the year-ago period, and an $11.1 million increase in MSR net hedging income.

$19.6 million, or 271%, increase in gain on sale of loans, as the current quarter included a $23.0 million automobile loan securitization gain.

$13.0 million, or 54%, increase in other income, which reflected the $11.4 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition.

$6.0 million, or 11%, increase in service charges on deposits, primarily reflecting continued strong customer growth.

Partially offset by:

$10.2 million, or 35%, decrease in electronic banking income, related to implementing the lower debit card interchange fee structure mandated in the Durbin Amendment of the Dodd-Frank Act.

$5.1 million, or 57%, decline in automobile operating lease income reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

Table of Contents

2012 First Quarter versus 2011 Fourth Quarter

The $56.0 million, or 24%, increase in total noninterest income from the prior quarter reflected:

- $23.9 million, or 828%, increase in gain on sale of loans, as the current quarter included a $23.0 million automobile loan securitization gain.

- $22.3 million, or 93%, increase in mortgage banking income. This primarily reflected a $10.1 million increase in origination and secondary marketing income and an $11.7 million increase in net MSR hedging income.

- $6.6 million, or 22%, increase in other income, which reflected the $11.4 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition and the absence of a $6.4 million Visa®-related derivative loss compared to the 2011 fourth quarter, partially offset by a $7.2 million reduction in mezzanine gains.

Noninterest Expense

(This section should be read in conjunction with Significant Items 1 and 3.)

The following table reflects noninterest expense for each of the past five quarters:

Table 7 - Noninterest Expense

	2012	2011				1Q12 vs 1Q11		1Q12 vs 4Q11	
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First	Amount	Percent	Amount	Percent
Personnel costs	**$ 243,498**	$ 228,101	$ 226,835	$ 218,570	$ 219,028	$ 24,470	11%	$ 15,397	7%
Outside data processing and other services	**42,058**	53,422	49,602	43,889	40,282	1,776	4	(11,364)	(21)
Net occupancy	**29,079**	26,841	26,967	26,885	28,436	643	2	2,238	8
Equipment	**25,545**	25,884	22,262	21,921	22,477	3,068	14	(339)	(1)
Deposit and other insurance expense	**20,738**	18,481	17,492	23,823	17,896	2,842	16	2,257	12
Marketing	**16,776**	16,379	22,251	20,102	16,895	(119)	(1)	397	2
Professional services	**11,230**	16,769	20,281	20,080	13,465	(2,235)	(17)	(5,539)	(33)
Amortization of intangibles	**11,531**	13,175	13,387	13,386	13,370	(1,839)	(14)	(1,644)	(12)
Automobile operating lease expense	**2,854**	3,362	4,386	5,434	6,836	(3,982)	(58)	(508)	(15)
OREO and foreclosure expense	**4,950**	5,009	4,668	4,398	3,931	1,019	26	(59)	(1)
Gain on early extinguishment of debt		(9,697)						9,697	(100)
Other expense	**54,417**	32,548	30,987	29,921	48,083	6,334	13	21,869	67
Total noninterest expense	**$ 462,676**	$ 430,274	$ 439,118	$ 428,409	$ 430,699	$ 31,977	7%	$ 32,402	8%
Number of employees (full-time equivalent), at period-end	**11,166**	11,245	11,473	11,457	11,319	(153)	(1)%	(79)	(1)%

2012 First Quarter versus 2011 First Quarter

The $32.0 million, or 7%, increase in total noninterest expense from the year-ago quarter reflected:

- $24.5 million, or 11%, increase in personnel costs, which primarily reflected increased salaries and benefits, including an increase in commissions and incentive compensation expense due to improved performance metrics and results.

- $6.3 million, or 13%, increase in other expense, which reflected a $6.5 million increase in the addition to litigation reserves.

2012 First Quarter versus 2011 Fourth Quarter

The $32.4 million, or 8%, increase in total noninterest expense from the prior quarter reflected:

- $21.9 million, or 67%, increase in other expense, which reflected the $23.5 million addition to litigation reserves.

- $15.4 million, or 7%, increase in personnel costs, which was impacted by approximately $9 million of costs related to the annual payroll tax resets, other benefit expenses, and an increase in incentive compensation due to improved metrics and results.

Table of Contents

$9.7 million gain on the early extinguishment of debt related to the exchange of certain trust preferred securities in the prior quarter.
Partially offset by:

$11.4 million, or 21%, decrease in outside data processing and other services, which reflected the fourth quarter 2011 completion of the conversion to a new debit card processer.

$5.5 million, or 33%, decline professional services, which reflected lower legal and consulting related expenses.

Provision for Income Taxes

The provision for income taxes in the 2012 first quarter was $52.2 million. This compared with a provision for income taxes of $42.0 million in the 2011 fourth quarter and $34.7 million in the 2011 first quarter. All three quarters included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. At March 31, 2012, we had a net deferred tax asset of $302.4 million. Based on both positive and negative evidence and our level of forecasted future taxable income, there was no impairment to the deferred tax asset at March 31, 2012. As of March 31, 2012, there is no disallowed deferred tax asset for regulatory capital purposes compared to $39.1 million and $89.9 million at December 31, 2011 and March 31, 2011, respectively.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2007. We have appealed certain proposed adjustments resulting from the IRS examination of our 2006 and 2007 tax returns. We believe our positions related to such proposed adjustments are correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. In 2011, we entered into discussions with the Appeals Division of the IRS. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. Nevertheless, although no assurances can be given, we believe that the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. In the 2011 third quarter, the IRS began its examination of our 2008 and 2009 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, and Illinois.

RISK MANAGEMENT AND CAPITAL

Risk awareness, identification and assessment, reporting, and active management are key elements in overall risk management. We manage risk to an aggregate moderate-to-low risk profile through a control framework and by monitoring and responding to identified potential risks. Controls include, among others, effective segregation of duties, access, authorization and reconciliation procedures, as well as staff education and a disciplined assessment process.

We identify primary risks, and the sources of those risks, within each business unit. We utilize Risk and Control Self-Assessments (RCSA) to identify exposure risks. Through this RCSA process, we continually assess the effectiveness of controls associated with the identified risks, regularly monitor risk profiles and material exposure to losses, and identify stress events and scenarios to which we may be exposed. Our chief risk officer is responsible for ensuring that appropriate systems of controls are in place for managing and monitoring risk across the Company. Potential risk concerns are shared with the Risk Management Committee and the board of directors, as appropriate. Our internal audit department performs on-going independent reviews of the risk management process and ensures the adequacy of documentation. The results of these reviews are reported regularly to the audit committee and board of directors.

We believe that our primary risk exposures are credit, market, liquidity, operational, and compliance oriented. More information on risk can be found in the Risk Factors section included in Item 1A of our 2011 Form 10-K and subsequent filings with the SEC. Additionally, 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. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2011 Form 10-K.

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have significant credit risk associated with our available-for-sale and other investment and held-to-maturity securities portfolios *(see Note 4 and Note 5 of the Notes to the Unaudited Condensed Consolidated Financial Statements)*. We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and for trading activities. While there is credit risk associated with derivative activity, we believe this exposure is minimal. The significant change in the economic conditions and the resulting changes in borrower behavior over the past several years resulted in our continuing focus on the identification, monitoring, and managing of our credit risk. In addition to the traditional credit risk mitigation strategies of credit policies and processes, market risk management activities, and portfolio diversification, we use additional quantitative measurement capabilities utilizing external data sources, enhanced use of modeling technology, and internal stress testing processes. Our portfolio management resources demonstrate our commitment to maintaining an aggregate moderate-to-low risk profile. In our efforts to continue to identify risk mitigation techniques, we have focused on product design features, origination policies, and treatment strategies for delinquent or stressed borrowers.

Loan and Lease Credit Exposure Mix

At March 31, 2012, our loans and leases totaled $40.7 billion, representing a $1.8 billion, or 5%, increase compared to $38.9 billion at December 31, 2011, primarily reflecting growth in the C&I portfolio. This C&I loan growth included a $0.1 billion impact from the FDIC-assisted purchase of Fidelity Bank and a $0.4 billion impact from the purchase of a portfolio of high quality municipal equipment leases. In addition to these impacts, the C&I loan portfolio reflected a continuation of growth experienced over recent quarters. Also, the automobile portfolio increased $0.3 billion *(see Automobile Portfolio discussion).*

At March 31, 2012, commercial loans and leases totaled $21.9 billion, and represented 53% of our total credit exposure. Our commercial loan portfolio represents a higher percentage of our overall loan and lease portfolio compared to recent quarters as a result of the transactions noted above. Our commercial portfolio is diversified along product type, customer size, and geography within our footprint, and is comprised of the following (*see Commercial Credit discussion)*:

C&I C&I loans and leases are made to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. C&I loans and leases are generally underwritten individually and secured with the assets of the company and/or the personal guarantee of the business owners. The financing of owner occupied facilities is considered a C&I loan even though there is improved real estate as collateral. This treatment is a result of the credit decision process, which focuses on cash flow from operations of the business to repay the debt. The operation, sale, rental, or refinancing of the real estate is not considered the primary repayment source for these types of loans. As we look to grow our C&I portfolio, we have further developed our ABL capabilities by adding experienced ABL professionals to take advantage of market opportunities resulting in better leveraging of the manufacturing base in our primary markets. Also, our Equipment Finance area is targeting larger equipment financings in the manufacturing sector in addition to our core products. We also expanded our Large Corporate Banking area with sufficient resources to ensure we appropriately recognize and manage the risks associated with this type of lending.

Table of Contents

CRE CRE loans consist of loans for income-producing real estate properties, real estate investment trusts, and real estate developers. We mitigate our risk on these loans by requiring collateral values that exceed the loan amount and underwriting the loan with projected cash flow in excess of the debt service requirement. These loans are made to finance properties such as apartment buildings, office and industrial buildings, and retail shopping centers, and are repaid through cash flows related to the operation, sale, or refinance of the property.

Construction CRE Construction CRE loans are loans to individuals, companies, or developers used for the construction of a commercial or residential property for which repayment will be generated by the sale or permanent financing of the property. Our construction CRE portfolio primarily consists of retail, residential (land, single family, and condominiums), office, and warehouse project types. Generally, these loans are for construction projects that have been presold or preleased, or have secured permanent financing, as well as loans to real estate companies with significant equity invested in each project. These loans are underwritten and managed by a specialized real estate lending group that actively monitors the construction phase and manages the loan disbursements according to the predetermined construction schedule.

Total consumer loans and leases were $18.8 billion at March 31, 2012, and represented 47% of our total loan and lease credit exposure. The consumer portfolio was primarily diversified among automobile, home equity loans and lines-of-credit, and residential mortgages *(see Consumer Credit discussion)*.

Automobile Automobile loans are primarily comprised of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. No state outside of our primary banking markets represented more than 3% of our total automobile portfolio at March 31, 2012. We have successfully implemented a loan securitization strategy to maintain our established portfolio concentration limits.

Home equity Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first-lien or second-lien on the borrower s residence, allows customers to borrow against the equity in their home. Given the current low interest rate environment, many borrowers have utilized the line-of-credit home equity product as the primary source of financing their home versus residential mortgages. As a result, the proportion of the home equity portfolio secured by a first-lien has increased significantly over the past three years, positively impacting the portfolio s risk profile. The portfolio s credit risk profile is substantially reduced when we hold a first-lien position. During the first three-month period of 2012, 74% of our home equity portfolio originations were secured by a first-lien. The first-lien position, combined with continued high average FICO scores, significantly reduces the PD associated with these loans. The combination provides a strong base when assessing the expected future performance of this portfolio. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values impact the severity of losses. We actively manage the extension of credit and the amount of credit extended through a combination of criteria including financial position, debt-to-income policies, and LTV policy limits.

Residential mortgage Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15-year to 30-year term, and in most cases, are extended to borrowers to finance their primary residence. Generally, our practice is to sell a significant portion of our fixed-rate originations in the secondary market. As such, at March 31, 2012, 51% of our total residential mortgage portfolio were ARMs. These ARMs primarily consist of a fixed-rate of interest for the first 3 to 5 years, and then adjust annually. We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. An appropriate level of accounting reserve for representations and warranties related to residential mortgage loans sold has been established to address the repurchase risk inherent in the portfolio *(see Operational Risk section).*

Other consumer Primarily consists of consumer loans not secured by real estate, including personal unsecured loans.

The table below provides the composition of our total loan and lease portfolio:

Table of Contents

Table 8 - Loan and Lease Portfolio Composition

	2012		2011							
(dollar amounts in millions)	**March 31, (1)**		December 31,		September 30,		June 30,		March 31,	
Commercial:[2]										
Commercial and industrial	**$ 15,838**	**39%**	$ 14,699	38%	$ 13,939	36%	$ 13,544	34%	$ 13,299	35%
Commercial real estate:										
Construction	**597**	**1**	580	1	520	1	591	2	587	2
Commercial	**5,443**	**13**	5,246	13	5,414	14	5,573	14	5,711	15
Total commercial real estate	**6,040**	**14**	5,826	14	5,934	15	6,164	16	6,298	17
Total commercial	**21,878**	**53**	20,525	52	19,873	51	19,708	50	19,597	52
Consumer:										
Automobile	**4,787**	**12**	4,458	11	5,558	14	6,190	16	5,802	15
Home equity	**8,261**	**20**	8,215	21	8,079	21	7,952	20	7,784	20
Residential mortgage	**5,284**	**13**	5,228	13	4,986	13	4,751	12	4,517	12
Other consumer	**469**	**2**	498	3	516	1	525	2	546	1
Total consumer	**18,801**	**47**	18,399	48	19,139	49	19,418	50	18,649	48
Total loans and leases	**$ 40,679**	**100%**	$ 38,924	100%	$ 39,012	100%	$ 39,126	100%	$ 38,246	100%

(1) Includes $521 million of loans recorded at fair value related to the FDIC-assisted Fidelity Bank acquisition.
(2) As defined by regulatory guidance, there were no commercial loans outstanding that would be considered a concentration of lending to a particular industry or group of industries.

The table below provides our total loan and lease portfolio segregated by the type of collateral securing the loan or lease:

Table 9 - Loan and Lease Portfolio by Collateral Type

	2012		2011							
(dollar amounts in millions)	**March 31, (1)**		December 31,		September 30,		June 30,		March 31,	
Secured loans:										
Real estate - commercial	**$ 9,326**	**24%**	$ 9,557	25%	$ 9,554	24%	$ 9,781	25%	$ 9,931	26%
Real estate - consumer	**13,470**	**34**	13,444	35	13,065	33	12,703	32	12,300	32
Vehicles	**6,623**	**16**	6,021	16	6,898	18	7,594	19	7,333	19
Receivables/Inventory	**4,749**	**12**	4,450	12	4,297	11	4,171	11	3,819	10
Machinery/Equipment	**2,536**	**6**	1,994	5	1,864	5	1,784	5	1,787	5
Securities/Deposits	**733**	**2**	800	2	805	2	802	2	778	2
Other	**983**	**2**	1,018	1	1,103	3	1,095	3	1,139	3
Total secured loans and leases	**38,420**	**96**	$ 37,284	96%	37,586	96	37,930	97	37,087	97
Unsecured loans and leases	**1,738**	**4**	1,640	4	1,426	4	1,196	3	1,159	3
Total loans and leases	**$ 40,158**	**100%**	38,924	100%	$ 39,012	100%	$ 39,126	100%	$ 38,246	100%

(1) Excludes $521 million of loans acquired in the FDIC-assisted Fidelity Bank acquisition on March 30, 2012.

Commercial Credit

The primary factors considered in commercial credit approvals are the financial strength of the borrower, assessment of the borrower s management capabilities, cash flows from operations, industry sector trends, type and sufficiency of collateral, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. For all loans exceeding $5.0 million, we utilize a centralized senior loan committee, led by our chief credit officer. For loans less than $5.0 million, with the exception of small business loans, credit officers who understand each local region and are experienced in the industries and loan structures of the requested credit exposure are involved in all loan decisions and have the primary credit authority. For small business loans, we utilize a centralized loan approval process for standard products and structures. In this centralized decision environment, certain individuals who understand each local region may make credit-extension decisions to preserve our commitment to the communities we operate in. In addition to disciplined and consistent judgmental factors, a sophisticated credit scoring process is used as a primary evaluation tool in the determination of approving a loan within the centralized loan approval process.

In commercial lending, on-going credit management is dependent on the type and nature of the loan. We monitor all significant exposures on an on-going basis. All commercial credit extensions are assigned internal risk ratings reflecting the borrower s PD and LGD (severity of loss). This two-dimensional rating methodology provides granularity in the portfolio management process. The PD is rated and applied at the borrower level. The LGD is rated and applied based on the specific type of credit extension and the quality and lien position associated with the underlying collateral. The internal risk ratings are assessed at origination and updated at each periodic monitoring event. There is also extensive macro portfolio management analysis on an on-going basis. We continually review and adjust our risk-rating criteria based on actual experience, which provides us with the current risk level in the portfolio and is the basis for determining an appropriate ALLL amount for the commercial portfolio. A centralized portfolio management team monitors and reports on the performance of the entire commercial portfolio, including small business loans, to provide consistent oversight.

In addition to the initial credit analysis conducted during the approval process, our Credit Review group performs testing to provide an independent review and assessment of the quality and / or risk of new loan originations. This group is part of our Risk Management area, and conducts portfolio reviews on a risk-based cycle to evaluate individual loans, validate risk ratings, as well as test the consistency of credit processes.

Our standardized loan grading system considers many components that directly correlate to loan quality and likelihood of repayment, one of which is guarantor support. On an annual basis, or more frequently if warranted, we consider, among other things, the guarantor s reputation and creditworthiness, along with various key financial metrics such as liquidity and net worth, assuming such information is available. Our assessment of the guarantor s credit strength, or lack thereof, is reflected in our risk ratings for such loans, which is directly tied to, and an integral component of, our ALLL methodology. When a loan goes to impaired status, viable guarantor support is considered in the determination of the recognition of a loan loss.

If our assessment of the guarantor s credit strength yields an inherent capacity to perform, we will seek repayment from the guarantor as part of the collection process and have done so successfully. However, we do not formally track the repayment success from guarantors.

Substantially all loans categorized as Classified *(see Note 3 of Notes to Unaudited Condensed Consolidated Financial Statements)* are managed by our SAD. The SAD is a specialized group of credit professionals that handle the day-to-day management of workouts, commercial recoveries, and problem loan sales. Its responsibilities include developing and implementing action plans, assessing risk ratings, and determining the appropriateness of the allowance, the accrual status, and the ultimate collectability of the Classified loan portfolio.

Our commercial portfolio is diversified by product type, customer size, and geography throughout our footprint. No outstanding commercial loans and leases comprised an industry or geographic concentration of lending. Certain segments of our commercial portfolio are discussed in further detail below.

C&I PORTFOLIO

The C&I portfolio is comprised of loans to businesses where the source of repayment is associated with the on-going operations of the business. Generally, the loans are secured with the financing of the borrower s assets, such as equipment, accounts receivable, and/or inventory. In many cases, the loans are secured by real estate, although the operation, sale, or refinancing of the real estate is not a primary source of repayment for the loan. For loans secured by real estate, appropriate appraisals are obtained at origination and updated on an as needed basis in compliance with regulatory requirements.

There were no commercial loan segments considered an industry or geographic concentration of lending. Currently, higher-risk segments of the C&I portfolio include loans to borrowers supporting the home building industry, contractors, and transportation. We manage the risks inherent in this portfolio through origination policies, a defined loan concentration policy with established limits, on-going loan level reviews and portfolio level reviews, recourse requirements, and continuous portfolio risk management activities. Our origination policies for this portfolio include loan product-type specific policies such as LTV and debt service coverage ratios, as applicable.

While C&I borrowers have been challenged by the weak economy, problem loans have trended downward, reflecting a combination of proactive risk identification as well as some relative improvement in the economic conditions. Nevertheless, some borrowers may no longer have sufficient capital to withstand the extended stress. As a result, these borrowers may not be able to comply with the original terms of their credit agreements. We continue to focus attention on the portfolio management process to proactively identify borrowers that may be facing financial difficulty to assess all potential solutions. The impact of the economic environment is further evidenced by the level of line-of-credit activity, as borrowers continued to maintain relatively low utilization percentages.

CRE PORTFOLIO

We manage the risks inherent in this portfolio specific to CRE lending, focusing on the quality of the developer, and the specifics associated with each project. Generally, we: (1) limit our loans to 80% of the appraised value of the commercial real estate, (2) require net operating cash flows to be 125% of required interest and principal payments, and (3) if the commercial real estate is nonowner occupied, require that at least 50% of the space of the project be preleased. Additionally, we established a limit to our CRE exposure of no more than the amount of Tier 1 risk-based capital plus the ACL. We have been actively reducing our CRE exposure during the past several years, and our CRE exposure met this established limit at March 31, 2012. We actively monitor both geographic and project-type concentrations and performance metrics of all CRE loan types, with a focus on higher-risk classes. Both macro-level and loan-level stress-test scenarios based on existing and forecast market conditions are part of the on-going portfolio management process for the CRE portfolio.

Table of Contents

Each CRE loan is classified as either core or noncore. We believe segregating the noncore CRE from core CRE improves our ability to understand the nature, performance prospects, and problem resolution opportunities of these segments, thus allowing us to continue to deal proactively with any emerging credit issues.

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and has either an established meaningful relationship with us that generates an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was $3.9 billion at March 31, 2012, representing 70% of total CRE loans. The performance of the core portfolio met our expectations based on the consistency of the asset quality metrics within the portfolio. Based on our extensive project level assessment process, including forward-looking collateral valuations, we continue to believe the credit quality of the core portfolio is stable. Loans are not reclassified between the core and noncore segments based on performance, and as such, we do not anticipate an elevated level of problem loans in the core portfolio.

A CRE loan is generally considered noncore based on the lack of a substantive relationship outside of the loan product, with no immediate prospects for meeting the core relationship criteria. The noncore CRE portfolio declined from $1.8 billion at December 31, 2011, to $1.7 billion at March 31, 2012, and represented 30% of total CRE loans. Of the loans in the noncore portfolio at March 31, 2012, 69% were categorized as Pass, 95% had guarantors, nearly 100% were secured, and 89% were located within our geographic footprint. However, it is within the noncore portfolio where most of the credit quality challenges exist. For example, $0.2 billion, or 11%, of related outstanding balances, are classified as NALs. SAD administered $0.7 billion, or 40%, of total noncore CRE loans at March 31, 2012. We expect to exit the majority of noncore CRE relationships over time through normal repayments and refinancings, possible sales should economically attractive opportunities arise, or the reclassification to a core CRE relationship if it expands to meet the core criteria.

Credit quality data regarding the ACL and NALs, segregated by core CRE loans and noncore CRE loans, is presented in the following table:

Table 10 - Commercial Real Estate - Core vs. Noncore Portfolios (1)

	March 31, 2012					
(dollar amounts in millions)	**Ending Balance**	**Prior NCOs**	**ACL $**	**ACL %**	**Credit Mark (2)**	**Nonaccrual Loans**
Total core	**$ 3,947**	**$ 14**	**$ 110**	**2.79%**	**3.13%**	**$ 24**
Noncore - SAD (3)	**694**	**237**	**168**	**24.21**	**43.50**	**173**
Noncore - Other	**1,020**	**17**	**67**	**6.57**	**8.10**	**8**
Total noncore	**1,714**	**254**	**235**	**13.71**	**24.85**	**181**
Total commercial real estate	**$ 5,661**	**$ 268**	**$ 345**	**6.09%**	**10.34%**	**$ 205**
	December 31, 2011					
Total core	$ 3,978	$ 25	$ 125	3.14%	3.75 %	$ 26
Noncore - SAD (3)	735	253	182	24.76	44.03	195
Noncore - Other	1,113	17	88	7.91	9.29	9
Total noncore	1,848	270	270	14.61	25.50	204
Total commercial real estate	$ 5,826	$ 295	$ 395	6.78%	11.27%	$ 230

(1) Excludes $378 million of commercial real estate loans acquired in the FDIC-assisted Fidelity Bank acquisition on March 30, 2012.
(2) Calculated as (Prior NCOs + ACL $) / (Ending Balance + Prior NCOs).
(3) Noncore loans managed by SAD, the area responsible for managing loans and relationships designated as Classified Loans.

As shown in the above table, the ending balance of the CRE portfolio at March 31, 2012, declined $0.2 billion, or 3%, compared with December 31, 2011. Of this decline, 81% occurred in the noncore segment, and was a result of payoffs and NCOs as we actively focus on the noncore portfolio to reduce our overall CRE exposure. This reduction demonstrates our continued commitment to achieving a materially lower risk profile in the CRE portfolio, consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. The reduction in the core segment is a result of normal portfolio attrition combined with limited origination activity. We will continue to support our core developer customers as appropriate, however, we do not believe that significant additional CRE activity is appropriate given our current exposure in CRE lending and the current economic conditions. We anticipate CRE loans will continue to experience low levels of declines from current levels as the runoff in the noncore portfolio is partially offset by limited new core originations.

Table of Contents

Also, as shown above, substantial reserves for the noncore portfolio have been established. At March 31, 2012, the ACL related to the noncore portfolio was 13.71%. The combination of the existing ACL and prior NCOs represents the total credit actions taken on each segment of the portfolio. From this data, we calculate a credit mark that provides a consistent measurement of the cumulative credit actions taken against a specific portfolio segment. The 43.50% credit mark associated with the SAD-managed noncore portfolio is an indicator of the aggressive portfolio management strategy employed for this portfolio.

Consumer Credit

Consumer credit approvals are based on, among other factors, the financial strength and payment history of the borrower, type of exposure, and the transaction structure. We make extensive use of portfolio assessment models to continuously monitor the quality of the portfolio, which may result in changes to future origination strategies. The on-going analysis and review process results in a determination of an appropriate allowance for our consumer loan and lease portfolio.

AUTOMOBILE PORTFOLIO

Our strategy in the automobile portfolio continued to focus on high quality borrowers as measured by both FICO and internal custom scores, combined with appropriate LTVs, terms, and a reasonable level of profitability. Our strategy and operational capabilities allow us to appropriately manage the origination quality across the entire portfolio, including our newer markets. Although increased origination volume and entering new markets can be associated with increased risk levels, we believe our strategy and operational capabilities significantly mitigate these risks.

We have continued to consistently execute our value proposition and take advantage of available market opportunities. Importantly, we have maintained our high credit quality standard while growing the portfolio. We have developed and implemented a loan securitization strategy to ensure we remain within our established portfolio concentration limits.

During the 2012 first quarter, we transferred automobile loans totaling $1.3 billion to a trust in a securitization transaction. The securitization and resulting sale of all underlying securities qualified for sale accounting. As a result of this transaction, we recognized a $23.0 million gain on sale which is reflected in other noninterest income and recorded a $19.9 million servicing asset which is reflected in accrued income and other assets.

RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

The properties securing our residential mortgage and home equity portfolios are primarily located within our geographic footprint. The continued stress on home prices has caused the performance in these portfolios to remain weaker than historical levels. The residential-secured portfolio originations continue to be of high quality, with the majority of the negative credit impact coming from loans originated in 2006 and earlier. We continue to evaluate all of our policies and processes associated with managing these portfolios. Our loss mitigation and foreclosure activities are consolidated in one location under common management. This structure allows us to focus on effectively helping our customers with the appropriate solution for their specific circumstances.

Table 11 - Selected Home Equity and Residential Mortgage Portfolio

Data

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by second-lien			
(dollar amounts in millions)	**03/31/12**	12/31/11	**03/31/12**	12/31/11	**03/31/12**	12/31/11
Ending balance[1]	**$ 3,967**	$ 3,815	**$ 4,281**	$ 4,400	**$ 5,222**	$ 5,228
Portfolio weighted average LTV ratio[1], [2]	**71%**	71%	**81%**	81%	**77%**	77%
Portfolio weighted average FICO score[1], [3]	**749**	749	**732**	734	**733**	731

	Home Equity				Residential Mortgage (4)	
	Secured by first-lien		Secured by second-lien			
	Three Months Ended March 31,					
	2012	2011	**2012**	2011	**2012**	2011

Originations	**$ 427**	$ 404	**$ 147**	$ 194	**$ 202**	$ 304
Origination weighted average LTV ratio(2)	**71%**	71%	**81%**	82%	**78%**	82%
Origination weighted average FICO score(3)	**772**	767	**757**	756	**755**	755

(1) Excludes $62 million of residential mortgage loans and $13 million of home equity loans acquired in the FDIC-assisted Fidelity Bank acquisition on March 30, 2012.
(2) The LTV ratios for home equity loans and home equity lines-of-credit are cumulative and reflect the balance of any senior loans. LTV ratios reflect collateral values at the time of loan origination.
(3) Portfolio weighted average FICO scores reflect currently updated customer credit scores whereas origination weighted average FICO scores reflect the customer credit scores at the time of loan origination.
(4) Represents only owned-portfolio originations.

Home Equity Portfolio

Our home equity portfolio (loans and lines-of-credit) consists of both first-lien and second-lien mortgage loans with underwriting criteria based on minimum credit scores, debt-to-income ratios, and LTV ratios. We offer closed-end home equity loans which are generally fixed-rate with principal and interest payments, and variable-rate interest-only home equity lines-of-credit which do not require payment of principal during the 10-year revolving period of the line-of-credit. Applications are underwritten centrally in conjunction with an automated underwriting system.

At March 31, 2012, 48% of our home equity portfolio was secured by first-lien mortgages. The credit risk profile is substantially reduced when we hold a first-lien position. During the first three-month period of 2012, 74% of our home equity portfolio originations were secured by a first-lien mortgage. We focus on high quality borrowers primarily located within our footprint. The majority of our home equity line-of-credit borrowers consistently pay more than the minimum payment required in any given month. Additionally, since we focus on developing complete relationships with our customers, many of our home equity borrowers are utilizing other products and services. The combination of high quality borrowers as measured by financial condition and FICO score, as well as the lien position, provide a high degree of confidence regarding the performance of the 2009-2011 originations.

Within the home equity line-of-credit portfolio, the standard product is a 10-year interest-only draw period with a balloon payment and represents a majority of the line-of-credit portfolio at March 31, 2012. As previously discussed, a significant portion of recent originations are secured by first-liens on the underlying property as high quality borrowers take advantage of the low variable-rates available with a line-of-credit. If the current 30-year fixed-rate declines substantially from its already low level, we would anticipate some portion of these first-lien line-of-credit borrowers to refinance to a more traditional residential mortgage at a fixed-rate.

We believe we have underwritten credit conservatively within this portfolio. We have not originated home equity loans or lines-of-credit with an LTV at origination greater than 100%, except for infrequent situations with high quality borrowers. However, continued declines in housing prices have decreased the value of the collateral for this portfolio and have caused a portion of the portfolio to have an LTV greater than 100%. These higher LTV ratios are directly correlated with borrower payment patterns and are a particular focus of our Loss Mitigation and Home Saver groups.

We obtain a property valuation for every loan or line-of-credit. The type of property valuation obtained is based on a series of credit parameters, and ranges from an AVM to a complete walkthrough appraisal. While we believe an AVM estimate is an appropriate valuation source for a portion of our home equity lending activities, we continue to re-evaluate all of our policies on an on-going basis with the intent of ensuring complete independence in the requesting and reviewing of real estate valuations associated with loan decisions. We update values as appropriate, and in compliance with applicable regulations, for loans identified as higher risk. Loans are identified as higher risk based on performance indicators and the updated values are utilized to facilitate our portfolio management processes, as well as our workout and loss mitigation functions.

We continue to make origination policy adjustments based on our assessment of an appropriate risk profile, as well as industry actions. In addition to origination policy adjustments, we take actions, as necessary, to manage the risk profile of this portfolio. Regulatory guidance published in January 2012 addressed specific risks and required actions within the home equity portfolio associated with second-lien loans. At March 31, 2012, 52% of our home equity portfolio is secured by second-lien mortgages. We believe our Credit Risk Management systems allow for effective portfolio analysis and segmentation to identify the highest risk exposures in the portfolio. Our disclosures regarding lien position, FICO distribution, and geographical distribution are examples of segmentation analysis. The collateral value assessment is an important component of the overall credit risk analysis, although from a practical standpoint, there are very few instances of available equity in second-lien default situations. We have established a 100% LGD for second-lien exposures. We have identified an emerging trend where borrowers are making a purposeful financial decision to stop making required payments on the second-lien, and in some cases, the first-lien. This strategic default scenario is generally associated with borrowers that have very limited or no history of delinquency. These accounts also tend to migrate quickly from a current status to charge-off without the historical stops at each delinquency stage. The resulting increase in the relative speed of the migration from current status to charge-off represents a negative impact to the longer term performance of the portfolio. Effective with the 2012 first quarter, any second-lien loan associated with a nonaccruing first-lien loan is also placed on nonaccrual status. This action resulted in an increase in home equity NALs of $8.7 million in the 2012 first quarter. Also contained in the regulatory guidance was an item associated with maturing HELOCs. Even in situations where the product contains an amortization period at the conclusion of the draw period, there will likely be a payment shock to the borrower. This is a risk embedded in the portfolio that we address with proactive contact strategies beginning 180 days prior to maturity. In certain circumstances, our Home Savers team is able to provide payment and structure relief to borrowers experiencing significant financial hardship associated with the payment adjustment.

Residential Mortgage Portfolio

We focus on higher quality borrowers and underwrite all applications centrally. We do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options.

All residential mortgages are originated based on a completed full appraisal during the credit underwriting process. We update values on a regular basis in compliance with applicable regulations to facilitate our portfolio management, as well as our workout and loss mitigation functions.

At March 31, 2012, 51% of our total residential mortgage loan portfolio had adjustable rates. At March 31, 2012, ARM loans that were expected to have rates reset totaled $1.8 billion through 2015. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in underlying property value. Given the quality of our borrowers, the relatively low current interest rates, and the results of our continued analysis (including possible impacts of changes in interest rates), we believe that we have a relatively limited exposure to ARM reset risk. Nonetheless, we have taken actions to mitigate our risk exposure. We initiate borrower contact at least six months prior to the interest rate resetting, and have been successful in converting many ARMs to fixed-rate loans through this process. Given the relatively low current interest rates, many fixed-rate products currently offer a better interest rate to our ARM borrowers.

Several government programs continued to impact the residential mortgage portfolio, including various refinance programs such as HAMP and HARP, which positively affected the availability of credit for the industry. During the first three-month period of 2012, we closed $228 million in HARP residential mortgages and $6 million in HAMP residential mortgages that are either in our residential mortgage portfolio or serviced for others. We utilize these programs to enhance our existing strategies of working closely with our customers. As the majority of these refinancings are associated with residential mortgages that are serviced for others, our exposure to redefault risk is minimal.

Credit Quality

We believe the most meaningful way to assess overall credit quality performance is through an analysis of credit quality performance ratios. This approach forms the basis of most of the discussion in the sections immediately following: NPAs and NALs, TDRs, ACL, and NCOs. In addition, we utilize delinquency rates, risk distribution and migration patterns, and product segmentation in the analysis of our credit quality performance.

Credit quality performance in the 2012 first quarter reflected a continued improvement in the overall loan portfolio relating to NCO activity, as well as in key credit quality metrics, including an 11% decline in NPAs and an 8% decline in the level of commercial Criticized loans. Also, our ACL coverage ratios improved compared to the prior quarter. Our ACL as a percentage of NPAs improved to 183% at March 31, 2012 compared with 172% at December 31, 2011.

NPAs, NALs, AND TDRs

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements.)

NPAs and NALs

NPAs consist of (1) NALs, which represent loans and leases no longer accruing interest, (2) impaired loans held for sale, (3) OREO properties, and (4) other NPAs. Any loan in our portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt.

[Table of Contents](#)

C&I and CRE loans are placed on nonaccrual status at 90-days past due. With the exception of residential mortgage loans guaranteed by government organizations which continue to accrue interest, residential mortgage loans are placed on nonaccrual status at 150-days past due. First-lien home equity loans are placed on nonaccrual status at 150-days past due. Second-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile and other consumer loans are not placed on nonaccrual status, but are generally charged-off when the loan is 120-days past due. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior year amounts generally charged-off as a credit loss. When, in our judgment, the borrower s ability to make required interest and principal payments has resumed and collectability is no longer in doubt, the loan or lease is returned to accrual status.

The following table reflects period-end NALs and NPAs detail for each of the last five quarters:

29

Table of Contents

Table 12 - Nonaccrual Loans and Leases and Nonperforming Assets

	2012	2011			
(dollar amounts in thousands)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Nonaccrual loans and leases:					
Commercial and industrial	**$ 142,492**	$ 201,846	$ 209,632	$ 229,327	$ 260,397
Commercial real estate	**205,105**	229,889	257,086	291,500	305,793
Residential mortgage	**74,114**	68,658	61,129	59,853	44,812
Home equity	**45,847**	40,687	37,156	33,545	25,255
Total nonaccrual loans and leases(1)	**467,558**	541,080	565,003	614,225	636,257
Other real estate owned, net					
Residential(2)	**31,850**	20,330	18,588	20,803	28,668
Commercial	**16,897**	18,094	19,418	17,909	25,961
Total other real estate owned, net	**48,747**	38,424	38,006	38,712	54,629
Other nonperforming assets(3)	**10,772**	10,772	10,972		
Total nonperforming assets	**$ 527,077**	$ 590,276	$ 613,981	$ 652,937	$ 690,886
Nonaccrual loans as a % of total loans and leases	1.15 %	1.39 %	1.45 %	1.57 %	1.66 %
Nonperforming assets ratio(4)	1.29	1.51	1.57	1.67	1.80

(1) All loans acquired as part of the FDIC-assisted Fidelity Bank acquisition accrue interest as performing loans or as purchased impaired loans in accordance with ASC 310-30; therefore, none of the acquired loans were reported as nonaccrual at March 31, 2012.
(2) Nonperforming assets include $7,986 thousand of residential real estate owned acquired as part of the FDIC-assisted Fidelity Bank acquisition on March 30, 2012.
(3) Other nonperforming assets represent an investment security backed by a municipal bond.
(4) This ratio is calculated as nonperforming assets divided by the sum of loans and leases, other nonperforming assets, and net other real estate.

The $63.2 million, or 11%, decline in NPAs compared with December 31, 2011, primarily reflected:

- $59.4 million, or 29%, decline in C&I NALs, reflecting both NCO activity and problem credit resolutions, including payoffs. The decline was associated with loans throughout our footprint, with no specific industry concentration.
- $24.8 million, or 11%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs. This activity represents the continuation of an improving trend evident over the past several quarters. We continue to focus on early recognition of risks and targeted actions through our on-going portfolio management processes.

Partially offset by:

- $10.3 million, or 27%, increase in OREO, primarily reflecting the impact of the FDIC-assisted acquisition of Fidelity Bank.
- $5.5 million, or 8%, increase in NALs secured by residential mortgages, primarily reflecting the current weak economic conditions and the decline of residential real estate property values. The NAL balances have been written down to net realizable value, less anticipated selling costs, which substantially limits any significant future risk of additional loss on these loans.

$5.2 million, or 13%, increase in home equity NALs, primarily reflecting our implementation of regulatory guidance issued in the 2012 first quarter *(see ACL section).* This action resulted in an increase in home equity NALs of $8.7 million in the 2012 first quarter.

As part of our loss mitigation process, we reunderwrite, modify, or restructure loans when borrowers are experiencing payment difficulties, based on the borrower s ability to repay the loan.

TDR Loans

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements.)

Table of Contents

TDRs are modified loans in which a concession is provided to a borrower experiencing financial difficulties. TDRs can be classified as either accrual or nonaccrual loans. Nonaccrual TDRs are included in NALs whereas accruing TDRs are excluded from NALs, as it is probable that all contractual principal and interest due under the restructured terms will be collected. TDRs primarily reflect our loss mitigation efforts to proactively work with borrowers having difficulty making their payments.

The table below presents our accruing and nonaccruing TDRs at period-end for each of the past five quarters:

Table 13 - Accruing and Nonaccruing Troubled Debt Restructured Loans (1)

	2012	2011			
(dollar amounts in thousands)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Troubled debt restructured loans - accruing:					
Commercial and industrial	**$ 53,795**	$ 54,007	$ 77,509	$ 62,272	$ 65,190
Commercial real estate	**231,923**	249,968	244,089	177,854	141,272
Automobile	**35,521**	36,573	37,371	29,059	29,611
Home equity	**59,270**	52,224	47,712	37,067	39,704
Residential mortgage	**294,836**	309,678	304,365	313,772	333,492
Other consumer	**4,233**	6,108	4,513	8,910	9,173
Total troubled debt restructured loans - accruing	**679,578**	708,558	715,559	628,934	618,442
Troubled debt restructured loans - nonaccruing:					
Commercial and industrial	**26,886**	48,553	27,410	29,069	19,531
Commercial real estate	**39,606**	21,968	46,854	48,676	18,327
Home equity	**334**	369	166	28	14
Residential mortgage	**29,549**	26,089	20,877	14,378	8,523
Other consumer	**113**	113	113	112	
Total troubled debt restructured loans - nonaccruing	**96,488**	97,092	95,420	92,263	46,395
Total troubled debt restructured loans	**$ 776,066**	$ 805,650	$ 810,979	$ 721,197	$ 664,837

(1) No loans related to the FDIC-assisted Fidelity Bank acquisition were considered troubled debt restructured loans.
The fo1lowing table reflects TDR activity for each of the past five quarters:

Table 14 - TDR Activity

	2012	2011			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
TDRs, beginning of period	**$ 805,650**	$ 810,979	$ 721,197	$ 664,838	$ 666,880
New TDRs[1]	**136,237**	99,603	170,800	207,090	105,946
Payments	**(40,120)**	(67,470)	(25,124)	(25,790)	(20,083)
Charge-offs	**(25,042)**	(7,440)	(12,376)	(7,620)	(9,905)
Sales	**(5,036)**	(8,089)	(5,310)	(33,855)	(7,461)
Refinanced to non-TDR			(4,851)	(21,118)	(14,122)
Transfer to OREO	**(1,472)**	(2,658)	(1,114)	(426)	(818)
Restructured TDRs[2]	**(88,580)**	(28,576)	(57,611)	(42,435)	(31,751)
Other	**(5,571)**	9,301	25,368	(19,487)	(23,848)

TDRs, end of period	**$ 776,066**	$ 805,650	$ 810,979	$ 721,197	$ 664,838

(1) No loans related to the FDIC-assisted Fidelity Bank acquisition were considered TDRs.
(2) Represents existing commercial TDRs that were reunderwritten with new terms providing a concession. A corresponding amount is included in the New TDRs amount above.

ACL

(This section should be read in conjunction with Note 3 of the Notes to Unaudited Condensed Consolidated Financial Statements.)

Table of Contents

We maintain two reserves, both of which in our judgment are appropriate to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. Our Credit Administration group is responsible for developing the methodology assumptions and estimates used in the calculation, as well as determining the appropriateness of the ACL. The ALLL represents the estimate of losses inherent in the loan portfolio at the reported date. Additions to the ALLL result from recording provision expense for loan losses or increased risk levels resulting from loan risk-rating downgrades, while reductions reflect charge-offs, recoveries, decreased risk levels resulting from loan risk-rating upgrades, or the sale of loans. The AULC is determined by applying the transaction reserve process to the unfunded portion of the loan exposures adjusted by an applicable funding expectation.

A provision for credit losses is recorded to adjust the ACL to the level we have determined to be appropriate to absorb credit losses inherent in our loan and lease portfolio. The provision for credit losses in the 2012 first quarter was $34.4 million, compared with $45.3 million in the prior quarter and $49.4 million in the year-ago quarter. *(See Provision for Credit Losses discussion).*

We regularly evaluate the appropriateness of the ACL by performing on-going evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or other documented support. We evaluate the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet their financial obligations when quantifying our exposure to credit losses and assessing the appropriateness of our ACL at each reporting date. In addition to general economic conditions and the other factors described above, we also consider the impact of declining residential real estate values and the diversification of CRE loans.

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. While the total ACL balance has declined in recent quarters, all of the relevant benchmarks improved as a result of the asset quality improvement. The coverage ratios of NALs, Criticized, and Classified loans have significantly improved in recent quarters despite the decline in the ACL level. For example, the ACL coverage ratio associated with NALs was 206% at March 31, 2012, compared with 187% at December 31, 2011 and 185% at March 31, 2011.

We have incorporated recent regulatory guidance which focused on home equity loans, specifically second-lien loans when the related first-lien loan is delinquent, into our ACL adequacy analysis processes. As we evaluated this guidance in the context of the continued economic strain on some of our borrowers, we determined it was appropriate to assess borrower risk at a more granular level in order to ensure we had identified the incurred risk embedded within our portfolios secured by residential real estate, particularly the home equity second-lien portfolio. In addition to the updated FICO score for each borrower and the delinquency status of each Huntington loan, our analysis considers any non-delinquent Huntington loan secured by residential real estate when the borrower has a significant delinquency on the most recent credit bureau report.

The table below reflects the allocation of our ACL among our various loan categories during each of the past five quarters:

Table 15 - Allocation of Allowance for Credit Losses (1), (2)

	2012		2011							
(dollar amounts in thousands)	**March 31,**		December 31,		September 30,		June 30,		March 31,	
Commercial										
Commercial and industrial	**$ 246,026**	**39%**	$ 275,367	38%	$ 285,254	36%	$ 281,016	35%	$ 299,564	35%
Commercial real estate	**339,494**	**14**	388,706	14	418,895	15	463,874	16	511,068	17
Total commercial	**585,520**	**53**	664,073	52	704,149	51	744,890	51	810,632	52
Consumer										
Automobile	**36,552**	**12**	38,282	11	49,402	14	55,428	16	50,862	15
Home equity	**168,898**	**20**	143,873	21	139,616	21	146,444	20	149,370	20
Residential mortgage	**89,129**	**13**	87,194	13	98,974	13	98,992	12	96,741	12
Other consumer	**32,970**	**2**	31,406	3	27,569	1	25,372	1	25,621	1
Total consumer	**327,549**	**47**	300,755	48	315,561	49	326,236	49	322,594	48

Total allowance for loan and lease losses	**913,069**	**100%**	964,828	100%	1,019,710	100%	1,071,126	100%	1,133,226	100%
Allowance for unfunded loan commitments	**50,934**		48,456		38,779		41,060		42,211	
Total allowance for credit losses	**$ 964,003**		$ 1,013,284		$ 1,058,489		$ 1,112,186		$ 1,175,437	
Total allowance for loan and leases losses as % of: (1)										
Total loans and leases (3)		**2.24%**		2.48%		2.61%		2.74%		2.96%
Nonaccrual loans and leases (4)		**195**		178		180		174		178
Nonperforming assets (5)		**173**		163		166		164		164
Total allowance for credit losses as % of: (1)										
Total loans and leases (3)		**2.37%**		2.60%		2.71%		2.84%		3.07%
Nonaccrual loans and leases (4)		**206**		187		187		181		185
Nonperforming assets (5)		**183**		172		172		170		170

(1) In accordance with ASC 805, no allowance for credit losses was recorded for the loans acquired in the FDIC-assisted Fidelity Bank acquisition.
(2) Percentages represent the percentage of each loan and lease category to total loans and leases. Total loans and leases include loans acquired in the FDIC-assisted Fidelity Bank acquisition.
(3) Total loans and leases include loans acquired in the FDIC-assisted Fidelity Bank acquisition at March 31, 2012.
(4) None of the loans acquired in the FDIC-assisted Fidelity Bank acquisition were considered nonaccrual at March 31, 2012.
(5) None of the loans acquired in the FDIC-assisted Fidelity Bank acquisition were considered nonaccrual, however, nonperforming assets included $8.0 million of other real estate owned related to the FDIC-assisted Fidelity Bank acquisition.

The reduction in the ALLL, compared with December 31, 2011, reflected a decline in the commercial portfolio, partially offset by an increase in the consumer portfolio.

The decline in the commercial-related ALLL reflected NCOs on loans with specific reserves, and an overall reduction in the level of commercial Criticized loans. Commercial Criticized loans are commercial loans rated as OLEM, Substandard, Doubtful, or Loss. As shown in the table below, commercial Criticized loans declined $169.9 million, or 8%, from December 31, 2011, reflecting significant upgrade and payment activity.

Table 16 - Criticized Commercial Loan Activity

	2012	2011			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Criticized commercial loans, beginning of period	**$ 2,146,607**	$ 2,291,086	$ 2,379,149	$ 2,660,791	$ 3,074,481
New additions / increases (1)	**209,672**	290,936	357,057	250,422	169,884
Advances	**25,200**	41,573	46,148	44,442	61,516
Upgrades to Pass	**(136,771)**	(139,029)	(252,388)	(271,698)	(238,518)
Payments	**(216,765)**	(279,691)	(180,845)	(231,819)	(294,564)
Loan losses	**(51,238)**	(58,268)	(58,035)	(72,989)	(112,008)
Criticized commercial loans, end of period	**$ 1,976,705**	$ 2,146,607	$ 2,291,086	$ 2,379,149	$ 2,660,791

(1) Does not include any Criticized commercial loans acquired in the FDIC-assisted Fidelity Bank acquisition.

The increase in the consumer-related ALLL primarily reflected an increase in the home equity-related ALLL as a result of financial difficulties experienced by residential mortgage and home equity second-lien borrowers as previously discussed in this section.

The ACL to total loans declined to 2.37% at March 31, 2012 compared to 2.60% at December 31, 2011. We believe the decline in the ratio is appropriate given the continued improvement in the risk profile of our loan portfolio. Further, we believe that early identification of problem loans and aggressive action plans for these problem loans, combined with originating high quality new loans will contribute to continued improvement in our key credit quality metrics. However, the overall economic conditions improved only slightly in the 2012 first quarter and the residential real estate market remained stressed. The overall economic conditions have shown some recent improvement, but risks to a full recovery remain, including the European economic instability, continued budget issues in local governments, flat domestic economic growth, and the variety of policy proposals regarding job growth, debt management, and domestic tax policy. Continued high unemployment, among other factors, has slowed any significant recovery. In the near-term, we anticipate a continued high unemployment rate and the concern around the U.S. and local government budget issues will continue to negatively impact the financial condition of some of our retail and commercial borrowers.

Table of Contents

The pronounced downturn in the residential real estate market that began in early 2007 has resulted in significantly lower residential real estate values. We have significant exposure to loans secured by residential real estate and continue to be an active lender in our communities. The impact of the downturn in real estate values has had a significant impact on some of our borrowers as evidenced by the higher delinquencies and NCOs since late 2007. We do not anticipate any meaningful improvement in the near-term. A trend of purposeful delinquencies or strategic defaults has begun impacting both NCO and NAL levels in the residential real estate secured portfolios. These borrower actions drove writedowns and increased NAL levels in the residential mortgage and first-lien home equity portfolio, and NCOs in the second-lien home equity portfolio. Given the combination of these noted factors, we believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

NCOs

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment.

C&I and CRE loans are either charged-off or written down to net realizable value at 90-days past due. Automobile loans and other consumer loans are charged-off at 120-days past due. First-lien and second-lien home equity loans are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due and 120-days past due, respectively. Residential mortgages are charged-off to the estimated fair value of the collateral, less anticipated selling costs, at 150-days past due.

The following table reflects NCO detail for each of the last five quarters:

Table of Contents

Table 17 - Quarterly Net Charge-off Analysis

	2012	2011			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Net charge-offs by loan and lease type:					
Commercial:					
Commercial and industrial	**$ 28,495**	$ 10,913	$ 17,891	$ 18,704	$ 42,191
Commercial real estate:					
Construction	**(1,186)**	(2,471)	1,450	4,145	28,400
Commercial	**11,692**	30,854	22,990	23,450	39,283
Commercial real estate	**10,506**	28,383	24,440	27,595	67,683
Total commercial	**39,001**	39,296	42,331	46,299	109,874
Consumer:					
Automobile	**3,078**	4,237	3,863	2,255	4,712
Home equity	**23,729**	23,419	26,222	25,441	26,715
Residential mortgage	**10,570**	9,732	11,562	16,455	18,932
Other consumer	**6,614**	7,233	6,577	7,084	4,850
Total consumer	**43,991**	44,621	48,224	51,235	55,209
Total net charge-offs	**$ 82,992**	$ 83,917	$ 90,555	$ 97,534	$ 165,083
Net charge-offs annualized percentages:					
Commercial:					
Commercial and industrial	**0.77%**	0.31%	0.52%	0.56%	1.29%
Commercial real estate:					
Construction	**(0.79)**	(1.85)	0.87	2.99	18.59
Commercial	**0.89**	2.27	1.69	1.65	2.66
Commercial real estate	**0.72**	1.91	1.60	1.77	4.15
Total commercial	**0.75**	0.78	0.86	0.94	2.24
Consumer:					
Automobile	**0.27**	0.30	0.25	0.15	0.33
Home equity	**1.15**	1.15	1.31	1.29	1.38
Residential mortgage	**0.82**	0.77	0.97	1.44	1.70
Other consumer	**5.45**	5.66	5.05	5.27	3.47
Total consumer	**0.95**	0.92	0.99	1.08	1.20
Net charge-offs as a % of average loans	**0.85%**	0.85%	0.92%	1.01%	1.73%

In assessing NCO trends, it is helpful to understand the process of how commercial loans are treated as they deteriorate over time. The ALLL established at origination is consistent with the level of risk associated with the original underwriting. As a part of our normal portfolio management process for commercial loans, the loan is periodically reviewed and the ALLL is increased or decreased based on the revised risk rating. In certain cases, the standard ALLL is determined to not be appropriate, and a specific reserve is established based on the projected cash flow and collateral value of the specific loan. Charge-offs, if necessary, are generally recognized in a period after the specific ALLL was established. If the previously established ALLL exceeds that necessary to satisfactorily resolve the problem loan, a reduction in the overall level of the ALLL could be recognized. Consumer loans are treated in much the same manner as commercial loans, although specific reserves are not identified for consumer loans. In summary, if loan quality deteriorates, the typical credit sequence would be periods of reserve building, followed by periods of higher NCOs as the previously established ALLL is utilized. Additionally, an increase in the ALLL either precedes or is in conjunction with increases in NALs. When a loan is classified as NAL, it is evaluated for specific ALLL or charge-off. As a result, an increase in NALs does not necessarily result in an increase in the ALLL or an expectation of higher future NCOs.

Home equity NCO annualized percentages generally are greater than those of the residential mortgage portfolio as a result of the second-lien loans. The opposite relationship in the 2011 first quarter and 2011 second quarter was the result of portfolio actions in the residential mortgage portfolio, including accelerated loss recognition and portfolio sales activity.

We anticipate a continuation of the pattern established in the most recent three quarters of residential mortgage portfolio NCO annualized percentages being lower than the home equity portfolio NCO annualized percentages. As we have focused on originating high-quality home equity loans, we believe the PD risk is lower in the home equity portfolio. However, the LGD component is significantly higher than the residential mortgage portfolio, which results in our projection for lower NCOs in the residential mortgage portfolio relative to the home equity portfolio in the future. Therefore, we believe the residential mortgage NCO annualized percentage will remain lower compared to the home equity portfolio as a result of the entire first-lien composition of the residential mortgage portfolio, as well as the result of previous credit actions improving the underlying quality of these portfolios.

Both the home equity and residential mortgage portfolio NCO levels are anticipated to remain at elevated levels in the near future. The home equity portfolio will continue to be impacted by borrowers that are seeking to refinance, but are in a negative equity position because of the second-lien loan. Right-sizing and debt forgiveness associated with these situations are becoming more frequent as borrowers realize the impact to their credit is minor, and that a default on a second-lien loan is not likely to cause borrowers to lose their home.

From a delinquency standpoint, all residential mortgage loans greater than 150-days past due are charged-down to the estimated value of the collateral, less anticipated selling costs. The remaining balance is in delinquent status until a modification can be completed, or the loan goes through the foreclosure process. For the home equity portfolio, virtually all of the defaults represent full charge-offs as there is no remaining equity, creating a lower delinquency rate but a higher NCO impact.

2012 First Quarter versus 2011 Fourth Quarter

C&I NCOs increased $17.6 million, or 161%, as the prior quarter s NCOs were historically low. Current quarter NCOs were generally associated with smaller relationships.

CRE NCOs decreased $17.9 million, or 63%. There was no concentration in either geography or project type, and the NCOs were generally associated with small relationships. The performance of the portfolio was consistent with our expectations.

Automobile NCOs decreased $1.2 million, or 27%. The relatively low levels of NCOs reflected the continued high credit quality of originations and a strong resale market for used vehicles.

Home equity NCOs increased $0.3 million, or 1%. We continue to manage the default rate through focused delinquency monitoring as essentially all defaults for second-lien home equity loans incur significant losses reflecting the reduction of equity associated with the collateral property.

Residential mortgage NCOs increased $0.8 million, or 9%, reflecting the continued stress in the residential real estate market.

Market risk

Market risk represents the risk of loss due to changes in market values of assets and liabilities. We incur market risk in the normal course of business through exposures to market interest rates, foreign exchange rates, equity prices, credit spreads, and expected lease residual values. We have identified two primary sources of market risk: interest rate risk and price risk.

Interest Rate Risk

OVERVIEW

Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (reprice risk), changes in the expected maturities of assets and liabilities from embedded options, such as borrowers ability to prepay residential mortgage loans at any time and depositors ability to redeem certificates of deposit before maturity (option risk), changes in the shape of the yield curve where interest rates increase or decrease in a non-parallel fashion (yield curve risk), and changes in spread relationships between different yield curves, such as U.S. Treasuries and LIBOR (basis risk).

INCOME SIMULATION AND ECONOMIC VALUE ANALYSIS

Interest rate risk measurement is performed monthly. Two broad approaches to modeling interest rate risk are employed: income simulation and economic value analysis. An income simulation analysis is used to measure the sensitivity of forecasted ISE to changes in market rates over a one-year time period. Although BOLI, automobile operating lease assets, and excess cash balances held at the Federal Reserve Bank are classified as noninterest-earning assets, and the net revenue from these assets is recorded in noninterest income and noninterest expense, these portfolios are included in the interest sensitivity analysis because they have attributes similar to interest-earning assets. EVE analysis is used to measure the sensitivity of the values of period-end assets and liabilities to changes in market interest rates. EVE analysis serves as a complement to ISE analysis as it provides risk exposure estimates for time periods beyond the one-year simulation period.

The models used for these measurements take into account prepayment speeds on mortgage loans, mortgage-backed securities, and consumer installment loans, as well as cash flows of other assets and liabilities. Balance sheet growth assumptions are also considered in the ISE analysis. The models include the effects of derivatives, such as interest rate swaps, caps, floors, and other types of interest rate options.

Table of Contents

The baseline scenario for ISE analysis, with which all other scenarios are compared, is based on market interest rates implied by the prevailing yield curve as of the period-end. Alternative interest rate scenarios are then compared with the baseline scenario. These alternative interest rate scenarios include parallel rate shifts on both a gradual and an immediate basis, movements in interest rates that alter the shape of the yield curve (e.g., flatter or steeper yield curve), and no changes in current interest rates for the entire measurement period. Scenarios are also developed to measure short-term repricing risks, such as the impact of LIBOR-based interest rates rising or falling faster than the prime rate.

The simulations for evaluating ISE exposure are scenarios that model gradual +/-100 and +/-200 basis points parallel shifts in market interest rates over the next one-year period beyond the interest rate change implied by the current yield curve. We assumed market interest rates would not fall below 0% over the next one-year period for the scenarios that used the -100 and -200 basis points parallel shift in market interest rates. The table below shows the results of the scenarios as of March 31, 2012, and December 31, 2011. All of the positions were within the board of directors policy limits as of March 31, 2012.

Table 18 - Interest Sensitive Earnings at Risk

	Interest Sensitive Earnings at Risk (%)			
Basis point change scenario	-200	-100	+100	+200
Board policy limits	-4.0%	-2.0%	-2.0%	-4.0%
March 31, 2012	**-3.0**	**-1.9**	**1.3**	**2.6**
December 31, 2011	-3.6	-2.3	1.8	3.4

The ISE at risk reported as of March 31, 2012, for the +200 basis points scenario shows a less asset sensitive interest rate risk position compared with December 31, 2011. The ALCO s strategy is to be near-term asset-sensitive to a rising rate scenario.

The following table shows the income sensitivity of select portfolios to changes in market interest rates. A portfolio with 100% sensitivity would indicate that interest income and expense will change with the same magnitude and direction as interest rates. A portfolio with 0% sensitivity is insensitive to changes in interest rates. For the +200 basis points scenario, total interest-sensitive income is 36.8% sensitive to changes in market interest rates, while total interest-sensitive expense is 40.1% sensitive to changes in market interest rates. Net interest income at risk for the +200 basis points scenario has an asset-sensitive near-term interest rate risk position.

Table 19 - Interest Income/Expense Sensitivity

	Percent of Total Earning Assets (1)	Percent Change in Interest Income/Expense for a Given Change in Interest Rates Over / (Under) Base Case Parallel Ramp			
Basis point change scenario		-200	-100	+100	+200
Total loans	80%	-16.8%	-24.4%	38.5%	39.9%
Total investments and other earning assets	20	-16.6	-20.6	30.7	28.3
Total interest sensitive income		-16.3	-23.1	36.1	36.8
Total interest-bearing deposits	67	-9.1	-13.8	36.2	37.0
Total borrowings	8	-17.6	-32.4	63.8	67.1
Total interest-sensitive expense		-10.0	-15.7	39.1	40.1

(1) At March 31, 2012.

The primary simulations for EVE at risk assume immediate +/-100 and +/-200 basis points parallel shifts in market interest rates beyond the interest rate change implied by the current yield curve. The table below outlines the March 31, 2012, results compared with December 31, 2011. All of the positions were within the board of directors policy limits.

Table 20 - Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)			
Basis point change scenario	-200	-100	+100	+200
Board policy limits	-12.0%	-5.0%	-5.0%	-12.0%
March 31, 2012	**-0.9**	**1.7**	**-3.4**	**-7.9**
December 31, 2011	-1.5	0.8	-1.7	-4.6

Table of Contents

The EVE at risk reported as of March 31, 2012, for the +200 basis points scenario shows a higher long-term liability sensitive position compared with December 31, 2011.

The following table shows the economic value sensitivity of select portfolios to changes in market interest rates. The change in economic value for each portfolio is measured as the percent change from the base economic value for that portfolio. For the +200 basis points scenario, total net tangible assets decreased in value -3.7% to changes in market interest rates, while total net tangible liabilities increased in value 2.9% to changes in market interest rates.

Table 21 - Economic Value Sensitivity

	Percent of Total Net Tangible Assets (1)	Percent Change in Economic Value for a Given Change in Interest Rates Over /(Under) Base Case Parallel Shocks			
Basis point change scenario		-200	-100	+100	+200
Total loans	73%	1.3 %	1.1 %	-1.5%	-3.1%
Total investments and other earning assets	18	3.1	2.6	-3.3	-6.8
Total net tangible assets (2)		1.7	1.4	-1.8	-3.7
Total deposits	81	-2.2	-1.4	1.6	3.1
Total borrowings	7	-1.2	-0.8	0.8	1.5
Total net tangible liabilities (3)		-2.1	-1.3	1.5	2.9

(1) At March 31, 2012.
(2) Tangible assets excluding ALLL.
(3) Tangible liabilities excluding AULC.

MSRs

(This section should be read in conjunction with Note 6 of Notes to Unaudited Condensed Consolidated Financial Statements.)

At March 31, 2012, we had a total of $148.3 million of capitalized MSRs representing the right to service $15.9 billion in mortgage loans. Of this $148.3 million, $62.4 million was recorded using the fair value method, and $85.9 million was recorded using the amortization method.

MSR fair values are very sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly reduced by prepayments. Prepayments usually increase when mortgage interest rates decline and decrease when mortgage interest rates rise. We have employed strategies to reduce the risk of MSR fair value changes or impairment. In addition, we engage a third party to provide valuation tools and assistance with our strategies with the objective to decrease the volatility from MSR fair value changes. However, volatile changes in interest rates can diminish the effectiveness of these hedges. We typically report MSR fair value adjustments net of hedge-related trading activity in the mortgage banking income category of noninterest income. Changes in fair value between reporting dates are recorded as an increase or a decrease in mortgage banking income.

MSRs recorded using the amortization method generally relate to loans originated with historically low interest rates, resulting in a lower probability of prepayments and, ultimately, impairment. MSR assets are included in other assets in the Unaudited Condensed Consolidated Financial Statements.

Price Risk

Price risk represents the risk of loss arising from adverse movements in the prices of financial instruments that are carried at fair value and are subject to fair value accounting. We have price risk from trading securities, securities owned by our broker-dealer subsidiaries, foreign exchange positions, equity investments, investments in securities backed by mortgage loans, and marketable equity securities held by our insurance subsidiaries. We have established loss limits on the trading portfolio, on the amount of foreign exchange exposure that can be maintained, and on the amount of marketable equity securities that can be held by the insurance subsidiaries.

Liquidity Risk

Liquidity risk is the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments resulting from external macro market issues, investor and customer perception of financial strength, and events unrelated to us, such as war, terrorism, or financial institution market specific issues. In addition, the mix and maturity structure of Huntington s balance sheet, amount of on-hand cash and unencumbered securities, and the availability of contingent sources of funding, can have an impact on Huntington s ability to satisfy current or future funding commitments. We manage liquidity risk at both the Bank and the parent company.

The overall objective of liquidity risk management is to ensure that we can obtain cost-effective funding to meet current and future obligations, and can maintain sufficient levels of on-hand liquidity, under both normal business as usual and unanticipated stressed circumstances. The ALCO was appointed by our Board Risk Oversight Committee to oversee liquidity risk management and the establishment of liquidity risk policies and limits. Contingency funding plans are in place, which measure forecasted sources and uses of funds under various scenarios in order to prepare for unexpected liquidity shortages. Liquidity risk is reviewed monthly for the Bank and the parent company, as well as its subsidiaries. In addition, liquidity working groups meet regularly to identify and monitor liquidity positions, provide policy guidance, review funding strategies, and oversee the adherence to, and maintenance of, the contingency funding plans.

Bank Liquidity and Sources of Liquidity

Our primary sources of funding for the Bank are retail and commercial core deposits. At March 31, 2012, these core deposits funded 77% of total assets (106% of total loans). At March 31, 2012 and December 31, 2011, total core deposits represented 95% of total deposits.

On March 30, 2012, Huntington acquired the loans, deposits and certain other assets and liabilities of Fidelity Bank located in Dearborn, Michigan from the FDIC. Under the agreement, we acquired approximately $520.6 million of loans and $155.4 million of other assets (primarily cash and due from banks and investment securities) and assumed approximately $713.4 million of deposits and $46.6 million of other borrowings at fair value. In addition to the assets described above, the FDIC also transferred approximately $95.9 million in cash to Huntington as part of this transaction, which did not include a loss sharing agreement.

Core deposits are comprised of interest-bearing and noninterest-bearing demand deposits, money market deposits, savings and other domestic deposits, consumer certificates of deposit both over and under $250,000, and nonconsumer certificates of deposit less than $250,000. Noncore deposits consist of brokered money market deposits and certificates of deposit, foreign time deposits, and other domestic deposits of $250,000 or more comprised primarily of public fund certificates of deposit more than $250,000.

Core deposits may increase our need for liquidity as certificates of deposit mature or are withdrawn before maturity and as nonmaturity deposits, such as checking and savings account balances, are withdrawn. Noninterest-bearing demand deposits increased $0.6 billion from December 31, 2011, but include certain large commercial deposits that may be more short-term in nature.

Demand deposit overdrafts that have been reclassified as loan balances were $13.6 million, $26.2 million, and $12.0 million at March 31, 2012, December 31, 2011, and March 31, 2011, respectively. Other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs totaled $1.6 billion, $1.7 billion, and $1.8 billion at March 31, 2012, December 31, 2011, and March 31, 2011, respectively.

The following tables reflect deposit composition and short-term borrowings detail for each of the past five quarters:

Table of Contents

Table 22 - Deposit Composition

(dollar amounts in millions)	**2012 March 31,**		2011 December 31,		September 30,		June 30,		March 31,	
By Type										
Demand deposits - noninterest-bearing	**$ 11,797**	**26%**	$ 11,158	26%	$ 9,502	22%	$ 8,210	20%	$ 7,597	18%
Demand deposits - interest-bearing	**6,126**	**14**	5,722	13	5,763	13	5,642	14	5,532	13
Money market deposits	**13,169**	**29**	13,117	30	13,759	32	12,643	31	13,105	32
Savings and other domestic deposits	**4,954**	**11**	4,698	11	4,711	11	4,752	11	4,762	12
Core certificates of deposit	**6,920**	**15**	6,513	15	7,084	16	7,936	19	8,208	20
Total core deposits	**42,966**	**95**	41,208	95	40,819	94	39,183	95	39,204	95
Other domestic deposits of $250,000 or more	**325**	**1**	390	1	421	1	436	1	531	1
Brokered deposits and negotiable CDs	**1,276**	**3**	1,321	3	1,535	4	1,486	4	1,253	3
Deposits in foreign offices	**442**	**1**	361	1	445	1	297		378	1
Total deposits	**$ 45,009**	**100%**	$ 43,280	100%	$ 43,220	100%	$ 41,402	100%	$ 41,366	100%
Total core deposits:										
Commercial	**$ 17,101**	**40%**	$ 16,366	38%	$ 15,526	38%	$ 13,541	35%	$ 12,785	33%
Consumer	**25,865**	**60**	24,842	62	25,293	62	25,642	65	26,419	67
Total core deposits	**$ 42,966**	**100%**	$ 41,208	100%	$ 40,819	100%	$ 39,183	100%	$ 39,204	100%

Management expects the FDIC to allow the extended or unlimited coverage for noninterest-bearing accounts to expire on December 31, 2012, as scheduled. We anticipate the expiration of the FDIC coverage will have a minimal impact on our liquidity position. We will continue to monitor this throughout 2012.

Table 23 - Federal Funds Purchased and Repurchase Agreements

(dollar amounts in millions)	**2012 March 31,**	2011 December 31,	September 30,	June 30,	March 31,
Balance at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,482**	$ 1,434	$ 2,201	$ 1,983	$ 2,017
Other short-term borrowings	**22**	7	24	40	34
Weighted average interest rate at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**0.14%**	0.17%	0.16%	0.15%	0.17%
Other short-term borrowings	**0.81**	2.74	1.01	0.69	0.92
Maximum amount outstanding at month-end during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,590**	$ 1,752	$ 2,431	$ 2,361	$ 2,091
Other short-term borrowings	**23**	18	53	50	86
Average amount outstanding during the period					

Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,501**	$ 1,707	$ 2,200	$ 2,067	$ 2,064
Other short-term borrowings	**11**	21	51	45	69
Weighted average interest rate during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**0.14%**	0.17%	0.16%	0.15%	0.17%
Other short-term borrowings	**1.76**	0.95	0.56	0.58	0.52

To the extent we are unable to obtain sufficient liquidity through core deposits, we may meet our liquidity needs through sources of wholesale funding or asset securitization or sale. These sources of wholesale funding include other domestic time deposits of $250,000 or more, brokered deposits and negotiable CDs, deposits in foreign offices, short-term borrowings, FHLB advances, other long-term debt, and subordinated notes. At March 31, 2012, total wholesale funding was $6.2 billion, a decrease from $6.6 billion at December 31, 2011. There are no maturities of Bank obligations until the second and fourth quarters of 2012, when debt maturities of $600 million are payable in June 2012 and $65 million payable in October 2012. During the 2012 first quarter, Huntington transferred automobile loans totaling $1.3 billion to a trust in a securitization transaction. The securitization qualified for sale accounting. Net proceeds of $1.3 billion from the transaction will be used for general corporate purposes, including repayment of other long-term debt.

Table of Contents

The Bank also has access to the Federal Reserve s discount window. These borrowings are secured by commercial loans and home equity lines-of-credit. The Bank is also a member of the FHLB, and as such, has access to advances from this facility. These advances are generally secured by residential mortgages, other mortgage-related loans, and available-for-sale securities. Information regarding amounts pledged, for the ability to borrow if necessary, and the unused borrowing capacity at both the Federal Reserve Bank and the FHLB, is outlined in the following table:

Table 24 - Federal Reserve and FHLB Borrowing Capacity

(dollar amounts in billions)	**March 31, 2012**	December 31, 2011
Loans and securities pledged:		
Federal Reserve Bank	**$ 10.7**	$ 10.5
FHLB	**8.4**	8.3
Total loans and securities pledged	**$ 19.1**	$ 18.8
Total unused borrowing capacity at Federal Reserve Bank and FHLB	**$ 11.3**	$ 10.5

At March 31, 2012, we believe the Bank has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Parent Company Liquidity

The parent company s funding requirements consist primarily of dividends to shareholders, debt service, income taxes, operating expenses, funding of nonbank subsidiaries, repurchases of our stock, and acquisitions. The parent company obtains funding to meet obligations from interest received from the Bank, interest and dividends received from direct subsidiaries, net taxes collected from subsidiaries included in the federal consolidated tax return, fees for services provided to subsidiaries, and the issuance of debt or equity securities.

At March 31, 2012, December 31, 2011, and March 31, 2011, the parent company had $1.0 billion, $0.9 billion and $0.6 billion, respectively, in cash and cash equivalents.

Based on the current quarterly dividend of $0.04 per common share, cash demands required for common stock dividends are estimated to be approximately $34.6 million per quarter. Based on the current dividend, cash demands required for Series A Preferred Stock are estimated to be approximately $7.7 million per quarter. Cash demands required for Series B Preferred Stock are expected to be approximately $0.3 million per quarter.

Based on a regulatory dividend limitation, the Bank could not have declared and paid a dividend to the parent company at March 31, 2012, without regulatory approval. We do not anticipate that the Bank will request regulatory approval to pay dividends in the near future as we continue to build Bank regulatory capital above its already well-capitalized level. To help meet any additional liquidity needs, we have an open-ended automatic shelf registration statement filed and effective with the SEC, which permits us to issue an unspecified amount of debt or equity securities.

With the exception of the common and preferred dividends previously discussed, the parent company does not have any significant cash demands. There are no maturities of parent company obligations until 2013, when a debt maturity of $50.0 million is payable. It is our policy to keep operating cash on hand at the parent company to satisfy any cash demands for a minimum of the next 18 months.

We sponsor a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The Plan provides benefits based upon length of service and compensation levels. Our policy is to contribute an annual amount that is at least equal to the minimum funding requirements. Although not required, Huntington may choose to make a cash contribution to the Plan up to the maximum deductible limit in the 2012 plan year. The Bank and other subsidiaries fund approximately 90% of pension contributions. Funding requirements are calculated annually as of the end of the year and are heavily dependent on the value of our pension plan assets and the interest rate used to discount plan obligations. To the extent that the low interest rate environment continues, including as a result of the Federal Reserve Maturity Extension Program, or the pension plan does not earn the expected asset return rates, annual pension contribution requirements in future years could increase and such increases could be significant. Any additional pension contributions are not expected to significantly impact liquidity.

41

On April 25, 2012, we announced plans to redeem $80 million of trust preferred securities during the 2012 second quarter. The trust preferred securities will be redeemed at the redemption price (as a percentage of the liquidation amount) plus accrued and unpaid distributions to the redemption date. These redemptions are consistent with the capital plan we submitted to the Federal Reserve, will be funded from our existing cash and are expected to result in a modest gain.

Considering the factors discussed above, and other analyses that we have performed, we believe the parent company has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Off-Balance Sheet Arrangements

In the normal course of business, we enter into various off-balance sheet arrangements. These arrangements include financial guarantees contained in standby letters-of-credit issued by the Bank and commitments by the Bank to sell mortgage loans.

Standby letters-of-credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years and are expected to expire without being drawn upon. Standby letters-of-credit are included in the determination of the amount of risk-based capital that the parent company and the Bank are required to hold.

Through our credit process, we monitor the credit risks of outstanding standby letters-of-credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At March 31, 2012, we had $0.5 billion of standby letters-of-credit outstanding, of which 80% were collateralized. Included in this $0.5 billion are letters-of-credit issued by the Bank that support securities that were issued by our customers and remarketed by The Huntington Investment Company, our broker-dealer subsidiary.

We enter into forward contracts relating to the mortgage banking business to hedge the exposures we have from commitments to extend new residential mortgage loans to our customers and from our mortgage loans held for sale. At March 31, 2012, December 31, 2011, and March 31, 2011, we had commitments to sell residential real estate loans of $706.6 million, $629.0 million, and $360.9 million, respectively. These contracts mature in less than one year.

We do not believe that off-balance sheet arrangements will have a material impact on our liquidity or capital resources.

Operational Risk

As with all companies, we are subject to operational risk. Operational risk is the risk of loss due to human error; inadequate or failed internal systems and controls; violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards; and external influences such as market conditions, fraudulent activities, disasters, and security risks. We continuously strive to strengthen our system of internal controls to ensure compliance with laws, rules, and regulations, and to improve the oversight of our operational risk. For example, we actively and continuously monitor cyber-attacks such as attempts related to efraud and loss of sensitive customer data. We constantly evaluate internal systems, processes and controls to mitigate loss from cyber-attacks and, to date, have not experienced any material losses.

To mitigate operational risks, we have established a senior management Operational Risk Committee and a senior management Legal, Regulatory, and Compliance Committee. The responsibilities of these committees, among other duties, include establishing and maintaining management information systems to monitor material risks and to identify potential concerns, risks, or trends that may have a significant impact and ensuring that recommendations are developed to address the identified issues. Both of these committees report any significant findings and recommendations to the Risk Management Committee. Additionally, potential concerns may be escalated to our Board Risk Oversight Committee, as appropriate.

The goal of this framework is to implement effective operational risk techniques and strategies, minimize operational and fraud losses, and enhance our overall performance.

Representation and Warranty Reserve

We primarily conduct our loan sale and securitization activity with FNMA and FHLMC. In connection with these and other securitization transactions, we make certain representations and warranties that the loans meet certain criteria, such as collateral type and underwriting standards. We may be required to repurchase individual loans and / or indemnify these organizations against losses due to a loan not meeting the established criteria. We have a reserve for such losses, which is included in accrued expenses and other liabilities. The reserves are estimated based on historical and expected repurchase activity, average loss rates, and current economic trends. The level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions containing a level of uncertainty and risk that may change over the life of the underlying loans. We do not have sufficient information to estimate the range of reasonably possible loss related to representation and warranty exposure.

Table of Contents

The table below reflects activity in the representations and warranties reserve:

Table 25 - Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	2012	2011			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Reserve for representations and warranties, beginning of period	**$ 23,218**	$ 23,854	$ 24,497	$ 23,786	$ 20,171
Reserve charges	**(2,056)**	(4,736)	(3,340)	(365)	(270)
Provision for representations and warranties	**3,640**	4,100	2,697	1,076	3,885
Reserve for representations and warranties, end of period	**$ 24,802**	$ 23,218	$ 23,854	$ 24,497	$ 23,786

Table 26 - Mortgage Loan Repurchase Statistics

	2012	2011			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Number of loans sold	**6,621**	5,461	3,877	3,875	8,933
Amount of loans sold (UPB)	**$ 1,008,055**	$ 815,119	$ 529,722	$ 512,069	$ 1,313,994
Number of loans repurchased (1)	**41**	34	43	36	15
Amount of loans repurchased (UPB) (1)	**$ 4,841**	$ 5,019	$ 7,325	$ 4,755	$ 2,343
Number of claims received	**134**	101	96	130	118
Successful dispute rate (2)	**46%**	63%	27%	49%	86%
Number of make whole payments (3)	**33**	20	38	8	6
Amount of make whole payments (3)	**$ 1,611**	$ 1,156	$ 3,392	$ 445	$ 560

(1)Loans repurchased are loans that fail to meet the purchaser s terms.

(2)Successful disputes are a percent of close out requests.

(3)Make whole payments are payments to reimburse for losses on foreclosed properties.

Foreclosure Documentation

Compared to the high volume servicers, we service a relatively low volume of residential mortgage foreclosures, with approximately 3,800 foreclosure cases as of March 31, 2012, in states that require foreclosures to proceed through the courts. We have reviewed our residential foreclosure process. We have not found evidence of financial injury to any borrowers from any foreclosure by the Bank that should not have proceeded. We have and are continuing to strengthen our processes and controls to ensure that our foreclosure processes do not have the deficiencies identified in the interagency review of foreclosure policies and procedures dated April 2011, of 14 federally regulated mortgage servicers.

Compliance Risk

Financial institutions are subject to a multitude of laws, rules, and regulations emanating at both the federal and state levels. These broad-based mandates include, but are not limited to, expectations on anti-money laundering, lending limits, client privacy, fair lending, community reinvestment, and other important areas. Recently, the volume and complexity of regulatory changes have added to the overall compliance risk. We have invested in various resources to help ensure we meet expectations, and we have a team of compliance experts dedicated to ensuring our conformance. We require training for our colleagues for several broad-based laws and regulations. For example, all of our colleagues are expected to pass courses on anti-money laundering and customer privacy. Those colleagues who are engaged in lending activities must also take training related to flood disaster protection, equal credit opportunity, fair lending, and / or a variety of other courses related to the extension of credit. We set a high standard of expectation for adherence to compliance management and seek to continuously enhance our performance.

43

Table of Contents

Capital

Capital is managed both at the Bank and on a consolidated basis. Capital levels are maintained based on regulatory capital requirements and the economic capital required to support credit, market, liquidity, and operational risks inherent in our business, and to provide the flexibility needed for future growth and new business opportunities.

Shareholders equity totaled $5.5 billion at March 31, 2012, an increase of $0.1 billion, or 2%, from December 31, 2011, primarily reflecting an increase in retained earnings. We believe our current level of capital is adequate.

Capital Adequacy

The following table presents risk-weighted assets and other financial data necessary to calculate certain financial ratios that we use to measure capital adequacy:

Table 27 - Capital Adequacy

	2012	2011			
(dollar amounts in millions)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Consolidated capital calculations:					
Common shareholders equity	**$ 5,164**	$ 5,032	$ 5,037	$ 4,890	$ 4,676
Preferred shareholders equity	**386**	386	363	363	363
Total shareholders equity	**5,550**	5,418	5,400	5,253	5,039
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(171)**	(175)	(188)	(202)	(215)
Other intangible assets deferred tax liability (1)	**60**	61	66	71	75
Total tangible equity (2)	**4,995**	4,860	4,834	4,678	4,455
Preferred shareholders equity	**(386)**	(386)	(363)	(363)	(363)
Total tangible common equity (2)	**$ 4,609**	$ 4,474	$ 4,471	$ 4,315	$ 4,092
Total assets	**$ 55,877**	$ 54,451	$ 54,979	$ 53,050	$ 52,949
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(171)**	(175)	(188)	(202)	(215)
Other intangible assets deferred tax liability (1)	**60**	61	66	71	75
Total tangible assets (2)	**$ 55,322**	$ 53,893	$ 54,413	$ 52,475	$ 52,365
Tier 1 capital	**$ 5,709**	$ 5,557	$ 5,488	$ 5,352	$ 5,179
Preferred shareholders equity	**(386)**	(386)	(363)	(363)	(363)
Trust-preferred securities	**(532)**	(532)	(565)	(565)	(570)
REIT-preferred stock	**(50)**	(50)	(50)	(50)	(50)
Tier 1 common equity (2)	**$ 4,741**	$ 4,589	$ 4,510	$ 4,374	$ 4,196
Risk-weighted assets (RWA)	**$ 46,716**	$ 45,891	$ 44,376	$ 44,080	$ 43,024
Tier 1 common equity / RWA ratio (2)	**10.15%**	10.00%	10.17%	9.92%	9.75%
Tangible equity / tangible asset ratio (2)	**9.03**	9.02	8.88	8.91	8.51
Tangible common equity / tangible asset ratio (2)	**8.33**	8.30	8.22	8.22	7.81
Tangible common equity / RWA ratio (2)	**9.86**	9.75	10.08	9.79	9.51

(1) Other intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.

(2) Tangible equity, Tier 1 common equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

Capital continued to strengthen as period-end capital ratios improved compared to December 31, 2011. Our Tier 1 common risk-based ratio improved 15 basis points to 10.15% at March 31, 2012 compared to 10.00% at December 31, 2011. This increase primarily reflected the combination of an increase in retained earnings and a reduction in the disallowed tax deferred asset, partially offset by an increase in risk-weighted assets.

Although not a regulatory capital ratio, the Tier 1 common risk-based ratio has gained prominence with our regulators and investors. The Dodd-Frank Act requires that any bank with assets over $50.0 billion would be subject to additional scrutiny. U.S. regulators have identified such qualifying banks as SIFIs. With $55.9 billion in assets at March 31, 2012, we are at the lower range of the SIFI group. Although we do not have sufficient information to know what any impacts will be to us, we believe that our current period-end capital ratios are well positioned. In December 2011, the Federal Reserve issued a proposal to implement Sections 165 and 166 of the Dodd-Frank Act that would enhance prudential standards on SIFIs. The proposal uses or enhances requirements already imposed, or to be imposed, on SIFIs.

Regulatory Capital

Regulatory capital ratios are the primary metrics used by regulators in assessing the safety and soundness of banks. We intend to maintain both our and the Bank s risk-based capital ratios at levels at which both would be considered well-capitalized by regulators. The Bank is primarily supervised and regulated by the OCC, which establishes regulatory capital guidelines for banks similar to those established for bank holding companies by the Federal Reserve Board.

Regulatory capital primarily consists of Tier 1 risk-based capital and Tier 2 risk-based capital. The sum of Tier 1 risk-based capital and Tier 2 risk-based capital equals our total risk-based capital.

The following table presents certain regulatory capital data at both the consolidated and Bank levels for each of the past five quarters:

Table 28 - Regulatory Capital Data

		2012	2011			
(dollar amounts in millions)		**March 31,**	December 31,	September 30,	June 30,	March 31,
Total risk-weighted assets	Consolidated	**$ 46,716**	$ 45,891	$ 44,376	$ 44,080	$ 43,024
	Bank	**46,498**	45,651	44,242	43,907	42,750
Tier 1 risk-based capital	Consolidated	**5,709**	5,557	5,488	5,352	5,179
	Bank	**4,437**	4,245	4,159	3,957	3,790
Tier 2 risk-based capital	Consolidated	**1,186**	1,221	1,216	1,213	1,211
	Bank	**1,372**	1,508	1,830	1,827	1,814
Total risk-based capital	Consolidated	**6,895**	6,778	6,704	6,565	6,390
	Bank	**5,809**	5,753	5,989	5,784	5,604
Tier 1 leverage ratio	Consolidated	**10.55%**	10.28%	10.24%	10.25%	9.80%
	Bank	**8.24**	7.89	7.79	7.62	7.23
Tier 1 risk-based capital ratio	Consolidated	**12.22**	12.11	12.37	12.14	12.04
	Bank	**9.54**	9.30	9.40	9.01	8.87
Total risk-based capital ratio	Consolidated	**14.76**	14.77	15.11	14.89	14.85
	Bank	**12.49**	12.60	13.54	13.17	13.11

The increase in our consolidated Tier 1 risk-based capital ratios compared with December 31, 2011 primarily reflected earnings from the first three-month period of 2012 and a reduction in the disallowed deferred tax asset, partially offset by an increase in risk-weighted assets.

At March 31, 2012, our Tier 1 and total risk-based capital in excess of the minimum level required to be considered well-capitalized were $2.9 billion and $2.2 billion, respectively. The Bank had Tier 1 and total risk-based capital in excess of the minimum level required to be considered well-capitalized of $1.6 billion and $1.2 billion, respectively, at March 31, 2012.

Other Capital Matters

On April 18, 2012, our board of directors declared a quarterly cash dividend of $0.04 per common share, payable in July 2012. A $0.04 per common share cash dividend was also declared on January 19, 2012.

Table of Contents

On April 18, 2012, our board of directors also declared a quarterly cash dividend on our 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock of $21.25 per share. The dividend is payable in July 2012. A $21.25 per share dividend was also declared on January 19, 2012.

On April 18, 2012, our board of directors also declared a quarterly cash dividend on our Floating Rate Series B Non-Cumulative Perpetual Preferred Stock of approximately $7.92 per share. The dividend is payable in July 2012. A dividend of approximately $8.18 per share was also declared on January 19, 2012.

We consider disciplined capital management as a key objective, with dividends representing one component. Our strong capital ratios and expectations for continued earnings growth positions us to continue to actively explore additional capital management opportunities.

In connection with its increased focus on the adequacy of regulatory capital and risk management for larger financial institutions, in late 2011, the FRB finalized rules to require banks with assets over $50.0 billion to submit capital plans annually. Per the FRB s rule, our submission included a comprehensive capital plan supported by an assessment of expected uses and sources of capital over a given planning time period under a range of expected and stress scenarios. We participated in the Federal Reserve s 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 planned actions included the potential repurchase of up to $182.0 million of common stock and a continuation of our current common dividend through the 2013 first quarter. Our board of directors authorized a share repurchase program consistent with our capital plan, and we did not repurchase any shares during the three-month period ended March 31, 2012. In 2012, we will transition into the Federal Reserve s more rigorous CCAR process, which had previously been required of only the largest 19 bank holding companies. For additional discussion, please refer to the Updates to Risk Factors section located in the Additional Disclosures section of this MD&A.

On April 24, 2012, we submitted redemption notices to the trustee for the BFOH Capital Trust I and Sky Financial Capital Trust I to redeem $20.0 million and $60.0 million, respectively, of outstanding trust preferred securities on May 24, 2012. These trusts were formed for the sole purpose of issuing trust preferred securities. The proceeds were then invested in Huntington junior subordinated debentures, which are reported as subordinated notes in the Unaudited Condensed Consolidated Balance Sheets at March 31, 2012. These redemptions are consistent with the capital plan we submitted to the Federal Reserve in January 2012 and will be funded from existing cash.

Table of Contents

BUSINESS SEGMENT DISCUSSION

Overview

We have four major business segments: Retail and Business Banking; Regional and Commercial Banking; Automobile Finance and Commercial Real Estate; and Wealth Advisors, Government Finance, and Home Lending. A Treasury / Other function also includes our insurance business and other unallocated assets, liabilities, revenue, and expenses. While this section reviews financial performance from a business segment perspective, it should be read in conjunction with the Discussion of Results of Operations, Note 18 of the Notes to Unaudited Condensed Consolidated Financial Statements, and other sections for a full understanding of our consolidated financial performance.

Business segment results are determined based upon our management reporting system, which assigns balance sheet and income statement items to each of the business segments. The process is designed around our organizational and management structure and, accordingly, the results derived are not necessarily comparable with similar information published by other financial institutions.

Optimal Customer Relationship (OCR)

Our OCR initiative is a cross-business segment strategy designed to increase overall customer profitability and retention by deepening product and service penetration to consumer and commercial customers. We believe this can be accomplished by taking our broad array of services and products and delivering them through a rigorous and disciplined sales management process that is consistent across all business segments and regions. It is also supported by robust sales and cross-referral technology.

OCR was introduced in late 2009. Through 2010, much of the effort was spent on defining processes, sales training, and systems development to fully capture and measure OCR performance metrics. In 2011, we introduced OCR-related metrics for commercial relationships, which complements the previously disclosed consumer OCR-related metrics.

CONSUMER OCR PERFORMANCE

For consumer OCR performance, there are three key performance metrics: (1) the number of checking account households, (2) the number of services penetration per consumer checking account household, and (3) the revenue generated. Consumer households from all business segments are included.

The growth in consumer checking account number of households is a result of both new sales of checking accounts and improved retention of existing checking account households. The overall objective is to grow the number of households, along with an increase in product penetration.

We use the checking account since it typically represents the primary banking relationship product. We count additional products by type, not number of products. For example, a household that has one checking account and one mortgage, we count as having two services. A household with four checking accounts, we count as having one service. The household relationship utilizing four or more services is viewed to be more profitable and loyal. The overall objective, therefore, is to decrease the percentage of 1-3 services per consumer checking account household, while increasing the percentage of those with 4 or more services.

The following table presents consumer checking account household OCR metrics:

Table 29 - Consumer Checking Household OCR Cross-sell Report

	2012	2011			
	First	Fourth	Third	Second	First
Number of households	**1,134,444**	1,095,638	1,073,708	1,042,424	1,015,951
Product Penetration by Number of Services					
1 Service	**3.7%**	4.1%	4.4%	4.5%	4.9%
2-3 Services	**21.2**	22.4	22.8	24.2	24.6
4+ Services	**75.1**	73.5	72.8	71.3	70.5
Total revenue *(in millions)*	**$ 236.5**	$ 230.6	$ 251.9	$ 260.0	$ 248.6

Table of Contents

Our emphasis on cross-sell, coupled with customers increasingly being attracted by the benefits offered through our Fair Play banking philosophy with programs such as 24-Hour Grace® on overdrafts and Asterisk-Free Checking , are having a positive effect. The percent of consumer households with over four products at the end of the 2012 first quarter was 75.1%, up from 73.5% at the end of last year. For the first three-month period of 2012, consumer checking account households grew at a 14.2% annualized rate, up from 9.1% in the 2011 first quarter. Total consumer checking account household revenue in the 2012 first quarter was $236.5 million, up $5.9 million, or 3%, from the 2011 fourth quarter. This was primarily driven by growth in households and noninterest income. Total consumer checking account household revenue was down $12.1 million, or 5%, from the year-ago quarter due to the Durbin amendment.

COMMERCIAL OCR PERFORMANCE

For commercial OCR performance, there are three key performance metrics: (1) the number of commercial relationships, (2) the number of services penetration per commercial relationship, and (3) the revenue generated. Commercial relationships include relationships from all business segments.

The growth in the number of commercial relationships is a result of both new sales of checking accounts and improved retention of existing commercial accounts. The overall objective is to grow the number of relationships, along with an increase in product service distribution.

The commercial relationship is defined as a business banking or commercial banking customer with a checking account relationship. We use this metric because we believe that the checking account anchors a business relationship and creates the opportunity to increase our cross-sell. Multiple sales of the same type of product are counted as one product, the same as consumer.

The following table presents commercial relationship OCR metrics:

Table 30 - Commercial Relationship OCR Cross-sell Report

	2012	2011			
	First	Fourth	Third	Second	First
Commercial Relationships	**142,947**	138,357	135,826	133,165	130,240
Product Penetration by Number of Services					
1 Service	**27.2%**	28.4%	29.7%	30.7%	32.1%
2-3 Services	**40.2**	40.2	41.1	42.6	42.5
4+ Services	**32.7**	31.4	29.2	26.7	25.4
Total revenue *(in millions)*	**$ 169.7**	$ 175.4	$ 175.5	$ 166.6	$ 157.7

48

Table of Contents

By focusing on targeted relationships we are able to achieve higher product service distribution among our commercial relationships. Our expanded product offerings allow us to focus not only on the credit driven relationship, but leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships utilizing over four products at the end of the 2012 first quarter was 32.7%, up from 31.4% from the prior year. For the first three-month period of 2012, commercial relationships grew at a 13.3% annualized rate. Total commercial relationship revenue in the 2012 first quarter was $169.7 million, down $5.7 million, or 3%, from the 2011 fourth quarter, and up $12.0 million, or 8%, higher than the year-ago quarter. This was primarily driven by capital markets activities.

Revenue Sharing

Revenue is recorded in the business segment responsible for the related product or service. Fee sharing is recorded to allocate portions of such revenue to other business segments involved in selling to, or providing service to, customers. Results of operations for the business segments reflect these fee sharing allocations.

Expense Allocation

The management accounting process that develops the business segment reporting utilizes various estimates and allocation methodologies to measure the performance of the business segments. Expenses are allocated to business segments using a two-phase approach. The first phase consists of measuring and assigning unit costs (activity-based costs) to activities related to product origination and servicing. These activity-based costs are then extended, based on volumes, with the resulting amount allocated to business segments that own the related products. The second phase consists of the allocation of overhead costs to all four business segments from Treasury / Other. We utilize a full-allocation methodology, where all Treasury / Other expenses, except those related to our insurance business, reported Significant Items (except for the goodwill impairment), and a small amount of other residual unallocated expenses, are allocated to the four business segments.

Funds Transfer Pricing (FTP)

We use an active and centralized FTP methodology to attribute appropriate net interest income to the business segments. The intent of the FTP methodology is to eliminate all interest rate risk from the business segments by providing matched duration funding of assets and liabilities. The result is to centralize the financial impact, management, and reporting of interest rate and liquidity risk in the Treasury / Other function where it can be centrally monitored and managed. The Treasury / Other function charges (credits) an internal cost of funds for assets held in (or pays for funding provided by) each business segment. The FTP rate is based on prevailing market interest rates for comparable duration assets (or liabilities), and includes an estimate for the cost of liquidity (liquidity premium). Deposits of an indeterminate maturity receive an FTP credit based on a combination of vintage-based average lives and replicating portfolio pool rates. Other assets, liabilities, and capital are charged (credited) with a four-year moving average FTP rate. The denominator in the net interest margin calculation has been modified to add the amount of net funds provided by each business segment for all periods presented.

Treasury / Other

The Treasury / Other function includes revenue and expense related to our insurance business, and assets, liabilities, and equity not directly assigned or allocated to one of the four business segments. Other assets include investment securities and bank owned life insurance. The financial impact associated with our FTP methodology, as described above, is also included.

Net interest income includes the impact of administering our investment securities portfolios and the net impact of derivatives used to hedge interest rate sensitivity. Noninterest income includes insurance income, miscellaneous fee income not allocated to other business segments, such as bank owned life insurance income and any investment security and trading asset gains or losses. Noninterest expense includes any insurance-related expenses, as well as certain corporate administrative, merger, and other miscellaneous expenses not allocated to other business segments. The provision for income taxes for the business segments is calculated at a statutory 35% tax rate, though our overall effective tax rate is lower. As a result, Treasury / Other reflects a credit for income taxes representing the difference between the lower actual effective tax rate and the statutory tax rate used to allocate income taxes to the business segments.

Net Income by Business Segment

We reported net income of $153.3 million during the first three-month period of 2012. This compared with net income of $126.4 million during the first three-month period of 2011. The segregation of net income by business segment for the first three-month period of 2012 and 2011 is presented in the following table:

49

Table of Contents

Table 31 - Net Income by Business Segment

(dollar amounts in thousands)	Three Months Ended March 31, **2012**	2011
Retail and Business Banking	**$ 17,545**	$ 54,907
Regional and Commercial Banking	**24,043**	23,906
AFCRE	**83,500**	34,656
WGH	**18,856**	9,494
Treasury/Other	**9,326**	3,483
Total net income	**$ 153,270**	$ 126,446

Average Loans/Leases and Deposits by Business Segment

The segregation of total average loans and leases and total average deposits by business segment for the first three-month period of 2012 is presented in the following table:

Table 32 - Average Loans/Leases and Deposits by Business Segment

	Three Months Ended March 31, 2012					
(dollar amounts in millions)	Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury / Other	TOTAL
Average Loans/Leases						
Commercial and industrial	$ 3,208	$ 8,798	$ 1,952	$ 783	$ 83	$ 14,824
Commercial real estate	421	414	4,840	168	9	5,852
Total commercial	3,629	9,212	6,792	951	92	20,676
Automobile			4,576			4,576
Home equity	7,394	25	1	809	5	8,234
Residential mortgage	1,039	8		4,120	7	5,174
Other consumer	358	5	99	40	(17)	485
Total consumer	8,791	38	4,676	4,969	(5)	18,469
Total loans and leases	$ 12,420	$ 9,250	$ 11,468	$ 5,920	$ 87	$ 39,145
Average Deposits						
Demand deposits noninterest-bearing	$ 4,354	$ 2,700	$ 461	$ 3,546	$ 212	$ 11,273
Demand deposits interest-bearing	4,545	97	49	948	7	5,646
Money market deposits	7,410	1,582	225	3,919	5	13,141
Savings and other domestic deposits	4,620	16	15	166		4,817
Core certificates of deposit	6,348	25	2	117	18	6,510
Total core deposits	27,277	4,420	752	8,696	242	41,387
Other deposits	175	260	59	754	830	2,078
Total deposits	$ 27,452	$ 4,680	$ 811	$ 9,450	$ 1,072	$ 43,465

50

Table of Contents

Retail and Business Banking

Table 33 - Key Performance Indicators for Retail and Business Banking

(dollar amounts in thousands unless otherwise noted)	Three Months Ended March 31, **2012**	2011	Change Amount	Percent
Net interest income	**$ 221,306**	$ 235,845	$ (14,539)	(6)%
Provision for credit losses	**48,836**	23,694	25,142	106
Noninterest income	**89,256**	94,428	(5,172)	(5)
Noninterest expense	**234,733**	222,107	12,626	6
Provision for income taxes	**9,448**	29,565	(20,117)	(68)
Net income	**$ 17,545**	$ 54,907	$ (37,362)	(68)%
Number of employees (full-time equivalent)	**5,388**	5,451	(63)	(1)%
Total average assets *(in millions)*	**$ 13,939**	$ 13,157	$ 782	6
Total average loans/leases *(in millions)*	**12,420**	11,780	640	5
Total average deposits *(in millions)*	**27,452**	29,139	(1,687)	(6)
Net interest margin	**3.25%**	3.26%	(0.01)%	
NCOs	**$ 38,615**	$ 39,008	$ (393)	(1)
NCOs as a % of average loans and leases	**1.24%**	1.32%	(0.08)%	(6)
Return on average common equity	**5.0**	15.6	(10.6)	(68)

2012 First Three Months vs. 2011 First Three Months

Retail and Business Banking reported net income of $17.5 million in the first three-month period of 2012. This was a decrease of $37.4 million, or 68%, when compared to the year-ago period.

Results for the current quarter were negatively impacted by the Durbin Amendment of the Dodd-Frank Act, which resulted in an approximate $17 million reduction in debit card income. All other income continued to be positively impacted by an increase in the number of households and improved product penetration. Deposit mix continued to be a focus as part of managing funding spread. Demand deposit balances increased materially when compared to the year-ago period, including a 24% increase in noninterest-bearing demand deposits. Money market deposits were down 11% and core certificate of deposits were down 23% compared to the year-ago period due to a focus on deposit mix and funding margin management. Household growth continued to outperform expectations and marketing expense was reduced 3% compared to prior year. Finally, average portfolio loan balances are up 5% over the same period prior year, with a 5 basis point increase in the portfolio spread.

The decrease in net income reflected a combination of factors including:

$14.5 million, or 6%, decrease in net interest income.

$25.1 million, or 106%, increase in the provision for credit losses.

$5.2 million, or 5%, decrease in noninterest income.

$12.6 million, or 6%, increase in noninterest expense.

The decrease in net interest income from the year-ago period reflected:

$3.9 million of lower equity funding related to lower rate environment.

11 basis points decrease in deposit spread resulted in a $16.1 million reduction in interest income.

Partially offset by:

Table of Contents

$0.6 billion, or 5%, increase in total average loans and leases, with 5 basis point of increased spread providing $5.7 million of increased margin.

The increase in total average loans and leases from the year-ago period reflected:

$429 million, or 5%, increase in the consumer loans driven by $487 million increase in home equity lines.

$242 million, or 8%, increase in the C&I portfolio.

The decrease in total average deposits from the year-ago period reflected:

$1.9 billion, or 23%, decrease in core certificate of deposits, which reflected continued focus by retail on product mix and funding margin management.

$0.9 billion, or 11%, decrease in money market deposits.

Partially offset by:

$0.8 billion, or 24%, increase in noninterest-bearing demand deposits.

$0.1 billion, or 3%, increase in interest-bearing demand deposits.

The increase in the provision for credit losses from the year-ago period reflected:

$25.1 million, or 106%, increase in provision for credit losses reflected financial difficulties experienced primarily by our residential mortgage and home equity second-lien loan borrowers.

The decrease in noninterest income from the year-ago period reflected:

$10.0 million, or 35%, decrease in electronic banking income, which reflected the impact of the Durbin Amendment of the Dodd-Frank Act on debit card interchange income, partially offset by higher transaction volumes from account growth and increased customer usage.

$1.6 million, or 12%, decrease in other income from a lower gain on sale realized from SBA loans in the 2012 first quarter.

Partially offset by:

$5.7 million, or 14%, increase in deposit service charge income due to strong household and account growth in the checking portfolio.

The increase in noninterest expense from the year-ago period reflected:

$6.5 million, or 9%, increase in personnel costs, primarily driven by full time salaries, higher sales commissions, and increased benefits costs.

$6.1 million, or 4%, increase in other expenses, primarily due to a $16.7 million increase in allocated expenses, a $2.2 million increase in building expenses associated with the branch refurbishment project, offset by an $11.4 million decrease in deposit and other insurance expense due to a change in the asset based allocation and $1.2 million in lower amortization of intangibles.

Table of Contents

Regional and Commercial Banking

Table 34 - Key Performance Indicators for Regional and Commercial Banking

	Three Months Ended March 31,		Change	
(dollar amounts in thousands unless otherwise noted)	**2012**	2011	Amount	Percent
Net interest income	**$ 64,202**	$ 57,438	$ 6,764	12 %
Provision for credit losses	**13,281**	5,969	7,312	122
Noninterest income	**31,924**	29,238	2,686	9
Noninterest expense	**45,857**	43,929	1,928	4
Provision for income taxes	**12,945**	12,872	73	1
Net income	**$ 24,043**	$ 23,906	$ 137	1 %
Number of employees (full-time equivalent)	**669**	569	100	18 %
Total average assets *(in millions)*	**$ 10,259**	$ 8,722	$ 1,537	18
Total average loans/leases *(in millions)*	**9,250**	7,824	1,426	18
Total average deposits *(in millions)*	**4,680**	3,666	1,014	28
Net interest margin	**2.83%**	2.99%	(0.16)%	(5)
NCOs	**$ 13,642**	$ 15,160	$ (1,518)	(10)
NCOs as a % of average loans and leases	**0.59%**	0.78%	(0.19)%	(24)
Return on average common equity	**12.0**	14.0	(2.0)	(14)

2012 First Three Months vs. 2011 First Three Months

Regional and Commercial Banking reported net income of $24.0 million in the first three-month period of 2012. This was an increase of $0.1 million, or 1%, compared to the year-ago period.

Contributing to the increase in net income was growth in both net interest income and noninterest income due to the successful execution of our strategic initiatives.

The Optimal Customer Relationship (OCR) initiative, which includes robust customer relationship planning, a referral tracking system, and new customer relationship management system, resulted in a 7% increase in loan originations in the first three-month period of 2012 compared to the year-ago period. The increase in originations during the current period reflected the strategic decision to enter three new markets: business aircraft finance, rail industry finance, and lender finance. Additionally, the Commercial Relationship Manager sales teams were focused on the importance of deposit relationships, as well as partnering with Treasury Management to deliver customer-focused liquidity management solutions.

The increase in net income reflected a combination of factors including:

- $6.8 million, or 12%, increase in net interest income.

- $2.7 million, or 9%, increase in noninterest income.

Offset by:

- $7.3 million, or 122%, increase in the provision for credit losses.

$1.9 million, or 4%, increase in noninterest expense, due to our strategic initiatives investments.

The increase in net interest income from the year-ago period reflected:

$1.4 billion, or 18%, increase in total average loans and leases which reflected the strategic decision to enter three new markets: business aircraft finance, rail industry finance, and lender finance.

Partially offset by:

- $1.0 billion, or 28%, increase in average total deposits.
- 16 basis point decrease in the net interest margin due to a 22 basis point decrease in the total deposit spread. The commercial deposit spread decrease reflected lower funding credit on transaction deposits.

The increase in total average loans and leases from the year-ago period reflected:

- $0.8 billion, or 79%, increase in the large corporate portfolio average balance due to establishing relationships with targeted prospects within our footprint.
- $0.4 billion, or 39%, increase in the equipment finance portfolio average balance which reflected our focus on developing vertical strategies in business aircraft, rail industry, lender finance and syndications.
- $0.2 billion, or 37%, increase in the healthcare banking portfolio average balance due to strategic focus on the banking needs of the healthcare industry, specifically targeting alternate site real estate, seniors real estate, medical technology, community hospitals, metro hospitals, and health care services.

Partially offset by:

- $0.3 billion, or 45%, decline in commercial loans managed by SAD reflecting improved credit quality in the portfolio.

The increase in total average deposits from the year-ago period reflected:

- $1.0 billion, or 28%, increase in average core deposits reflected a $0.7 billion increase in average noninterest-bearing deposits. Regional and Commercial Banking initiated a large deposit growth strategy targeting high balance / high opportunity accounts and, as a result, selective rates to draw balances on board. Large corporate accounts contributed to the majority of the balance growth. Other key accounts came from Not-For-Profit (Universities).
- Strategic initiatives to deepen customer relationships, new and innovative product offerings, pricing discipline, and sales and retention initiatives.
- Best practices from each region were shared and institutionalized.

The increase in the provision for credit losses from the year-ago period reflected:

- $11.7 million increase in the provision attributed to loan growth in the 2012 first quarter compared to the year-ago quarter.

Partially offset by:

$4.4 million decrease in the provision resulting from improved credit quality in the portfolio evidenced by a $1.5 million decrease in NCOs. Expressed as a percentage of related average balance, NCOs decreased to 0.59% in 2012 from 0.78% in 2011.

The increase in noninterest income from the year-ago period reflected:

$2.4 million, or 15%, increase in other income, of which $2.9 million represents increased sales of customer interest rate protection products.

$0.7 million, or 44%, increase in brokerage income driven by stronger fixed-income commissions compared to prior year.

Partially offset by:

$0.4 million, or 51%, decrease in operating lease income as lease originations were structured as direct finance leases beginning in the 2009 second quarter.

The increase in noninterest expense from the year-ago period reflected:

- $4.0 million, or 19%, increase in personnel costs, reflecting an 18% increase in FTE employees. This increase in personnel is attributable to our strategic investments in our core footprint markets, vertical strategies, and product capabilities.

Partially offset by:

- $1.6 million, or 7%, decrease in other expenses, which reflected a $0.6 million decrease in legal expenses and a $0.5 million reduction in outside appraisal services.

- $0.4 million, or 59%, decrease in operating lease expense as lease originations were structured as direct finance leases beginning in the 2009 second quarter.

Table of Contents

Automobile Finance and Commercial Real Estate

Table 35 - Key Performance Indicators for Automobile Finance and Commercial Real Estate

	Three Months Ended March 31,		Change	
(dollar amounts in thousands unless otherwise noted)	**2012**	2011	Amount	Percent
Net interest income	**$ 90,330**	$ 87,849	$ 2,481	3%
Provision for credit losses	**(42,252)**	4,784	47,036	983
Noninterest income	**34,719**	13,379	21,340	160
Noninterest expense	**38,839**	43,127	(4,288)	(10)
Provision for income taxes	**44,962**	18,661	26,301	141
Net income	**$ 83,500**	$ 34,656	$ 48,844	141%
Number of employees (full-time equivalent) &				