HUNTINGTON BANCSHARES INC/MD
Form 10-K
February 15, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2012

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
Commission File Number 1-34073

Huntington Bancshares Incorporated

(Exact name of registrant as specified in its charter)

Maryland	**31-0724920**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
41 S. High Street, Columbus, Ohio	**43287**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (614) 480-8300

Securities registered pursuant to Section 12(b) of the Act:

Title of class	Name of exchange on which registered
8.50% Series A non-voting, perpetual convertible preferred stock	**NASDAQ**
Common Stock Par Value $0.01 per Share	**NASDAQ**

Securities registered pursuant to Section 12(g) of the Act:

Title of class

Floating Rate Series B Non-Cumulative Perpetual Preferred Stock

Depositary Shares (each representing a 1/40th interest in a share of Floating Rate Series B Non-Cumulative Perpetual Preferred Stock)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act.
x Yes ¨ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. ¨ Yes x No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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 definition 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 Act) ¨ Yes x No

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2012, determined by using a per share closing price of $6.40, as quoted by NASDAQ on that date, was $5,349,102,938. As of January 31, 2013, there were 842,005,721 shares of common stock with a par value of $0.01 outstanding.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant s definitive Proxy Statement for the 2013 Annual Shareholders Meeting.

HUNTINGTON BANCSHARES INCORPORATED

INDEX

Part I.

Item 1.	Business	5
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	19
Item 2.	Properties	19
Item 3.	Legal Proceedings	20
Item 4.	Mine Safety Disclosures	20

Part II.

Item 5.	Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	20
Item 6.	Selected Financial Data	22
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	24
	Introduction	24
	Executive Overview	24
	Discussion of Results of Operations	30
	Risk Management and Capital:	
	Credit Risk	40
	Market Risk	59
	Liquidity Risk	62
	Operational Risk	68
	Compliance Risk	69
	Capital	69
	Business Segment Discussion	73
	Additional Disclosures	94
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	100
Item 8.	Financial Statements and Supplementary Data	100
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	192
Item 9A.	Controls and Procedures	192
Item 9B.	Other Information	192

Part III.

Item 10.	Directors, Executive Officers and Corporate Governance	192
Item 11.	Executive Compensation	192
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	192
Item 13.	Certain Relationships and Related Transactions, and Director Independence	193
Item 14.	Principal Accountant Fees and Services	193

Part IV.

Item 15.	Exhibits and Financial Statement Schedules	194
Signatures		195

Table of Contents

Glossary of Acronyms and Terms

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

ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
BHC	Bank Holding Companies
C&I	Commercial and Industrial
CapPR	Federal Reserve Board s Capital Plan Review
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificate of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act
EVE	Economic Value of Equity
Fannie Mae	(see FNMA)
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
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
FNMA	Federal National Mortgage Association
Franklin	Franklin Credit Management Corporation
FRB	Federal Reserve Bank
Freddie Mac	(see FHLMC)
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
IRS	Internal Revenue Service

Table of Contents

ISE	Interest Sensitive Earnings
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LTV	Loan to Value
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NAV	Net Asset Value
NCO	Net Charge-off
NCUA	National Credit Union Administration
NPAs	Nonperforming Assets
NPR	Notice of Proposed Rulemaking
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa
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
Problem Loans	Includes nonaccrual loans and leases (Table 14), troubled debt restructured loans (Table 16), and accruing loans and leases past due 90 days or more (Table 15)
REIT	Real Estate Investment Trust
Reg E	Regulation E, of the Electronic Fund Transfer Act
ROC	Risk Oversight Committee
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
Sky Financial	Sky Financial Group, Inc.
TARP	Troubled Asset Relief Program
TARP Capital	Series B Preferred Stock, repurchased in 2010
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

Huntington Bancshares Incorporated

PART I

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 1: Business

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. We have 11,806 full-time equivalent employees. Through the Bank, we have 147 years of serving the financial needs of our customers. We provide full-service commercial, small business, consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, insurance programs, and other financial products and services. The Bank, organized in 1866, is our only bank subsidiary. At December 31, 2012, the Bank had 691 branches as follows:

395 branches in Ohio	49 branches in Indiana
150 branches in Michigan	30 branches in West Virginia
55 branches in Pennsylvania	12 branches in Kentucky

Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio, a limited purpose office located in the Cayman Islands, and another located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

Our business segments are based on our internally-aligned segment leadership structure, which is how we monitor results and assess performance. For each of our four business segments, we expect the combination of our business model and exceptional service to provide a competitive advantage that supports revenue and earnings growth. Our business model emphasizes the delivery of a complete set of banking products and services offered by larger banks, but distinguished by local delivery and customer service.

A key strategic emphasis has been for our business segments to operate in cooperation to provide products and services to our customers and to build stronger and more profitable relationships using our OCR sales and service process. The objectives of OCR are to:

1. Provide a consultative sales approach to provide solutions that are specific to each customer.
2. Leverage each business segment in terms of its products and expertise to benefit customers.
3. Target prospects who may want to have multiple products and services as part of their relationship with us.

Following is a description of our four business segments and Treasury / Other function:

Retail and Business Banking This segment provides a wide array of financial products and services to consumer and small business customers including but not limited to checking accounts, savings accounts, money market accounts, certificates of deposit, consumer loans, and small business loans and leases. Other financial services available to consumer and small business customers include investments, insurance services, interest rate risk protection products, foreign exchange hedging, and treasury management services. We serve customers primarily through our network of traditional branches in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. We also have branches located in grocery stores in Ohio and Michigan. In addition to our extensive branch network, customers can access Huntington through online banking, mobile

banking, telephone banking, and over 1,350 ATMs.

We established a Fair Play banking philosophy and built a reputation for meeting the banking needs of consumers in a manner which makes them feel supported and appreciated. We believe customers are recognizing this and other efforts as key differentiators and it is earning us more customers and deeper relationships.

Business Banking is a dynamic and growing part of our business and we are committed to being the bank of choice for small businesses in our markets. Business Banking is defined as companies with revenues up to $25 million and consists of approximately 163,000 businesses. We continue to develop products and services that are designed specifically to meet the needs of small business. We continue to look for ways to help companies find solutions to their capital needs.

Regional and Commercial Banking This segment provides a wide array of products and services to the middle market and large corporate customers located primarily within our eleven regional commercial banking markets. Products and services are delivered through a relationship banking model and include commercial lending, as well as depository and liquidity management products. Dedicated teams collaborate with our relationship bankers to deliver complex and customized treasury management solutions, equipment and technology leasing, international services, capital markets services such as interest rate risk protection products, foreign exchange hedging and sales, trading of securities, mezzanine investment capabilities, and employee benefit programs (insurance, 401(k)). The Commercial Banking team specializes in serving a number of industry segments such as not-for-profit organizations, health-care entities, and large publicly-traded companies.

Automobile Finance and Commercial Real Estate This segment provides lending and other banking products and services to customers outside of our normal retail and commercial banking segments. Our products and services include financing for the purchase of automobiles by customers at automotive dealerships, financing the acquisition of new and used vehicle inventory of automotive dealerships, and financing for land, buildings, and other commercial real estate owned or constructed by real estate developers, automobile dealerships, or other customers with real estate project financing needs. Products and services are delivered through highly specialized relationship-focused bankers and product partners. Huntington creates well-defined relationship plans which identify needs where solutions are developed and customer commitments are obtained.
The Automotive Finance team services automobile dealerships, its owners, and consumers buying automobiles through these dealerships. Huntington has provided new and used automobile financing and dealer services throughout the Midwest since the early 1950s. This consistency in the market and our focus on working with strong dealerships, has allowed us to expand into selected markets outside of the Midwest and to actively deepen relationships while building a strong reputation.

The Commercial Real Estate team serves real estate developers, REITs, and other customers with lending needs that are secured by commercial properties. Most of our customers are located within our footprint.

Wealth Advisors, Government Finance, and Home Lending This segment consists of our wealth management, government banking, and home lending businesses. In wealth management, Huntington provides financial services to high net worth clients in our primary banking markets and Florida. Huntington provides these services through a unified sales team, which consists of private bankers, trust officers, and investment advisors. Aligned with the eleven regional commercial banking markets, this coordinated service model delivers products and services directly and through the other segment product partners. A fundamental point of differentiation is our commitment to be in the market, working closely with clients and their other advisors to identify needs, offer solutions and provide ongoing advice in an optimal client experience.
The Government Finance Group provides financial products and services to government and other public sector entities in our primary banking markets. A locally based team of relationship managers works with clients to meet their trust, lending, and treasury management needs.

Home Lending originates and services consumer loans and mortgages for customers who are generally located in our primary banking markets. Consumer and mortgage lending products are primarily distributed through the Retail and Business Banking segment, as well as through commissioned loan originators. Closely aligned, our Community Development group serves an important role as it focuses on delivering on our commitment to the communities Huntington serves.

The segment also includes the related businesses of investment management, investment servicing, custody, corporate trust, and retirement plan services. Huntington Asset Advisors provides investment management services through a variety of internal and external channels, including advising the Huntington Funds, our proprietary family of mutual funds and Huntington Strategy Shares, our actively-managed exchange-traded funds. Huntington Asset Services offers administrative and operational support to fund complexes, including fund accounting, transfer agency, administration, and distribution services. Our retirement plan services business offers fully bundled and third party distribution of a variety of qualified and non-qualified plan solutions.

Treasury / Other function includes our insurance brokerage business, which specializes in commercial property and casualty, employee benefits, personal lines, life and disability and specialty lines of insurance. We also provide brokerage and agency services for residential and commercial title insurance and excess and surplus product lines of insurance. As an agent and broker we do not assume underwriting risks; instead we provide our customers with quality, noninvestment insurance contracts. The Treasury / Other function also includes technology and operations, other unallocated assets, liabilities, revenue, and expense.

Table of Contents

The financial results for each of these business segments are included in Note 25 of Notes to Consolidated Financial Statements and are discussed in the Business Segment Discussion of our MD&A.

Competition

We compete with other banks and financial services companies such as savings and loans, credit unions, and finance and trust companies, as well as mortgage banking companies, automobile and equipment financing companies (including captive automobile finance companies), insurance companies, mutual funds, investment advisors, and brokerage firms, both within and outside of our primary market areas. Internet companies are also providing nontraditional, but increasingly strong, competition for our borrowers, depositors, and other customers.

We compete for loans primarily on the basis of a combination of value and service by building customer relationships as a result of addressing our customers entire suite of banking needs, demonstrating expertise, and providing convenience to our customers. We also consider the competitive pricing pressures in each of our markets.

We compete for deposits similarly on a basis of a combination of value and service and by providing convenience through a banking network of 691 branches and over 1,350 ATMs within our markets and our award-winning website at www.huntington.com. We have also instituted new and more customer friendly practices, such as our 24-Hour Grace® account feature, which gives customers an additional business day to cover overdrafts to their consumer account without being charged overdraft fees.

The table below shows our competitive ranking and market share based on deposits of FDIC-insured institutions as of June 30, 2012, in the top 10 metropolitan statistical areas (MSA) in which we compete:

MSA	Rank	Deposits (in millions)	Market Share
Columbus, OH	1	$ 13,171	28%
Detroit, MI	7	4,538	5
Cleveland, OH	5	4,212	8
Pittsburgh, PA	8	2,526	3
Indianapolis, IN	4	2,508	7
Toledo, OH	1	2,409	24
Cincinnati, OH	4	2,237	3
Youngstown, OH	1	2,021	22
Canton, OH	1	1,568	26
Grand Rapids, MI	4	1,369	10

Source: FDIC.gov, based on June 30, 2012 survey.

Many of our nonfinancial institution competitors have fewer regulatory constraints, broader geographic service areas, greater capital, and, in some cases, lower cost structures. In addition, competition for quality customers has intensified as a result of changes in regulation, advances in technology and product delivery systems, consolidation among financial service providers, bank failures, and the conversion of certain former investment banks to bank holding companies.

Regulatory Matters

We are subject to regulation by the SEC, the Federal Reserve, the OCC, the CFPB, and other federal and state regulators.

Because we are a public company, we are subject to regulation by the SEC. The SEC has established five categories of issuers for the purpose of filing periodic and annual reports. Under these regulations, we are considered to be a large accelerated filer and, as such, must comply with SEC accelerated reporting requirements.

We are a bank holding company and are qualified as a financial holding company with the Federal Reserve. We are subject to examination and supervision by the Federal Reserve pursuant to the Bank Holding Company Act. We are required to file reports and other information regarding our business operations and the business operations of our subsidiaries with the Federal Reserve.

The Federal Reserve maintains a bank holding company rating system that emphasizes risk management, introduces a framework for analyzing and rating financial factors, and provides a framework for assessing and rating the potential impact of non-depository entities of a holding company on its subsidiary depository institution(s). A composite rating is assigned based on the foregoing three components, but a fourth component is also rated, reflecting generally the assessment of depository institution subsidiaries by their principal regulators. The bank holding company rating system, which became effective in 2005, applies to us. The composite ratings assigned to us, like those assigned to other financial institutions, are confidential and may not be disclosed, except to the extent required by law.

On December 17, 2012, the Federal Reserve issued Supervisory Letter SR 12-17, which sets forth an updated framework for the consolidated supervision of large financial institutions, including bank holding companies with consolidated assets of $50 billion or more. The objectives of the new framework are to enhance the resilience of a firm, lower the probability of its failure, and reduce the impact on the financial system in the event of an institution s failure. With regard to resiliency, each firm is expected to ensure that the consolidated organization and its core business lines can survive under a broad range of internal or external stresses. This requires financial resilience by maintaining sufficient capital and liquidity, and operational resilience by maintaining effective corporate governance, risk management, and recovery planning. With respect to lowering the probability of failure, each firm is expected to ensure the sustainability of its critical operations and banking offices under a broad range of internal or external stresses. This requires, among other things, effective resolution planning that addresses the complexity and the interconnectivity of the firm s operations.

The Bank, which is chartered by the OCC, is a national bank, and our only bank subsidiary. It is subject to examination and supervision by the OCC and by the CFPB established by the Dodd-Frank Act. Our nonbank subsidiaries are also subject to examination and supervision by the Federal Reserve or, in the case of nonbank subsidiaries of the Bank, by the OCC. Our subsidiaries are subject to examination by other federal and state agencies, including, in the case of certain securities and investment management activities, regulation by the SEC and the Financial Industry Regulatory Authority.

The Bank is subject to affiliate transaction restrictions under federal law, which limit certain transactions generally involving the transfer of funds by a subsidiary bank or its subsidiaries to its parent corporation or any nonbank subsidiary of its parent corporation, whether in the form of loans, extensions of credit, investments, or asset purchases, or otherwise undertaking certain obligations on behalf of such affiliates. Furthermore, covered transactions which are loans and extensions of credit must be secured within specified amounts. In addition, all covered transactions and other affiliate transactions must be conducted on a market terms basis and under circumstances that are substantially the same as such transactions with unaffiliated entities.

Legislative and regulatory reforms continue to have significant impacts throughout the financial services industry.

The Dodd-Frank Act, which is complex and broad in scope, established the CFPB, which has extensive regulatory and enforcement powers over consumer financial products and services, and the Financial Stability Oversight Council, which has oversight authority for monitoring and regulating systemic risk. In addition, the Dodd-Frank Act alters the authority and duties of the federal banking and securities regulatory agencies, implements certain corporate governance requirements for all public companies including financial institutions with regard to executive compensation, proxy access by shareholders, and certain whistleblower provisions, and restricts certain proprietary trading and hedge fund and private equity activities of banks and their affiliates. The Dodd-Frank Act also requires the issuance of many implementing regulations which will take effect over several years, making it difficult to anticipate the overall impact to us, our customers, or the financial industry in general.

With the appointment of a director for the CFPB in January 2012, the CFPB began to exercise its full authority under the Dodd-Frank Act. For example, the CFPB completed its first public enforcement actions regarding unfair, deceptive or abusive practices in connection with marketing, sales and operation of certain add-on products offered in connection with credit cards. Furthermore, in 2012 the CFPB issued its first major regulation, which covers remittance transfers (international wire transfers) by consumers, which will take effect later in 2013.

In mid-January 2013, the CFPB issued eight final regulations governing consumer mortgage lending. The first of these rules was issued on January 10, 2013, and included the ability to repay and qualified mortgage rule. This rule will impose additional requirements on lenders, including rules designed to require lenders to ensure borrowers ability to repay their mortgage. The same day, the CFPB also finalized a rule on escrow accounts for high-cost mortgages and a rule expanding the scope of the high-cost mortgage provision in the Truth in Lending Act. On January 17, 2013, the CFPB issued its final rules implementing provisions of the Dodd-Frank Act that relate to mortgage servicing, which will take effect on January 10, 2014. On January 18, 2013, the CFPB issued a final appraisal rule under the Equal Credit Opportunity Act and six agencies including the CFPB, FRB, OCC, FDIC, NCUA, and FHFA issued an interagency rule on appraisals for higher-priced mortgage loans.

A final rule on loan originator compensation was released on January 20, 2013, and the industry expects a final rule on integrated mortgage disclosures within the next year. We are evaluating these rules to determine their impact on the Bank and its affiliates.

Table of Contents

Our Tier 1 risk-based capital will be negatively impacted by the Collins Amendment provisions of the Dodd-Frank Act.

The Collins Amendment provision of the Dodd-Frank Act imposes increased capital requirements in the future. The Collins Amendment also requires federal banking regulators to establish minimum leverage and risk-based capital requirements to apply to insured depository institutions, bank and thrift holding companies, and systemically important nonbank financial companies. These capital requirements must not be less than the Generally Applicable Risk Based Capital Requirements and the Generally Applicable Leverage Capital Requirements as of July 21, 2010, and must not be quantitatively lower than the requirements that were in effect for insured depository institutions as of July 21, 2010. The Collins Amendment defines Generally Applicable Risk Based Capital Requirements and Generally Applicable Leverage Capital Requirements to mean the risk-based capital requirements and minimum ratios of Tier 1 risk-based capital to average total assets, respectively, established by the appropriate federal banking agencies to apply to insured depository institutions under the Prompt Corrective Action provisions, regardless of total consolidated asset size or foreign financial exposure. Over a three year phase-out period, trust preferred securities will no longer qualify as Tier 1 risk-based capital for certain bank holding companies, including us. The Collins Amendment stipulates that this phase out period begins in 2013. We have plans in place, including trust preferred securities redemption, to minimize the impact of this amendment on us.

Large bank holding companies are now required to submit annual capital plans to the Federal Reserve and conduct stress tests.

The Federal Reserve published final amendments to Regulation Y to require large bank holding companies to submit capital plans to the Federal Reserve on an annual basis and to require such bank holding companies to obtain approval from the Federal Reserve under certain circumstances before making a capital distribution. This rule applies to us and all other bank holding companies with $50 billion or more of total consolidated assets. The first capital plans required under these rules were due on January 9, 2012. Capital plans for 2013 were required to be submitted on January 7, 2013. A large bank holding company s capital plan must include an assessment of the expected uses and sources of capital over at least the next nine quarters, a description of all planned capital actions over the planning horizon, a detailed description of the entity s process for assessing capital adequacy, the entity s capital policy, and a discussion of any expected changes to the banking holding company s business plan that are likely to have a material impact on the firm s capital adequacy or liquidity. The Federal Reserve will either object to a capital plan, in whole or in part, or provide a notice of non-objection no later than March 31, 2013, for plans submitted by the January 7, 2013 submission date. If the Federal Reserve objects to a capital plan, the bank holding company may not make any capital distribution other than those with respect to which the Federal Reserve has indicated its non-objection. While we can give no assurances as to the outcome or specific interactions with the regulators, based on the Capital Plan we submitted on January 7, 2013, we believe we have a strong capital position.

The Federal Reserve, FDIC, and OCC banking regulators issued proposed rules to implement section 165 of the Dodd-Frank Act which requires financial institutions with total consolidated assets of more than $10 billion (covered banks) to conduct certain stress tests on an annual basis. The Federal Reserve issued their final capital plan rule in late 2011 and updated instructions in November of 2012 for BHCs that did not participate in the 2009 Supervisory Capital Assessment, but are required to submit under the capital plan rule as part of the annual Capital Plan Review (CapPR 2013). Huntington participated as a CapPR BHC in 2012 and 2013. The Dodd-Frank Act requires these regulations to define the term stress test ; establish methodologies for the conduct of the stress tests that measure the Tier 1 common risk-based capital ratio under at least three different sets of conditions, including baseline, adverse, and severely adverse conditions; establish the form and content of a required regulatory report on the stress tests; and require covered banks to publish a summary of the results of their stress tests. For the purposes of the CapPR 2013, BHCs were required to submit the results of stress tests based on two supervisory scenarios, at least one stressed scenario developed by the BHC, and a BHC baseline scenario. We submitted our capital plan to the Federal Reserve on January 7, 2013, which included the impact to Tier 1 common risk-based capital and total risk-based capital ratios.

The regulatory capital rules indicate that common stockholders equity should be the dominant element within Tier 1 capital and that banking organizations should avoid overreliance on non-common equity elements. Under the Dodd-Frank Act, the ratio of Tier 1 common equity to risk-weighted assets became significant as a measurement of the predominance of common equity in Tier 1 capital and an indication of the quality of capital.

Rules have been proposed to implement the Volcker Rule.

In October 2011, the Federal Reserve issued proposed rules to implement the Volcker Rule required by the Dodd-Frank Act. The Volcker Rule prohibits an insured depository institution and its affiliates from: (i) engaging in proprietary trading and (ii) investing in or sponsoring certain types of funds (covered funds) subject to certain limited exceptions. These prohibitions are expected to impact the ability of U.S. banking organizations to provide investment management products and services that are competitive with nonbanking firms generally and with non-U.S. banking organizations in overseas markets. The proposed rules would also effectively prohibit short-term trading strategies by any U.S. banking organization if those strategies involve instruments other than those specifically permitted for trading. We do not anticipate that impacts of the proposed rules will be material to our results of operations or financial position.

9

Table of Contents

The rules effecting debit card interchange fees under the Durbin Amendment, which became effective on October 1, 2011, have negatively impacted our electronic banking income.

The Durbin Amendment required the Federal Reserve to establish a cap on the rate merchants pay banks for electronic clearing of debit transactions (i.e. the interchange rate). The Federal Reserve issued final rules, effective October 1, 2011, for establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. As a result of implementing this lower debit card interchange fee structure, our electronic banking income during 2012 was negatively impacted by over $55 million when compared to 2011.

There are restrictions on our ability to pay dividends.

Dividends from the Bank to the parent company are the primary source of funds for payment of dividends to our shareholders. However, there are statutory limits on the amount of dividends that the Bank can pay to the holding company. Regulatory approval is required prior to the declaration of any dividends in an amount greater than its undivided profits or if the total of all dividends declared in a calendar year would exceed the total of its net income for the year combined with its retained net income for the two preceding years, less any required transfers to surplus or common stock. As a result of the deficit position of its undivided profits, for the year ended December 31, 2012, the Bank could not have declared and paid any cash dividends to the parent company without regulatory approval.

Since the first quarter of 2008, the Bank has requested and received OCC approval each quarter for a capital reduction to enable payment of periodic dividends to shareholders outside the Bank s consolidated group on preferred and common stock of its REIT and capital financing subsidiaries. A wholly-owned nonbank subsidiary of the parent company owns a portion of the preferred shares of the REIT and capital financing subsidiaries. With the exception of the REIT and capital financing subsidiary dividends, we do not anticipate that the Bank will declare dividends to the holding company during 2013.

If, in the opinion of the applicable regulatory authority, a bank under its jurisdiction is engaged in, or is about to engage in, an unsafe or unsound practice, such authority may require, after notice and hearing, that such bank cease and desist from such practice. Depending on the financial condition of the Bank, the applicable regulatory authority might deem us to be engaged in an unsafe or unsound practice if the Bank were to pay dividends. The Federal Reserve and the OCC have issued policy statements that provide that insured banks and bank holding companies should generally only pay dividends out of current operating earnings. Additionally, the Federal Reserve may prohibit bank holding companies from making any capital distributions, including payment of preferred and common dividends, if the Federal Reserve objects to the annual capital plan.

We are subject to the current capital requirements mandated by the Federal Reserve.

The Federal Reserve sets risk-based capital ratio and leverage ratio guidelines for bank holding companies. Under the guidelines and related policies, bank holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and a leverage ratio test on a consolidated basis. The risk-based ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher weighting assigned to categories perceived as representing greater risk. The risk-based ratio represents total capital divided by total risk-weighted assets. The leverage ratio is core capital divided by total assets adjusted as specified in the guidelines. The Bank is subject to substantially similar capital requirements. Banking regulators are finalizing changes to capital requirements that are expected to incorporate many of the Basel III capital requirements.

Generally, under the currently applicable guidelines, a financial institution s capital is divided into two tiers. Institutions that must incorporate market risk exposure into their risk-based capital requirements may also have a third tier of capital in the form of restricted short-term subordinated debt. These tiers are:

Tier 1 risk-based capital, or core capital, which includes total equity plus qualifying capital securities and minority interests, excluding unrealized gains and losses accumulated in other comprehensive income, and nonqualifying intangible and servicing assets.

Tier 2 risk-based capital, or supplementary capital, which includes, among other things, cumulative and limited-life preferred stock, mandatory convertible securities, qualifying subordinated debt, and the ACL, up to 1.25% of risk-weighted assets.

Total risk-based capital is the sum of Tier 1 and Tier 2 risk-based capital.

The Federal Reserve and the other federal banking regulators require that all intangible assets (net of deferred tax), except originated or purchased MSRs, nonmortgage servicing assets, and purchased credit card relationships intangible assets, be deducted from Tier 1 capital. However, the total amount of these items included in capital cannot exceed 100% of its Tier 1 capital.

Under the risk-based guidelines to remain adequately-capitalized, financial institutions are required to maintain a total risk-based capital ratio of 8%, with 4% being Tier 1 risk-based capital. The appropriate regulatory authority may set higher capital requirements when they believe an institution s circumstances warrant.

Under the leverage guidelines, financial institutions are required to maintain a Tier 1 leverage ratio of at least 3%. The minimum ratio is applicable only to financial institutions that meet certain specified criteria, including excellent asset quality, high liquidity, low interest rate risk exposure, and the highest regulatory rating. Financial institutions not meeting these criteria are required to maintain a minimum Tier 1 leverage ratio of 4%.

Failure to meet applicable capital guidelines could subject the financial institution to a variety of enforcement remedies available to the federal regulatory authorities. These include limitations on the ability to pay dividends, the issuance by the regulatory authority of a directive to increase capital, and the termination of deposit insurance by the FDIC. In addition, the financial institution could be subject to the measures described below under Prompt Corrective Action as applicable to under-capitalized institutions.

The risk-based capital standards of the Federal Reserve, the OCC, and the FDIC specify that evaluations by the banking agencies of a bank s capital adequacy will include an assessment of the exposure to declines in the economic value of a bank s capital due to changes in interest rates. These banking agencies issued a joint policy statement on interest rate risk describing prudent methods for monitoring such risk that rely principally on internal measures of exposure and active oversight of risk management activities by senior management.

FDICIA requires federal banking regulatory authorities to take Prompt Corrective Action with respect to depository institutions that do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: well-capitalized, adequately-capitalized, under-capitalized, significantly under-capitalized, and critically under-capitalized.

Throughout 2012, our regulatory capital ratios and those of the Bank were in excess of the levels established for well-capitalized institutions. An institution is deemed to be well-capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.

			At December 31, 2012	
(dollar amounts in billions)		Well-capitalized minimums	**Actual**	**Excess Capital (1)**
Ratios:				
Tier 1 leverage ratio	Consolidated	5.00 %	10.36 %	$ 3.0
	Bank	5.00	9.05	2.2
Tier 1 risk-based capital ratio	Consolidated	6.00	12.02	2.9
	Bank	6.00	10.49	2.1
Total risk-based capital ratio	Consolidated	10.00	14.50	2.2
	Bank	10.00	12.78	1.3

(1) Amount greater than the well-capitalized minimum percentage.

FDICIA generally prohibits a depository institution from making any capital distribution, including payment of a cash dividend or paying any management fee to its holding company, if the depository institution would become under-capitalized after such payment. Under-capitalized institutions are also subject to growth limitations and are required by the appropriate federal banking agency to submit a capital restoration plan. If any depository institution subsidiary of a holding company is required to submit a capital restoration plan, the holding company would be required to provide a limited guarantee regarding compliance with the plan as a condition of approval of such plan.

Depending upon the severity of the under capitalization, the under-capitalized institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately-capitalized, requirements to reduce total assets, cessation of receipt of deposits from correspondent banks, and restrictions on making any payment of principal or interest on their subordinated debt. Critically under-capitalized institutions are subject to appointment of a receiver or conservator within 90 days of becoming so classified.

Under FDICIA, a depository institution that is not well-capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. Since the Bank is well-capitalized, the FDICIA brokered deposit rule did not adversely affect its ability to accept brokered deposits. The Bank had $1.6 billion of such brokered deposits at December 31, 2012.

In June 2012, the FRB, OCC, and FDIC (collectively, the Agencies) each issued Notices of Proposed Rulemaking (NPRs) that would revise and replace the Agencies current capital rules to align with the BASEL III capital standards and meet certain requirements of the Dodd-Frank Act. Certain requirements of the NPRs would establish more restrictive capital definitions, higher risk-weightings for certain asset classes, capital buffers and higher minimum capital ratios. The NPRs were in a comment period through October 22, 2012, and those comments are currently being evaluated by the Agencies.

At the time of the NPR release, we evaluated the impact of the NPRs as proposed on our regulatory capital ratios and we estimated a reduction of approximately 150 basis points to our BASEL I Tier I Common risk-based capital ratio based on our June 30, 2012 balance sheet composition. We anticipate that our capital ratios, on a BASEL III basis, would continue to exceed the well-capitalized minimum requirements. We are evaluating options to mitigate the capital impact of the NPRs and will provide further guidance upon issuance of final rules by the Agencies.

As a bank holding company, we must act as a source of financial and managerial strength to the Bank and the Bank is subject to affiliate transaction restrictions.

Under the Dodd-Frank Act, a bank holding company must act as a source of financial and managerial strength to each of its subsidiary banks and must commit resources to support each such subsidiary bank. The Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank. It may charge the bank holding company with engaging in unsafe and unsound practices if the bank holding company fails to commit resources to such a subsidiary bank or if it undertakes actions that the Federal Reserve believes might jeopardize the bank holding company s ability to commit resources to such subsidiary bank.

Any loans by a holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, an appointed bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, the bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution s general unsecured creditors, including the holders of its note obligations.

Federal law permits the OCC to order the pro-rata assessment of shareholders of a national bank whose capital stock has become impaired, by losses or otherwise, to relieve a deficiency in such national bank s capital stock. This statute also provides for the enforcement of any such pro-rata assessment of shareholders of such national bank to cover such impairment of capital stock by sale, to the extent necessary, of the capital stock owned by any assessed shareholder failing to pay the assessment. As the sole shareholder of the Bank, we are subject to such provisions.

Moreover, the claims of a receiver of an insured depository institution for administrative expenses and the claims of holders of deposit liabilities of such an institution are accorded priority over the claims of general unsecured creditors of such an institution, including the holders of the institution s note obligations, in the event of liquidation or other resolution of such institution. Claims of a receiver for administrative expenses and claims of holders of deposit liabilities of the Bank, including the FDIC as the insurer of such holders, would receive priority over the holders of notes and other senior debt of the Bank in the event of liquidation or other resolution and over our interests as sole shareholder of the Bank.

As a financial holding company, we are subject to additional laws and regulations.

In order to maintain its status as a financial holding company, a bank holding company s depository subsidiaries must all be both well-capitalized and well-managed, and must meet their Community Reinvestment Act obligations.

Financial holding company powers relate to financial activities that are specified in the Bank Holding Company Act or determined by the Federal Reserve, in coordination with the Secretary of the Treasury, to be financial in nature, incidental to an activity that is financial in nature, or complementary to a financial activity, provided that the complementary activity does not pose a safety and soundness risk. The

Gramm-Leach-Bliley Act amends the Bank Holding Company Act and designates certain activities as financial in nature, including:

lending, exchanging, transferring, investing for others, or safeguarding money or securities,

- underwriting insurance or annuities,
- providing financial or investment advice,
- underwriting, dealing in, or making markets in securities,
- merchant banking, subject to significant limitations,
- insurance company portfolio investing, subject to significant limitations, and
- any activities previously found by the Federal Reserve to be closely related to banking.

The Gramm-Leach-Bliley Act amendments also authorize the Federal Reserve, in coordination with the Secretary of the Treasury, to determine if additional activities are financial in nature or incidental to activities that are financial in nature.

In addition, we are required by the Bank Holding Company Act to obtain Federal Reserve approval prior to acquiring, directly or indirectly, ownership or control of voting shares of any bank, if, after such acquisition, we would own or control more than 5% of its voting stock. Furthermore, the Dodd-Frank Act added a new provision to the Bank Holding Company Act, which requires bank holding companies with total consolidated assets equal to or greater than $50 billion to obtain prior approval from the Federal Reserve to acquire a nondepository company having total consolidated assets of $10 billion or more.

We also must comply with anti-money laundering and customer privacy regulations, as well as corporate governance, accounting, and reporting requirements.

The USA Patriot Act of 2001 and its related regulations require insured depository institutions, broker-dealers, and certain other financial institutions to have policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing. The statute and its regulations also provide for information sharing, subject to conditions, between federal law enforcement agencies and financial institutions, as well as among financial institutions, for counter-terrorism purposes. Federal banking regulators are required, when reviewing bank holding company acquisition and bank merger applications, to take into account the effectiveness of the anti-money laundering activities of the applicants.

Pursuant to Title V of the Gramm-Leach-Bliley Act, we, like all other financial institutions, are required to:

- provide notice to our customers regarding privacy policies and practices,
- inform our customers regarding the conditions under which their nonpublic personal information may be disclosed to nonaffiliated third parties, and
- give our customers an option to prevent certain disclosure of such information to nonaffiliated third parties.

The Sarbanes-Oxley Act of 2002 imposed new or revised corporate governance, accounting, and reporting requirements on us. In addition to a requirement that chief executive officers and chief financial officers certify financial statements in writing, the statute imposed requirements affecting, among other matters, the composition and activities of audit committees, disclosures relating to corporate insiders and insider transactions, code of ethics, and the effectiveness of internal controls over financial reporting.

Available Information

This information may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet

web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is *http://www.sec.gov*. The reports and other information filed by us with the SEC are also available at our Internet web site. The address of the site is *http://www.huntington.com*. Except as specifically incorporated by reference into this Annual Report on Form 10-K, information on those web sites is not part of this report. You also should be able to inspect reports, proxy statements, and other information about us at the offices of the NASDAQ National Market at 33 Whitehall Street, New York, New York.

Item 1A: Risk Factors

Risk Governance

We use a multi-faceted approach to risk governance. It begins with the board of directors defining our risk appetite in aggregate as moderate-to-low. This does not preclude engagement in select higher risk activities. Rather, the definition is intended to represent an average of where we want our overall risk to be managed.

Two board committees oversee implementation of this desired risk profile: The Audit Committee and the Risk Oversight Committee.

The Audit Committee is principally involved with overseeing the integrity of financial statements, providing oversight of the internal audit department, and selecting our external auditors. Our chief auditor reports directly to the Audit Committee Chair.

The Risk Oversight Committee supervises our risk management processes which primarily cover credit, market, liquidity, operational, compliance, legal, strategic, and reputational risks. It also approves the charters of executive risk management committees, sets risk limits on certain risk measures (e.g., economic value of equity), receives results of the risk self-assessment process, and routinely engages management in review of key risks. Our credit review executive reports directly to the Risk Oversight Committee.

Both committees are comprised of independent directors and routinely hold executive sessions with our key officers engaged in accounting and risk management.

On a periodic basis, the two committees meet in joint session to cover matters relevant to both such as the construct and appropriateness of the ACL, which is reviewed quarterly.

We maintain a philosophy that each colleague is responsible for risk. This is manifested by the design of a risk management organization that places emphasis on risk-ownership by risk-takers. We believe that by placing ownership of risk within its related business segment, attention to, and accountability for, risk is heightened.

Further, through its Compensation Committee, the board of directors seeks to ensure its system of rewards is risk-sensitive and aligns the interests of management, creditors, and shareholders. We utilize a variety of compensation-related tools to induce appropriate behavior, including common stock ownership thresholds for the chief executive officer and certain members of senior management, a requirement to hold until retirement a portion of net shares received upon exercise of stock options or release of restricted stock awards (50% for executive officers and 25% for other award recipients), equity deferrals, clawback provisions, and the right to terminate compensation plans at any time.

Management has introduced a number of steps to help ensure an aggregate moderate-to-low risk appetite is maintained. Foremost is a quarterly, self-assessment process in which each business segment produces an analysis of its risks and the strength of its risk controls. The segment analyses are combined with assessments by our risk management organization of major risk sectors (e.g., credit, market, operational, reputational, compliance, etc.) to produce an overall enterprise risk assessment. Outcomes of the process include a determination of the quality of the overall control process, the direction of risk, and our position compared to the defined risk appetite.

Management also utilizes a wide series of metrics (key risk indicators) to monitor risk positions throughout the Company. In general, a range for each metric is established which allows the company, in aggregate, to maintain its moderate-to-low risk profile. Deviations from the range will indicate if the risk being measured is moving, which may then necessitate corrective action.

We also have four other executive level committees to manage risk: ALCO, Credit Policy and Strategy, Risk Management, and Capital Management. Each committee focuses on specific categories of risk and is supported by a series of subcommittees that are tactical in nature. We believe this structure helps ensure appropriate elevation of issues and overall communication of strategies.

Huntington utilizes three levels of defense with regard to risk management: (1) business segments, (2) corporate risk management, and (3) internal audit and credit review. To induce greater ownership of risk within its business segments, segment risk officers have been embedded to identify and monitor risk, elevate and remediate issues, establish controls, perform self-testing, and oversee the quarterly self-assessment process. Segment risk officers report directly to the related segment manager with a dotted line to the Chief Risk Officer. Corporate Risk Management establishes policies, sets operating limits, reviews new or modified products/processes, ensures consistency and quality assurance within the segments, and produces the enterprise risk assessment. The Chief Risk Officer has significant input into the design and outcome of incentive compensation plans as they apply to risk. Internal Audit and Credit Review provide additional assurance that risk-related functions are operating as intended.

Huntington believes it has provided a sound risk governance foundation to support the Bank. Our process will be subject to continuous improvement and enhancement. Our objective is to have strong risk management practices and capabilities.

Table of Contents

Risk Overview

We, like other financial companies, are subject to a number of risks that may adversely affect our financial condition or results of operations, many of which are outside of our direct control, though efforts are made to manage those risks while optimizing returns. Among the risks assumed are: (1) credit risk, which is the risk of loss due to loan and lease customers or other counterparties not being able to meet their financial obligations under agreed upon terms, (2) market risk, which is the risk of loss due to changes in the market value of assets and liabilities due to changes in market interest rates, foreign exchange rates, equity prices, and credit spreads, (3) liquidity risk, which is (a) the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments based on 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, and (b) the risk of loss based on our ability to satisfy current or future funding commitments due to the mix and maturity structure of our balance sheet, amount of on-hand cash and unencumbered securities and the availability of contingent sources of funding, (4) operational and legal risk, which 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, and (5) compliance risk, which exposes us to money penalties, enforcement actions or other sanctions as a result of nonconformance with laws, rules, and regulations that apply to the financial services industry.

We also expend considerable effort to contain risk which emanates from execution of our business strategies and work relentlessly to protect the Company s reputation. Strategic risk and reputational risk do not easily lend themselves to traditional methods of measurement. Rather, we closely monitor them through processes such as new product / initiative reviews, frequent financial performance reviews, employee and client surveys, monitoring market intelligence, periodic discussions between management and our board, and other such efforts.

In addition to the other information included or incorporated by reference into this report, readers should carefully consider that the following important factors, among others, could negatively impact our business, future results of operations, and future cash flows materially.

Credit Risks:

1. Our ACL level may prove to be inappropriate or be negatively affected by credit risk exposures which could materially adversely affect our net income and capital.

Our business depends on the creditworthiness of our customers. Our ACL of $809.7 million at December 31, 2012, represented Management s estimate of probable losses inherent in our loan and lease portfolio as well as our unfunded loan commitments and letters of credit. We periodically review our ACL for appropriateness. In doing so, we consider economic conditions and trends, collateral values, and credit quality indicators, such as past charge-off experience, levels of past due loans, and NPAs. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected which, in turn, could have a material adverse effect on our financial condition and results of operations.

In addition, bank regulators periodically review our ACL and may require us to increase our provision for loan and lease losses or loan charge-offs. Any increase in our ACL or loan charge-offs as required by these regulatory authorities could have a material adverse effect on our financial condition and results of operations.

2. Weakness in economic conditions could materially adversely affect our business.

Our performance could be negatively affected to the extent there is deterioration in business and economic conditions which have direct or indirect material adverse impacts on us, our customers, and our counterparties. These conditions could result in one or more of the following:

- A decrease in the demand for loans and other products and services offered by us;
- A decrease in customer savings generally and in the demand for savings and investment products offered by us; and

An increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws, or default on their loans or other obligations to us.

An increase in the number of delinquencies, bankruptcies, or defaults could result in a higher level of NPAs, NCOs, provision for credit losses, and valuation adjustments on loans held for sale. The markets we serve are dependent on industrial and manufacturing businesses and thus are particularly vulnerable to adverse changes in economic conditions affecting these sectors.

Table of Contents

3. Uncertain economic conditions in our markets could result in higher delinquencies, greater charge-offs, and increased losses on the sale of foreclosed real estate in future periods.

Like all financial institutions, we are subject to the effects of any economic downturn. While beginning to improve slightly, there has been a slowdown in the housing market across our geographic footprint over the past several years, reflecting declining prices and excess inventories of houses to be sold. These developments have had, and further declines may continue to have, a negative effect on our financial conditions and results of operations. At December 31, 2012, we had:

- $8.3 billion of home equity loans and lines, representing 20% of total loans and leases.
- $5.0 billion in residential real estate loans, representing 12% of total loans and leases.
- $4.3 billion of Federal Agency mortgage-backed securities, $0.1 billion of private label CMOs, and less than $0.1 billion of Alt-A mortgage-backed securities that could be negatively affected by a decline in home values.
- $0.4 billion of bank owned life insurance investments primarily in mortgage-backed securities.

Because of the decline in home values, some of our borrowers have mortgages that exceed the value of their homes. The decline in home values, coupled with the weakened economy, has increased short sales and foreclosures. The reduced levels of home sales have had a materially adverse effect on the prices achieved on the sale of foreclosed properties. Further decline in home values may escalate these problems resulting in higher delinquencies, greater charge-offs, and increased losses on the sale of foreclosed real estate in future periods.

Market Risks:

1. Changes in interest rates could reduce our net interest income, reduce transactional income, and negatively impact the value of our loans, securities, and other assets. This could have a material adverse impact on our cash flows, financial condition, results of operations, and capital.

Our results of operations depend substantially on net interest income, which is the difference between interest earned on interest earning assets (such as investments and loans) and interest paid on interest bearing liabilities (such as deposits and borrowings). Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Conditions such as inflation, deflation, recession, unemployment, money supply, and other factors beyond our control may also affect interest rates.

At December 31, 2012, $4.1 billion, or 18%, of our commercial loan portfolio, and $2.5 billion, or 50%, of our residential mortgage portfolio, as measured by the aggregate outstanding principal balances, were fixed-rate loans and the remainder was adjustable-rate loans. If our interest earning assets mature or reprice faster than interest bearing liabilities in a declining interest rate environment, net interest income could be materially adversely impacted. Likewise, if interest bearing liabilities mature or reprice more quickly than interest earning assets in a rising interest rate environment, net interest income could be adversely impacted.

Changes in interest rates can affect the value of loans, securities, assets under management, and other assets, including mortgage and nonmortgage servicing rights. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans and leases may lead to an increase in NPAs and a reduction of income recognized, which could have a material adverse effect on our results of operations and cash flows. When we place a loan on nonaccrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. However, we continue to incur interest expense as a cost of funding NALs without any corresponding interest income. In addition, transactional income, including trust income, brokerage income, and gain on sales of loans can vary significantly from period-to-period based on a number of factors, including the interest rate environment.

Rising interest rates reduce the value of our fixed-rate debt securities and cash flow hedging derivatives portfolio. Any unrealized loss from these portfolios impacts OCI, shareholders equity, and the Tangible Common Equity ratio. Any realized loss from these portfolios impacts regulatory capital ratios, notably Tier I and Total risk-based capital ratios. In a rising interest rate environment, pension and other post-retirement

obligations somewhat mitigate negative OCI impacts from securities and financial instruments.

Certain investment securities, notably mortgage-backed securities, are very sensitive to rising and falling rates. Generally, when rates rise, the duration of mortgage-backed securities increases as prepayments of principal and interest decrease. Conversely, when rates fall, the duration of mortgage-backed securities decreases as prepayments increase. In either case, interest rates have a significant impact on the value of mortgage-backed securities investments.

Liquidity Risks:

1. If we lose access to capital markets, we may not be able to meet the cash flow requirements of our depositors, creditors, and borrowers, or have the operating cash needed to fund corporate expansion and other corporate activities.

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The Bank uses its liquidity to extend credit and to repay liabilities as they become due or as demanded by customers. The Board of Directors establishes liquidity policies and limits and Management establishes operating guidelines for liquidity.

Wholesale funding sources include securitization, federal funds purchased, securities sold under repurchase agreements, non-core deposits, and medium- and long-term debt, which includes a domestic bank note program. The Bank is also a member of the Federal Home Loan Bank of Cincinnati, which provides members access to funding through advances collateralized with mortgage-related assets. We maintain a portfolio of highly-rated, marketable securities that is available as a source of liquidity. The Bank also can borrow from the Federal Reserve s discount window.

Capital markets disruptions can directly impact the liquidity of the Bank and Corporation. The inability to access capital markets funding sources as needed could adversely impact our financial condition, results of operations, cash flows, and level of regulatory-qualifying capital. We may, from time-to-time, consider using our existing liquidity position to opportunistically retire outstanding securities in privately negotiated or open market transactions.

2. Due to the losses that the Bank incurred in 2008 and 2009, at December 31, 2012, the Bank and its subsidiaries could not declare and pay dividends to the holding company, any subsidiary of the holding company outside the Bank s consolidated group, or any security holder outside the Bank s consolidated group, without regulatory approval. Also, the Bank may not pay a dividend in an amount greater than its undivided profits.

Dividends from the Bank to the parent company are the primary source of funds for the payment of dividends to our shareholders. Under applicable statutes and regulations, a national bank may not declare and pay dividends in any year greater than its undivided profits or in excess of an amount equal to the sum of the total of the net income of the bank for that year and the retained net income of the bank for the preceding two years, minus the sum of any transfers required by the OCC and any transfers required to be made to a fund for the retirement of any preferred stock, unless the OCC approves the declaration and payment of dividends in excess of such amount. The Bank s undivided profits were in a deficit position throughout 2012. Since the first quarter of 2008, the Bank has requested and received OCC approval each quarter to pay periodic dividends to shareholders outside the Bank s consolidated group on the preferred and common stock of its REIT and capital financing subsidiaries to the extent necessary to maintain their REIT status. A wholly-owned nonbank subsidiary of the parent company owns a portion of the preferred shares of the REIT and capital financing subsidiaries. Outside of the REIT and capital financing subsidiary dividends, we do not anticipate that the Bank will declare dividends during 2013, due to the deficit position of its undivided profits.

Operational and Legal Risks:

1. The resolution of significant pending litigation, if unfavorable, could have a material adverse effect on our results of operations for a particular period.

We face legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. It is possible that the ultimate resolution of these matters, if unfavorable, may be material to the results of operations for a particular reporting period.

Note 22 of the Notes to Consolidated Financial Statements updates the status of litigation concerning Cyberco Holdings, Inc. Although the bank maintains litigation reserves related to this case, the ultimate resolution of the matter, if unfavorable, may be material to our results of operations for a particular reporting period.

2. We face significant operational risks which could lead to expensive litigation and loss of confidence by our customers, regulators, and capital markets.

We are exposed to many types of operational risks, including cyber-attack risk, the risk of fraud or theft by employees or outsiders, unauthorized transactions by employees or outsiders, or operational errors by employees, including clerical or record-keeping errors or those resulting from faulty or disabled computer or telecommunications systems. These operational risks could lead to expensive litigation and loss of confidence by our customers, regulators, and the capital markets.

Moreover, negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and retain customers and can also expose us to litigation and

regulatory action.

Relative to acquisitions, we cannot predict if, or when, we will be able to identify and attract acquisition candidates or make acquisitions on favorable terms. We incur risks and challenges associated with the integration of acquired institutions in a timely and efficient manner, and we cannot guarantee that we will be successful in retaining existing customer relationships or achieving anticipated operating efficiencies.

Huntington is under continuous threat of loss due to cyber-attacks especially as we continue to expand customer capabilities to utilize internet and other remote channels to transact business. The most significant cyber attack risks that we face are e-fraud, denial of service, and loss of sensitive customer data. Loss from e-fraud occurs when cybercriminals breach and extract funds directly from customer or our accounts. Loss can occur as a result of negative customer experience in the event of a successful denial of service attack that disrupts availability of our on-line banking services. The attempts to breach sensitive customer data, such as account numbers and social security numbers, could present significant reputational, legal and/or regulatory costs to us if successful. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of these threats from cybercriminals and hackers, our plans to continue to provide internet banking and mobile banking channels, and our plans to develop additional remote connectivity solutions to serve our customers.

3. Failure to maintain effective internal controls over financial reporting in the future could impair our ability to accurately and timely report our financial results or prevent fraud, resulting in loss of investor confidence and adversely affecting our business and stock price.

Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. As a financial holding company, we are subject to regulation that focuses on effective internal controls and procedures. Such controls and procedures are modified, supplemented, and changed from time-to-time as necessitated by our growth and in reaction to external events and developments. Any failure to maintain, in the future, an effective internal control environment could impact our ability to report our financial results on an accurate and timely basis, which could result in regulatory actions, loss of investor confidence, and adversely impact our business and stock price.

Compliance Risks:

1. Bank regulators and other regulations, including proposed Basel III capital standards and capital plan reviews, may require higher capital levels, impacting our ability to pay common stock dividends or repurchase our common stock.

In June 2012, the FRB, OCC, and FDIC (collectively, the Agencies) issued three Notices of Proposed Rulemaking (NPRs) that would revise and replace the Agencies current capital rules to align with the BASEL III capital standards and meet certain requirements of the Dodd-Frank Act. Certain requirements of the proposed NPRs would establish more restrictive capital definitions, higher risk-weightings for certain asset classes, capital buffers, and higher minimum capital ratios. The proposed NPRs were in a comment period through October 22, 2012, and are subject to further modification by the Agencies, as the release of the final rules has been deferred indefinitely. See the Capital section within Management s Discussion and Analysis of Financial Condition and Results of Operations.

The Federal Reserve has issued guidelines for evaluating proposals by certain bank holding companies, including Huntington, to undertake capital actions, such as increasing dividend payments or repurchasing or redeeming stock. This process is known as the Federal Reserve s Capital Plan Review. Pursuant to those Federal Reserve guidelines, Huntington submitted its initial proposed capital plan to the Federal Reserve in January 2012. On March 14, 2012, we were notified by the Federal Reserve that it had not objected to our proposed capital actions included in our capital plan. These actions included the potential repurchase of up to $182 million of common stock and a continuation of our current common dividend through the first quarter of 2013. On January 7, 2013, Huntington submitted its 2013 Capital Plan to the Federal Reserve including proposed capital actions through the first quarter of 2014.

The Federal Reserve and OCC are expected to undertake these capital plan reviews on a regular basis in the future. There can be no assurance that the Federal Reserve or OCC will respond favorably to our capital plan as part of their future capital plan reviews, and the Federal Reserve, OCC, or other regulatory capital requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases. Although not currently anticipated, our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute existing stockholders.

The Federal Reserve has issued a proposed rule that, in addition to the broader Basel III capital reforms, will implement the application of the Federal Reserve s capital plans rule, including the requirement to maintain capital above 5% for the Tier 1 Common risk-based capital ratio under both expected and stressed conditions.

2. If our regulators deem it appropriate, they can take regulatory actions that could result in a material adverse impact on our ability to compete for new business, constrain our ability to fund our liquidity needs or pay dividends, and increase the cost of our services.

18

Table of Contents

We are subject to the supervision and regulation of various state and Federal regulators, including the OCC, Federal Reserve, FDIC, SEC, CFPB, Financial Industry Regulatory Authority, and various state regulatory agencies. As such, we are subject to a wide variety of laws and regulations, many of which are discussed in the Regulatory Matters section. As part of their supervisory process, which includes periodic examinations and continuous monitoring, the regulators have the authority to impose restrictions or conditions on our activities and the manner in which we manage the organization. Such actions could negatively impact us in a variety of ways, including monetary fines, impacting our ability to pay dividends, precluding mergers or acquisitions, limiting our ability to offer certain products or services, or imposing additional capital requirements.

3. Legislative and regulatory actions taken now or in the future that impacts the financial industry may materially adversely affect us by increasing our costs, adding complexity in doing business, impeding the efficiency of our internal business processes, negatively impacting the recoverability of certain of our recorded assets, requiring us to increase our regulatory capital, limiting our ability to pursue business opportunities, and otherwise result in a material adverse impact on our financial condition, results of operation, liquidity, or stock price.

The U.S. Government has intervened on an unprecedented scale, responding to what has been commonly referred to as the financial crisis. In addition to the previously enacted governmental assistance programs designed to stabilize and stimulate the U.S. economy, recent market conditions have led to numerous programs and proposals to reform the financial regulatory system and prevent future crises, including the Dodd-Frank Act.

The Dodd-Frank Act represents a comprehensive overhaul of the financial services industry within the United States, establishes the new federal CFPB, and requires the bureau and other federal agencies to implement many new and significant rules and regulations. At this time, it is difficult to predict the extent to which the Dodd-Frank Act, or the resulting rules and regulations in their entirety, will impact our business. Compliance with these new laws and regulations will result in additional costs, which could be significant, and may have a material and adverse effect on our results of operations.

With the development of the CFPB, our consumer products and services are subject to increasing regulatory oversight and scrutiny with respect to compliance under consumer laws and regulations. We may face a greater number or wider scope of investigations, enforcement actions and litigation in the future related to consumer practices, thereby increasing costs associated with responding to or defending such actions. In addition, increased regulatory inquiries and investigations, as well as any additional legislative or regulatory developments affecting our consumer businesses, and any required changes to our business operations resulting from these developments, could result in significant loss of revenue, limit the products or services we offer, require us to increase our prices and therefore reduce demand for our products, impose additional compliance costs on us, cause harm to our reputation or otherwise adversely affect our consumer businesses. In addition, if we do not appropriately comply with current or future legislation and regulations that apply to our consumer operations, we may be subject to fines, penalties or judgments, or material regulatory restrictions on our businesses, which could adversely affect operations and, in turn, financial results.

Item 1B: Unresolved Staff Comments

None.

Item 2: Properties

Our headquarters, as well as the Bank s, are located in the Huntington Center, a thirty-seven-story office building located in Columbus, Ohio. Of the building s total office space available, we lease approximately 33%. The lease term expires in 2030, with six five-year renewal options for up to 30 years but with no purchase option. The Bank has an indirect minority equity interest of 18.4% in the building.

Our other major properties consist of the following:

Description	Location	Own	Lease
13 story office building, located adjacent to the Huntington Center	Columbus, Ohio	ü	
12 story office building, located adjacent to the Huntington Center	Columbus, Ohio	ü	
3 story office building - the Cross woods building	Columbus, Ohio		ü
A portion of 200 Public Square Building	Cleveland, Ohio		ü
12 story office building	Youngstown, Ohio	ü	

10 story office building	Warren, Ohio		ü
10 story office building	Toledo, Ohio	ü	
A portion of the Grant Building	Pittsburgh, PA		ü
18 story office building	Charleston, West Virginia		ü
3 story office building	Holland, Michigan		ü
2 building office complex	Troy, Michigan		ü
Data processing and operations center (Easton)	Columbus, Ohio	ü	
Data processing and operations center (Northland)	Columbus, Ohio		ü
Data processing and operations center (Parma)	Cleveland, Ohio		ü
8 story office building	Indianapolis, Indiana	ü	

Item 3: Legal Proceedings

Information required by this item is set forth in Note 22 of the Notes to Consolidated Financial Statements and incorporated into this Item by reference.

Item 4: Mine Safety Disclosures

Not applicable.

PART II

Item 5: Market for Registrant s Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

The common stock of Huntington Bancshares Incorporated is traded on the NASDAQ Stock Market under the symbol HBAN . The stock is listed as HuntgBcshr or HuntBanc in most newspapers. As of January 31, 2013, we had 35,319 shareholders of record.

Information regarding the high and low sale prices of our common stock and cash dividends declared on such shares, as required by this item, is set forth in Table 50 entitled Selected Quarterly Income Statement Data and incorporated into this Item by reference. Information regarding restrictions on dividends, as required by this Item, is set forth in Item 1 Business-Regulatory Matters and in Note 23 of the Notes to Consolidated Financial Statements and incorporated into this Item by reference.

The following graph shows the changes, over the five-year period, in the value of $100 invested in (i) shares of Huntington s Common Stock; (ii) the Standard & Poor s 500 Stock Index (the S&P 500 Index) and (iii) Keefe, Bruyette & Woods Bank Index (the KBW Bank Index), for the period December 31, 2007, through December 31, 2012. The KBW Bank Index is a market capitalization-weighted bank stock index published by Keefe, Bruyette & Woods. The index is composed of the largest banking companies and includes all money center banks and regional banks, including Huntington. An investment of $100 on December 31, 2007, and the reinvestment of all dividends are assumed. The plotted points represent the closing price on the last trading day of the fiscal year indicated.

Table of Contents

The following table provides information regarding Huntington s purchases of its Common Stock during the three-month period ended December 31, 2012:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares (or Approximate Dollar Value) that May Yet Be Purchased Under the Plans or Programs (1)
October 1, 2012 to October 31, 2012	8,405,979	$ 6.36	8,405,979	$ 63,441,219
November 1, 2012 to November 30, 2012	3,779,130	6.33	12,185,109	39,519,326
December 1, 2012 to December 31, 2012	975,054	6.12	13,160,163	33,551,995
Total	13,160,163	$ 6.33	13,160,163	$ 33,551,995

(1) Information is as of the end of the period.

On March 14, 2012, Huntington Bancshares Incorporated announced that the Federal Reserve did not object to Huntington s proposed capital actions included in Huntington s capital plan submitted to the Federal Reserve in January 2012. These actions included the potential repurchase of up to $182 million of common stock and a continuation of Huntington s current common dividend through the first quarter of 2013. Huntington s Board of Directors authorized a share repurchase program consistent with Huntington s capital plan. During the 2012 fourth quarter, Huntington repurchased a total of 13.2 million shares at a weighted average share price of $6.33. For the year ended December 31, 2012, Huntington purchased 23.3 million common shares at a weighted average price of $6.36 per share. Huntington did not repurchase any common shares for the year ended December 31, 2011.

Table of Contents

Item 6: Selected Financial Data

Table 1 Selected Financial Data[1]

(dollar amounts in thousands, except per share amounts)	Year Ended December 31, **2012**	2011	2010	2009	2008
Interest income	**$ 1,930,263**	$ 1,970,226	$ 2,145,392	$ 2,238,142	$ 2,798,322
Interest expense	**219,739**	341,056	526,587	813,855	1,266,631
Net interest income	**1,710,524**	1,629,170	1,618,805	1,424,287	1,531,691
Provision for credit losses	**147,388**	174,059	634,547	2,074,671	1,057,463
Net interest income after provision for credit losses	**1,563,136**	1,455,111	984,258	(650,384)	474,228
Noninterest income	**1,097,857**	980,623	1,041,858	1,005,644	707,138
Noninterest expense:					
Goodwill impairment				2,606,944	
Other noninterest expense	**1,835,876**	1,728,500	1,673,805	1,426,499	1,477,374
Total noninterest expense	**1,835,876**	1,728,500	1,673,805	4,033,443	1,477,374
Income (loss) before income taxes	**825,117**	707,234	352,311	(3,678,183)	(296,008)
Provision (benefit) for income taxes	**184,095**	164,621	39,964	(584,004)	(182,202)
Net income (loss)	**$ 641,022**	$ 542,613	$ 312,347	$ (3,094,179)	$ (113,806)
Dividends on preferred shares	**31,989**	30,813	172,032	174,756	46,400
Net income (loss) applicable to common shares	**$ 609,033**	$ 511,800	$ 140,315	$ (3,268,935)	$ (160,206)
Net income (loss) per common share basic	**$ 0.71**	$ 0.59	$ 0.19	$ (6.14)	$ (0.44)
Net income (loss) per common share diluted	**0.71**	0.59	0.19	(6.14)	(0.44)
Cash dividends declared per common share	**0.1600**	0.1000	0.0400	0.0400	0.6625
Balance sheet highlights					
Total assets (period end)	**$ 56,153,185**	$ 54,450,652	$ 53,819,642	$ 51,554,665	$ 54,352,859
Total long-term debt (period end)[2]	**1,364,834**	3,097,857	3,813,827	3,802,670	6,870,705
Total shareholders equity (period end)	**5,790,211**	5,418,100	4,980,542	5,336,002	7,228,906
Average long-term debt[2]	**2,273,140**	3,275,913	3,953,177	5,558,001	7,374,681
Average shareholders equity	**5,671,455**	5,237,541	5,482,502	5,787,401	6,395,690
Average total assets	**55,673,599**	53,750,054	52,574,231	52,440,268	54,921,419
Key ratios and statistics					
Margin analysis as a % of average earnings assets					
Interest income[3]	**3.85%**	4.09%	4.55%	4.88%	5.90%
Interest expense	**0.44**	0.71	1.11	1.77	2.65
Net interest margin[3]	**3.41%**	3.38%	3.44%	3.11%	3.25%
Return on average total assets	**1.15%**	1.01%	0.59%	(5.90)%	(0.21)%
Return on average common shareholders equity	**11.5**	10.5	3.7	(80.8)	(2.8)
Return on average tangible common shareholders equity[4], [8]	**13.5**	12.7	5.6	(22.4)	(4.4)
Efficiency ratio[5]	**63.4**	63.7	60.4	55.4	57.0
Dividend payout ratio	**22.5**	16.9	21.1	N.R.	N.R.

Average shareholders equity to average assets	**10.19**	9.74	10.43	11.04	11.65
Effective tax rate (benefit)	**22.3**	23.3	11.3	(15.9)	(61.6)
Tier 1 common risk-based capital ratio (period end)(8)	**10.48**	10.00	9.29	6.76	5.05
Tangible common equity to tangible assets (period end) (6), (8)	**8.76**	8.30	7.56	5.92	4.04
Tangible equity to tangible assets (period end)(7), (8)	**9.46**	9.02	8.24	9.24	7.72
Tier 1 leverage ratio (period end)	**10.36**	10.28	9.41	10.09	9.82
Tier 1 risk-based capital ratio (period end)	**12.02**	12.11	11.55	12.15	10.72
Total risk-based capital ratio (period end)	**14.50**	14.77	14.46	14.55	13.91
Other data					
Full-time equivalent employees (period end)	**11,806**	11,245	11,341	10,272	10,951
Domestic banking offices (period end)	**705**	668	620	611	613

N.R. Not relevant, as denominator of calculation is a loss in prior period compared with income in current period.

Table of Contents

(1) Comparisons for presented periods are impacted by a number of factors. Refer to the Significant Items for additional discussion regarding these key factors.

(2) Includes FHLB advances, subordinated notes, and other long-term debt. At December 31, 2012, FHLB advances excludes $1.0 billion of advances that are short-term in nature.

(3) On an FTE basis assuming a 35% tax rate.

(4) Net income (loss) less expense excluding amortization of intangibles for the period divided by average tangible shareholders equity. Average tangible shareholders equity equals average total 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.

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

(6) Tangible common equity (total common equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax, and calculated assuming a 35% tax rate.

(7) Tangible equity (total equity less goodwill and other intangible assets) divided by tangible assets (total assets less goodwill and other intangible assets). Other intangible assets are net of deferred tax, and calculated assuming a 35% tax rate.

(8) Tier 1 common equity, tangible 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.

Item 7: 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 147 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, insurance service programs, and other financial products and services. Our over 690 branches are located in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. 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.

The following 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 should be read in conjunction with the Consolidated Financial Statements, Notes to Consolidated Financial Statements, 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 2013 expectations.

Discussion of Results of Operations Reviews financial performance from a consolidated 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 risks, and compliance 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.

Results for the Fourth Quarter - Provides a discussion of results for the 2012 fourth quarter compared with the 2011 fourth quarter.

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.

EXECUTIVE OVERVIEW

2012 Financial Performance Review

In 2012, we reported net income of $641.0 million, or $0.71 per common share, an increase of $98.4 million compared with 2011 *(see Table 2)*. The increase primarily reflected a $117.2 million, or 12%, increase in noninterest income and an $81.4 million, or 5%, increase in net interest income. This was partially offset by a $107.4 million, or 6%, increase in noninterest expense. Despite the challenging economic and extended

low interest rate environment combined with impacts of government-mandated reductions in fee income during 2012, return on average total assets increased to 1.15%, compared with 1.01% in 2011. Results from our strategic business investments and OCR sales approach continued in 2012. *(Also, see Significant Items Influencing Financial Performance Comparisons within the Discussion of Results of Operations.)*

Fully-taxable equivalent net interest income was $1.7 billion in 2012, an increase of $86.8 million, or 5%, compared with 2011. Average earning assets increased $2.1 billion, or 4%, including a $1.3 billion, or 3%, increase in total loans and leases and a $0.8 billion increase in loans held for sale. This reflected benefits from our strategic C&I initiatives focusing on the equipment finance, dealer floorplan, large corporate, and middle market segments. This increase was partially offset by a decline in our automobile loans, reflecting the impact of our continued program of securitization and sale of such loans. Additionally, our CRE portfolio declined, reflecting continued runoff of the noncore portfolio. Average core deposits grew $3.1 billion, or 8%, reflecting our consumer household and commercial relationship growth. This growth continued even as we focused on fundamentally changing our deposit mix and reducing the overall cost of funds. The net interest margin increased 3 basis points to 3.41% from 3.38%. The increase reflected the positive impact of a 29 basis point decline in total deposit costs that was partially offset by a 24 basis point decline in the yield on earning assets and a 2 basis point decrease related to non-deposit funding and other items.

Noninterest income was $1.1 billion in 2012, a 12% increase compared with 2011. This included a $107.7 million, or 129%, increase in mortgage banking income, a $26.2 million, or 82%, increase in gain on sale of loans, an $18.7 million, or 8%, increase in service charges on deposit accounts, an $11.6 million, or 32%, increase in capital market fees, and an $11.2 million bargain purchase gain related to the acquisition of Fidelity Bank. These positive impacts were partially offset by a $29.4 million, or 26%, decrease in electronic banking income, which was negatively impacted by over $55 million from the Durbin amendment, and a $16.0 million, or 11%, decrease in other income reflecting a $16.5 million, or 62%, decrease in automobile operating lease income. This year s results showed the continued benefit of our investments and our differentiated strategy. These investments, combined with adding over 133,000 consumer households, a 12% increase, and 12,700 commercial relationships, a 9% increase, has allowed us to grow revenue and pretax income by more than $200 million and $117 million, respectively.

Noninterest expense was $1.8 billion in 2012, a 6% increase compared with 2011. This included a $95.7 million, or 11%, increase in personnel costs primarily reflecting an increase in the number of full-time equivalent employees as well as higher incentive based compensation and a $10.4 million, or 11%, increase in equipment expense, primarily reflecting the implementation of strategic initiatives, including opening 37, or 6%, net new branches. These increases were offset partially by a $9.3 million, or 12%, decrease in deposit and other insurance expense. The current year results also included $14.1 million of noninterest expense related to the Fidelity acquisition, which closed on March 30, 2012.

Credit quality performance continued to show improvement as both our NALs and NCOs declined and coverage ratios increased. Compared with the prior year, NALs declined 25%. NCOs were $342.5 million, or 0.85% of average total loans and leases, down from $437.1 million, or 1.12% in 2011. Of the current year s NCOs, $34.6 million related to regulatory guidance requiring consumer loans discharged under Chapter 7 bankruptcy to be charged down to collateral value. The ACL as a percentage of loans and leases was 1.99%, down from 2.60% at December 31, 2011 and our ACL as a percentage of total NALs increased to 199% from 187%. The level of Criticized commercial loans also declined $0.5 billion, or 25%, from last year. The provision for credit losses declined $26.7 million, or 15%, from 2011.

At December 31, 2012, our regulatory Tier 1 common risk-based capital ratio was 10.48%, up from 10.00% at December 31, 2011, and our tangible common equity ratio increased to 8.76% from 8.30% over this same period. The regulatory Tier 1 risk-based capital ratio at December 31, 2012, was 12.02%, down from 12.11%, at December 31, 2011. This decline reflected the redemption of $230 million of trust preferred securities and the repurchase of 23.3 million common shares at an average price of $6.36 per share. Reinvesting excess capital to grow the business organically remains our first priority. Importantly, through dividends and share repurchases, we have the flexibility, subject to market conditions and regulatory approval, to return a meaningful amount of our earnings to our shareholders. We continue to evaluate other capital actions. As we have shown over the last several years, we will continue to maintain a high level of discipline when considering mergers and acquisitions.

Business Overview

General

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

We were pleased with the financial results in 2012, which reflected steady growth in a number of key areas including loans, deposits, and customer relationships as well as improved profitability. This growth has occurred in a challenging economic and regulatory environment. It demonstrates the continued benefits from successfully executing our long-term strategic plan, including the investments we have made during the previous three years. Those investments added over $50 million of pretax income during 2012 and we expect that benefit to grow as those investments continue to mature. While some businesses are hesitant to invest given the current uncertainty in the economy, we believe our differentiated approach to banking, combined with investing in our franchise through enhanced products and services, will drive growth and improvement of our long-term profitability.

As is the nature of a mature industry with arguably overcapacity, we continue to face strong competition from other banks and financial service firms in our markets. To address these challenges, the cornerstone of our strategy has been to invest in the franchise in order to grow our market share and share-of-wallet. In this regard, our OCR methodology continued to deliver strong success in 2012. Consumer checking account households grew 12.2%, and our cross-sell performance continued to improve. At the end of the year, 78.3% of our consumer checking account households utilized over four products. This compared with 73.5% a year earlier. Growth in commercial relationships was 9.2% in 2012. At the end of the year, 35.0% of our commercial relationships used over four products or services, up from 31.4% a year earlier. Our Fair Play philosophy, combined with continued OCR success, while positively impacting 2012 results, also positions us for better long-term performance.

Economy

We continue to see positive trends within our Midwest markets relative to the broader United States. Nevertheless, broad based customer sentiment began to change in late 2012, due to increased concerns regarding the U.S. economy. While some businesses are hesitant to invest given the current uncertainty in the economy, we believe our differentiated approach to banking, combined with investing in our franchise through enhanced products and services, will drive growth and improvement of our long-term profitability.

Generally, our footprint large metropolitan statistical areas (MSA) unemployment rates were below the national average as of November 2012. In addition, FHFA housing prices were up in the 2012 third quarter relative to the same quarter of last year in all of our footprint states, except Pennsylvania, which was essentially unchanged. Strong affordability and continued economic growth should support continued housing recovery in 2013, as long as risks to the overall U.S. economy are contained.

Legislative and Regulatory

Regulatory reforms continue to be adopted which impose additional restrictions on current business practices. Recent actions affecting us include the banking regulators BASEL III proposal and deferral, FRB and OCC capital plans and stress testing rules, and CFPB rules governing consumer mortgage lending. A comprehensive discussion of legislative and regulatory matters can be found in the Regulatory Matters section included in Item 1 of this Form 10-K.

2013 Expectations

We expect to continue seeing the strong growth of the Midwest economy relative to the broader United States. However, business sentiment continues to be negatively influenced by the uncertainty in Washington and its direct impact on the U.S. economy. We remain optimistic that when solutions are in place, the strength of the Midwest and the soundness of our strategy will continue to drive growth.

Net interest income is expected to modestly grow over the course of 2013, after experiencing its usual first quarter seasonal decline, as we anticipate an increase in total loans, excluding the impact of any future loan securitizations. However, those benefits to net interest income are expected to be mostly offset by downward pressure on our net interest margin. The net interest margin is not expected to fall below the mid 3.30% s due to continued deposit re-pricing and mix shift opportunities, while maintaining a disciplined approach to loan pricing.

The C&I portfolio is expected to continue to see growth in 2013, although we expect growth will be more heavily weighted to the back half of the year when we expect economic uncertainty driven by Washington to be resolved. Our C&I sales pipeline remains robust with much of this reflecting the positive impact from our strategic initiatives, focused OCR sales process, and continued support of middle market and small business lending in the Midwest. While on-balance sheet exposure is expected to increase, we will continue to evaluate the use of automobile loan securitizations due to our expectation of continued strong levels of originations and anticipate two securitizations in 2013. Residential mortgages and home equity loan balances are expected to increase modestly. CRE loans likely will experience declines from current levels but are expected to remain in the $5.0 to $5.5 billion range.

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

Noninterest income over the course of 2013, excluding the impact of any automobile loan sales, any net MSR impact, and typical first quarter seasonality, is expected to be relatively stable at current levels. The anticipated slowdown in mortgage banking activity is expected to be offset by continued growth in new customers, increased contribution from higher cross-sell, and the continued maturation of our previous strategic investments.

Noninterest expense continued to run at levels above our long-term expectations relative to revenue. In response to changes in our economic outlook, we have moderated the pace and size of our planned investments in order to drive positive operating leverage in 2013.

Credit quality is expected to experience improvement, and NCOs should approach normalized levels by the end of 2013. The level of provision for credit losses in 2012 was at the low end of our long-term expectation, and we expect some quarterly volatility within each of the loan categories given the absolute low level of the provision for credit losses and the uncertain and uneven nature of the economic recovery.

Table of Contents

We anticipate an effective tax rate for 2013 to approximate 35% of income before income taxes less approximately $75 to $90 million of permanent differences primarily related to tax-exempt income, tax advantaged investments, and general business credits.

Table of Contents

Table 2 Selected Annual Income Statements (1)

	Year Ended December 31,						
		Change from 2011			Change from 2010		
(dollar amounts in thousands, except per share amounts)	2012	Amount	Percent	2011	Amount	Percent	2010
Interest income	**$ 1,930,263**	$ (39,963)	(2)%	$ 1,970,226	$ (175,166)	(8)%	$ 2,145,392
Interest expense	**219,739**	(121,317)	(36)	341,056	(185,531)	(35)	526,587
Net interest income	**1,710,524**	81,354	5	1,629,170	10,365	1	1,618,805
Provision for credit losses	**147,388**	(26,671)	(15)	174,059	(460,488)	(73)	634,547
Net interest income after provision for credit losses	**1,563,136**	108,025	7	1,455,111	470,853	48	984,258
Service charges on deposit accounts	**262,179**	18,672	8	243,507	(23,508)	(9)	267,015
Mortgage banking income	**191,092**	107,684	129	83,408	(92,374)	(53)	175,782
Trust services	**121,897**	2,515	2	119,382	6,827	6	112,555
Electronic banking	**82,290**	(29,407)	(26)	111,697	1,463	1	110,234
Brokerage income	**72,226**	(8,141)	(10)	80,367	11,512	17	68,855
Insurance income	**71,319**	1,849	3	69,470	(6,943)	(9)	76,413
Gain on sale of loans	**58,182**	26,238	82	31,944	25,669	409	6,275
Bank owned life insurance income	**56,042**	(6,294)	(10)	62,336	1,270	2	61,066
Capital markets fees	**48,160**	11,620	32	36,540	12,654	53	23,886
Securities gains (losses)	**4,769**	8,450	N.R.	(3,681)	(3,407)	1,243	(274)
Other income	**129,701**	(15,952)	(11)	145,653	5,602	4	140,051
Total noninterest income	**1,097,857**	117,234	12	980,623	(61,235)	(6)	1,041,858
Personnel costs	**988,193**	95,659	11	892,534	93,561	12	798,973
Outside data processing and other services	**190,255**	1,081	1	189,174	27,360	17	161,814
Net occupancy	**111,160**	2,031	2	109,129	1,267	1	107,862
Equipment	**102,947**	10,403	11	92,544	6,624	8	85,920
Deposit and other insurance expense	**68,330**	(9,362)	(12)	77,692	(19,856)	(20)	97,548
Professional services	**65,758**	(2,858)	(4)	68,616	(17,595)	(20)	86,211
Marketing	**64,263**	(1,297)	(2)	65,560	9,213	16	56,347
Amortization of intangibles	**46,549**	(6,769)	(13)	53,318	(7,160)	(12)	60,478
OREO and foreclosure expense	**18,271**	265	1	18,006	(21,043)	(54)	39,049
Gain on early extinguishment of debt	**(798)**	8,899	(92)	(9,697)	(9,697)		
Other expense	**180,948**	9,324	5	171,624	(7,979)	(4)	179,603
Total noninterest expense	**1,835,876**	107,376	6	1,728,500	54,695	3	1,673,805
Income before income taxes	**825,117**	117,883	17	707,234	354,923	101	352,311
Provision for income taxes	**184,095**	19,474	12	164,621	124,657	312	39,964
Net income	**$ 641,022**	$ 98,409	18%	$ 542,613	$ 230,266	74%	$ 312,347
Dividends on preferred shares	**31,989**	1,176	4	30,813	(141,219)	(82)	172,032
Net income applicable to common shares	**$ 609,033**	$ 97,233	19%	$ 511,800	$ 371,485	265%	$ 140,315
Average common shares basic	**857,962**	(5,729)	(1)%	863,691	136,757	19%	726,934
Average common shares diluted (2)	**863,402**	(4,222)		867,624	138,092	19	729,532
Per common share:							

Net income basic	**$ 0.71**	$ 0.12	20%	$ 0.59	$ 0.40	211%	$ 0.19
Net income diluted	**0.71**	0.12	20	0.59	0.40	211	0.19
Cash dividends declared	**0.16**	0.06	60	0.10	0.06	150	0.04
Revenue FTE							
Net interest income	**$ 1,710,524**	$ 81,354	5%	$ 1,629,170	$ 10,365	1%	$ 1,618,805
FTE adjustment	**20,406**	5,490	37	14,916	3,839	35	11,077
Net interest income[3]	**1,730,930**	86,844	5	1,644,086	14,204	1	1,629,882
Noninterest income	**1,097,857**	117,234	12	980,623	(61,235)	(6)	1,041,858
Total revenue[3]	**$ 2,828,787**	$ 204,078	8%	$ 2,624,709	$ (47,031)	(2)%	$ 2,671,740

N.R. Not relevant, as denominator of calculation is a loss in prior period compared with income in current period.

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

28

(2) For all periods presented, the impact of the convertible preferred stock issued in 2008 and the warrants issued to the U.S. Department of the Treasury in 2008 related to Huntington s participation in the voluntary Capital Purchase Program was excluded from the diluted share calculation because the result was more than basic earnings per common share (anti-dilutive) for the periods. The convertible preferred stock and warrants were repurchased in December 2010 and January 2011, respectively.

(3) On a FTE basis assuming a 35% tax rate.

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 consolidated balance sheet and income statement trends are discussed. All earnings per share data is reported on a diluted basis. For additional insight on financial performance, please read this section in conjunction with the Business Segment Discussion.

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 out 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.

Management believes the disclosure of Significant Items in current and prior period results aids analysts/investors in better understanding corporate performance and trends so that they can ascertain which of such items, if any, they may wish to include/exclude from their analysis of the company s performance i.e., within the context of determining how that performance differed from their expectations, as well as how, if at all, to adjust their estimates of future performance accordingly. To this end, Management has adopted a practice of listing Significant Items in its external disclosure documents (e.g., earnings press releases, quarterly performance discussions, 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 among the three years ended December 31, 2012, 2011, and 2010 were impacted by a number of Significant Items summarized below.

1. **State deferred tax asset valuation allowance adjustment.** During 2012, a valuation allowance of $21.3 million (net of tax) was released for the portion of the deferred tax asset and state net operating loss carryforwards expected to be realized. This resulted in a positive impact of $0.02 per common share for 2012. Additional information can be found in the Provision for Income Taxes section within this MD&A.

2. **Bargain Purchase Gain.** During 2012, an $11.2 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 for 2012.

3. **Litigation Reserve.** $23.5 million and $17.0 million of additions to litigation reserves were recorded as other noninterest expense in 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.

4. **Visa®.** 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. In 2009, we sold these Visa® stock shares, resulting in a $31.4 million pretax gain ($.04 per common share). This amount was recorded to noninterest income. In 2011, 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.

5. **Franklin Relationship.** Our relationship with Franklin was acquired in the 2007 Sky Financial acquisition. Significant events relating to this relationship, and the impacts of those events on our reported results, were as follows:

During 2010, a $38.2 million ($0.05 per common share) net tax benefit was recognized, primarily reflecting the increase in the net deferred tax asset relating to the assets acquired from the March 31, 2009 restructuring.

During 2010, the portfolio of Franklin-related loans ($333.0 million of residential mortgages and $64.7 million of home equity loans) was transferred to loans held for sale. At the time of the transfer, the loans were marked to the lower of cost or fair value less costs to sell of $323.4 million, resulting in $75.5 million of charge-offs, and the provision for credit losses commensurately increased $75.5 million ($0.07 per common share).

6. **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 2011.

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

Table 3 Significant Items Influencing Earnings Performance Comparison (1)

	2012		2011		2010	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS**	After-tax	EPS	After-tax	EPS
Net income GAAP	**$ 641,022**		$ 542,613		$ 312,347	
Earnings per share, after-tax		**$ 0.71**		$ 0.59		$ 0.19
Change from prior year $		**0.12**		0.40		6.33
Change from prior year %		**20 %**		211 %		N.R
Significant items favorable (unfavorable) impact:	**Earnings (2)**	**EPS (3)(4)**	Earnings (2)	EPS (3)(4)	Earnings (2)	EPS (3)(4)
State deferred tax asset valuation allowance adjustment[4]	**$ 21,251**	**$ 0.02**	$	$	$	$
Bargain purchase gain	**11,217**	**0.01**				
Litigation reserves addition	**(23,500)**	**(0.02)**	(17,028)	(0.01)		
Visa®-related derivative loss			(6,385)			
Net tax benefit recognized[4]					38,222	0.05
Franklin-related loans transferred to held for sale					(75,500)	(0.07)
Gain on early extinguishment of debt			9,697	0.01		

N.R. Not relevant, as denominator of calculation is a loss in prior period compared with income in current period.

(1) See Significant Items Influencing Financial Performance discussion.
(2) Pretax unless otherwise noted.
(3) Based upon the annual average outstanding diluted common shares.
(4) After-tax.

Net Interest Income / Average Balance Sheet

Our primary source of revenue is net interest income, which is the difference between interest income from earning assets (primarily loans, securities, and direct financing leases), and interest expense of funding sources (primarily interest-bearing deposits and borrowings). Earning asset balances and related funding sources, as well as changes in the levels of interest rates, impact net interest income. The difference between the average yield on earning assets and the average rate paid for interest-bearing liabilities is the net interest spread. Noninterest-bearing sources of funds, such as demand deposits and shareholders equity, also support earning assets. The impact of the noninterest-bearing sources of funds, often referred to as free funds, is captured in the net interest margin, which is calculated as net interest income divided by average earning assets. Both the net interest margin and net interest spread are presented on a fully-taxable equivalent basis, which means that tax-free interest income has been adjusted to a pretax equivalent income, assuming a 35% tax rate.

The following table shows changes in fully-taxable equivalent interest income, interest expense, and net interest income due to volume and rate variances for major categories of earning assets and interest-bearing liabilities:

Table of Contents

Table 4 Change in Net Interest Income Due to Changes in Average Volume and Interest Rates[1]

Fully-taxable equivalent basis[2]	**2012 Increase (Decrease) From Previous Year Due To**			2011 Increase (Decrease) From Previous Year Due To		
(dollar amounts in millions)	**Volume**	**Yield/ Rate**	**Total**	Volume	Yield/ Rate	Total
Loans and direct financing leases	**$ 58.6**	**$ (105.6)**	**$ (47.0)**	$ 77.5	$ (213.1)	$ (135.6)
Investment securities	**1.9**	**(2.1)**	**(0.2)**	0.1	(31.7)	(31.6)
Other earning assets	**24.2**	**(11.5)**	**12.7**	(16.7)	12.5	(4.2)
Total interest income from earning assets	**84.7**	**(119.2)**	**(34.5)**	60.9	(232.3)	(171.4)
Deposits	**(3.0)**	**(94.8)**	**(97.8)**	(4.2)	(174.9)	(179.1)
Short-term borrowings	**(1.2)**	**(0.3)**	**(1.5)**	1.1	(0.6)	0.5
Federal Home Loan Bank advances	**0.8**	**(0.8)**		(0.9)	(1.4)	(2.3)
Subordinated notes and other long-term debt,including capital securities	**(32.0)**	**10.0**	**(22.0)**	(14.1)	9.4	(4.7)
Total interest expense of interest-bearing liabilities	**(35.4)**	**(85.9)**	**(121.3)**	(18.1)	(167.5)	(185.6)
Net interest income	**$ 120.1**	**$ (33.3)**	**$ 86.8**	$ 79.0	$ (64.8)	$ 14.2

(1) The change in interest rates due to both rate and volume has been allocated between the factors in proportion to the relationship of the absolute dollar amounts of the change in each.

(2) Calculated assuming a 35% tax rate.

Table of Contents

Table 5 Consolidated Average Balance Sheet and Net Interest Margin Analysis

Fully-taxable equivalent basis (1)	Average Balances						
		Change from 2011			Change from 2010		
(dollar amounts in millions)	**2012**	Amount	Percent	2011	Amount	Percent	2010
Assets							
Interest-bearing deposits in banks	**$ 95**	$ (38)	(29)%	$ 133	$ (156)	(54)%	$ 289
Trading account securities	**67**	(40)	(37)	107	(51)	(32)	158
Federal funds sold and securities purchased under resale agreement		(5)	N.R.	5	5		
Loans held for sale	**1,087**	799	277	288	(241)	(46)	529
Available-for-sale and other securities:							
Taxable	**7,898**	(473)	(6)	8,371	(389)	(4)	8,760
Tax-exempt	**427**	(1)		428	17	4	411
Total available-for-sale and other securities	**8,325**	(474)	(5)	8,799	(372)	(4)	9,171
Held-to-maturity securities taxable	**925**	550	147	375	375		
Loans and leases: (3)							
Commercial:							
Commercial and industrial	**15,944**	2,347	17	13,597	1,166	9	12,431
Commercial real estate:							
Construction	**582**	(10)	(2)	592	(504)	(46)	1,096
Commercial	**5,198**	(415)	(7)	5,613	(516)	(8)	6,129
Commercial real estate	**5,780**	(425)	(7)	6,205	(1,020)	(14)	7,225
Total commercial	**21,724**	1,922	10	19,802	146	1	19,656
Consumer:							
Automobile loans and leases	**4,526**	(1,351)	(23)	5,877	987	20	4,890
Home equity	**8,315**	375	5	7,940	350	5	7,590
Residential mortgage	**5,190**	473	10	4,717	241	5	4,476
Other consumer	**455**	(76)	(14)	531	(130)	(20)	661
Total consumer	**18,486**	(579)	(3)	19,065	1,448	8	17,617
Total loans and leases	**40,210**	1,343	3	38,867	1,594	4	37,273
Allowance for loan and lease losses	**(876)**	233	(21)	(1,109)	321	(22)	(1,430)
Net loans and leases	**39,334**	1,576	4	37,758	1,915	5	35,843
Total earning assets	**50,709**	2,135	4	48,574	1,154	2	47,420
Cash and due from banks	**1,090**	(346)	(24)	1,436	(82)	(5)	1,518
Intangible assets	**600**	(45)	(7)	645	(57)	(8)	702
All other assets	**4,151**	(53)	(1)	4,204	(160)	(4)	4,364
Total Assets	**$ 55,674**	$ 1,924	4 %	$ 53,750	$ 1,176	2 %	$ 52,574
Liabilities and Shareholders Equity							
Deposits:							
Demand deposits noninterest-bearing	**$ 12,200**	$ 3,547	41 %	$ 8,653	$ 1,794	26 %	$ 6,859
Demand deposits interest-bearing	**5,811**	294	5	5,517	(62)	(1)	5,579

Total demand deposits	**18,011**	3,841	27	14,170	1,732	14	12,438
Money market deposits	**13,901**	579	4	13,322	1,579	13	11,743
Savings and other domestic deposits	**4,933**	198	4	4,735	93	2	4,642
Core certificates of deposit	**6,221**	(1,481)	(19)	7,702	(1,486)	(16)	9,188
Total core deposits	**43,066**	3,137	8	39,929	1,918	5	38,011
Other domestic time deposits of $250,000 or more	**326**	(139)	(30)	465	(232)	(33)	697
Brokered time deposits and negotiable CDs	**1,590**	168	12	1,422	(181)	(11)	1,603
Deposits in foreign offices	**372**	(17)	(4)	389	(38)	(9)	427
Total deposits	**45,354**	3,149	7	42,205	1,467	4	40,738
Short-term borrowings	**1,310**	(745)	(36)	2,055	609	42	1,446
Federal Home Loan Bank advances	**298**	187	168	111	(62)	(36)	173
Subordinated notes and other long-term debt	**1,976**	(1,189)	(38)	3,165	(615)	(16)	3,780
Total interest-bearing liabilities	**36,738**	(2,145)	(6)	38,883	(395)	(1)	39,278
All other liabilities	**1,065**	89	9	976	20	2	956
Shareholders equity	**5,671**	433	8	5,238	(243)	(4)	5,481
Total Liabilities and Shareholders Equity	**$ 55,674**	$ 1,924	4%	$ 53,750	$ 1,176	2%	$ 52,574

Continued

N.R. Not relevant, as numerator of calculation is zero in the current period.

Table of Contents

Table 6 Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)

Fully-taxable equivalent basis (1)	Interest Income / Expense			Average Rate (2)		
(dollar amounts in millions)	**2012**	2011	2010	**2012**	2011	2010
Assets						
Interest-bearing deposits in banks	**$ 0.2**	$ 0.1	$ 0.8	**0.21%**	0.11%	0.28%
Trading account securities	**0.9**	1.5	2.9	**1.27**	1.37	1.82
Federal funds sold and securities purchased under resale agreement				**0.29**	0.09	
Loans held for sale	**36.8**	12.3	25.7	**3.38**	4.27	4.85
Available-for-sale and other securities:						
Taxable	**184.3**	208.0	239.1	**2.33**	2.48	2.73
Tax-exempt	**17.7**	18.3	18.8	**4.14**	4.28	4.56
Total available-for-sale and other securities	**202.0**	226.3	257.9	**2.43**	2.57	2.81
Held-to-maturity securities taxable	**24.1**	11.2		**2.60**	2.99	
Loans and leases: (3)						
Commercial:						
Commercial and industrial	**639.5**	585.6	660.6	**4.01**	4.31	5.31
Commercial real estate:						
Construction	**22.9**	23.0	30.6	**3.93**	3.88	2.79
Commercial	**208.6**	222.7	234.9	**4.01**	3.97	3.83
Commercial real estate	**231.4**	245.7	265.5	**4.00**	3.96	3.67
Total commercial	**870.9**	831.3	926.1	**4.01**	4.20	4.71
Consumer:						
Automobile loans and leases	**214.1**	293.2	295.2	**4.73**	4.99	6.04
Home equity	**355.9**	355.0	383.7	**4.28**	4.47	5.06
Residential mortgage	**212.7**	213.6	216.8	**4.10**	4.53	4.84
Other consumer	**33.3**	40.6	47.5	**7.31**	7.63	7.18
Total consumer	**815.9**	902.4	943.2	**4.41**	4.73	5.35
Total loans and leases	**1,686.8**	1,733.7	1,869.3	**4.19**	4.46	5.02
Total earning assets	**$ 1,950.7**	$ 1,985.1	$ 2,156.6	**3.85%**	4.09%	4.55%
Liabilities and Shareholders Equity Deposits:						
Demand deposits noninterest-bearing	**$**	$	$	**%**	%	%
Demand deposits interest-bearing	**3.6**	5.1	10.4	**0.06**	0.09	0.19
Total demand deposits	**3.6**	5.1	10.4	**0.02**	0.04	0.08
Money market deposits	**40.2**	54.3	103.5	**0.29**	0.41	0.88
Savings and other domestic deposits	**18.9**	32.7	48.2	**0.38**	0.69	1.04
Core certificates of deposit	**85.0**	150.0	231.6	**1.37**	1.95	2.52
Total core deposits	**147.7**	242.2	393.7	**0.48**	0.77	1.26
Other domestic time deposits of $250,000 or more	**2.1**	4.5	9.3	**0.66**	0.97	1.32
Brokered time deposits and negotiable CDs	**11.7**	12.5	35.4	**0.74**	0.88	2.21
Deposits in foreign offices	**0.7**	0.9	0.8	**0.18**	0.23	0.20
Total deposits	**162.2**	260.1	439.2	**0.49**	0.78	1.30

Short-term borrowings	**2.0**	3.5	3.0	**0.16**	0.17	0.21
Federal Home Loan Bank advances	**0.8**	0.8	3.1	**0.28**	0.74	1.80
Subordinated notes and other long-term debt	**54.7**	76.7	81.4	**2.77**	2.42	2.15
Total interest-bearing liabilities	**219.7**	341.1	526.7	**0.60**	0.88	1.34
Net interest income	**$ 1,730.9**	$ 1,644.1	$ 1,629.9			
Net interest rate spread				**3.25**	3.21	3.21
Impact of noninterest-bearing funds on margin				**0.16**	0.18	0.23
Net Interest Margin				**3.41%**	3.38%	3.44%

(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 fees.

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

Table of Contents

2012 vs. 2011

Fully-taxable equivalent net interest income for 2012 increased $86.8 million, or 5%, from 2011. This reflected the favorable impact of a $2.1 billion, or 4%, increase in average earning assets and a 3 basis point increase in the FTE net interest margin. The increase in average earning assets reflected:

- $1.9 billion, or 10%, increase in average total commercial loans.
- $0.8 billion, or 277%, increase in average loans held for sale.

Partially offset by:

- $0.6 billion, or 3% decrease in average consumer loans including a $1.4 billion, or 23%, decrease in automobile loans, reflecting $2.5 billion of automobile loans sold throughout the year.

The 3 basis point increase in the FTE net interest margin reflected:

- The positive impact of a 29 basis point decline in total deposit costs.

Partially offset by:

- 24 basis point declines in the yield on earnings assets and a 2 basis point decrease related to non-deposit funding and other items.

The $3.1 billion, or 8%, increase in average total core deposits from the prior year reflected:

- $3.8 billion, or 27%, increase in total demand deposits.
- $0.6 billion, or 4%, increase in money market deposits.

Partially offset by:

- $1.5 billion, or 19%, decrease in core certificates of deposits.

2011 vs. 2010

Fully-taxable equivalent net interest income for 2011 increased $14.2 million, or 1%, from 2010. This reflected the favorable impact of a $1.2 billion, or 2%, increase in average earning assets, partially offset by a 6 basis point decline in the net interest margin.

The increase in average earning assets reflected:

- $1.6 billion, or 4%, increase in average total loans and leases.

Partially offset by:

- $0.4 billion, or 4%, decrease average total available-for-sale and other securities.

The 6 basis point decline in the net interest margin reflected lower loan and securities yields partially offset by the positive impacts of growth in low cost deposits and lower deposit pricing.

The $1.6 billion, or 4%, increase in average total loans and leases from the prior year primarily reflected:

- $1.2 billion, or 9%, increase in the average C&I portfolio due to a combination of factors. This included benefits from our strategic initiatives focusing on large corporate, asset based lending, and equipment finance. In addition, we continued to see growth in more traditional middle-market, business banking, and automobile floor plan loans. This growth was evident despite utilization rates that remained well below historical norms.

- $1.0 billion, or 20%, increase in the average automobile portfolio. Automobile lending is a core competency and continues to be an area of targeted growth. The growth from the prior year exhibited further penetration within our historical geographic footprint, as well as the positive impacts of our expansion into Eastern Pennsylvania and five New England states.

- $0.4 billion, or 5%, increase in average home equity loans.

Table of Contents

Partially offset by:

$1.0 billion, or 14%, decrease in the average CRE portfolio reflecting the continued execution of our plan to reduce the total CRE exposure, primarily in the noncore CRE portfolio.

The $1.5 billion, or 4%, increase in average total deposits from the prior year reflected:

$1.9 billion, or 5%, increase in average total core deposits. The drivers of this change were a $1.8 billion, or 26%, increase in average noninterest-bearing demand deposits and a $1.6 billion, or 13%, increase in average money market deposits, partially offset by a $1.5 billion, or 16%, decline in average core certificates of deposits.

Partially offset by:

$0.2 billion, or 33%, decline in average other domestic deposits of $250,000 or more, which reflected a strategy of reducing such noncore funding.

Provision for Credit Losses

(This section should be read in conjunction with Significant Item 5 and 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 in 2012 was $147.4 million, down $26.7 million, or 15%, from 2011, including a $94.6 million, or 22%, decrease in NCOs. The provision for credit losses in 2012 was $195.1 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 the past three years:

Table 7 Noninterest Income

	Twelve Months Ended December 31,						
		Change from 2011			Change from 2010		
(dollar amounts in thousands)	**2012**	Amount	Percent	2011	Amount	Percent	2010
Service charges on deposit accounts	**$ 262,179**	$ 18,672	8 %	$ 243,507	$ (23,508)	(9)%	$ 267,015
Mortgage banking income	**191,092**	107,684	129	83,408	(92,374)	(53)	175,782
Trust services	**121,897**	2,515	2	119,382	6,827	6	112,555
Electronic banking	**82,290**	(29,407)	(26)	111,697	1,463	1	110,234
Brokerage income	**72,226**	(8,141)	(10)	80,367	11,512	17	68,855
Insurance income	**71,319**	1,849	3	69,470	(6,943)	(9)	76,413
Gain on sale of loans	**58,182**	26,238	82	31,944	25,669	409	6,275
Bank owned life insurance income	**56,042**	(6,294)	(10)	62,336	1,270	2	61,066
Capital markets fees	**48,160**	11,620	32	36,540	12,654	53	23,886
Securities gains (losses)	**4,769**	8,450	N.R.	(3,681)	(3,407)	1,243	(274)
Other income	**129,701**	(15,952)	(11)	145,653	5,602	4	140,051

Total noninterest income	**$ 1,097,857**	$ 117,234	12 %	$ 980,623	$ (61,235)	(6)%	$ 1,041,858

N.R. Not relevant, as denominator of calculation is a loss in prior period compared with income in current period.

2012 vs. 2011

Noninterest income increased $117.2 million, or 12%, from the prior year, primarily reflecting:

$107.7 million, or 129%, increase in mortgage banking income. This primarily reflected a $78.6 million increase in origination and secondary marketing income. Additionally, we recorded a $14.3 million net trading gain related to MSR hedging in 2012 compared to a net trading loss related to MSR hedging of $11.9 million in 2011.

36

Table of Contents

$26.2 million, or 82%, increase in gain on sale of loans.

$18.7 million, or 8%, increase in service charges on deposits, due to continued strong customer growth.

$11.6 million, or 32%, increase in capital market fees primarily reflecting strong customer demand for derivatives and other risk management products.

Partially offset by:

$29.4 million, or 26%, 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.

$16.0 million, or 11%, decrease in other income, primarily related to a decrease in automobile operating lease income and partially offset by the bargain purchase gain from the Fidelity Bank acquisition.

2011 vs. 2010

Noninterest income decreased $61.2 million, or 6%, from the prior year, primarily reflecting:

$92.4 million, or 53%, decrease in mortgage banking income. This primarily reflected a $52.8 million decrease in net MSR activity and a $49.2 million, or 42%, decrease in origination and secondary marketing income, as originations decreased 28% from the prior year.

$23.5 million, or 9%, decrease in service charges on deposit accounts, reflecting lower personal service charges due to the implementation of the amendment to Reg E and our Fair Play consumer banking initiatives.

Partially offset by:

$25.7 million, or 409%, increase in gain on sale of loans primarily due to a $15.5 million automobile loan securitization gain on sale in the 2011 third quarter and SBA-related loan fees and gain on loan sales increased by $10.2 million in 2011.

$12.7 million, or 53%, increase in capital markets fees primarily due to increases in trading derivative income.

$11.5 million, or 17%, increase in brokerage income, primarily reflecting increased sales of investment products.

Table of Contents

Noninterest Expense

(This section should be read in conjunction with Significant Items 3 and 6.)

The following table reflects noninterest expense for the past three years:

Table 8 Noninterest Expense

	Twelve Months Ended December 31,						
		Change from 2011			Change from 2010		
(dollar amounts in thousands)	**2012**	Amount	Percent	2011	Amount	Percent	2010
Personnel costs	**$ 988,193**	$ 95,659	11 %	$ 892,534	$ 93,561	12 %	$ 798,973
Outside data processing and other services	**190,255**	1,081	1	189,174	27,360	17	161,814
Net occupancy	**111,160**	2,031	2	109,129	1,267	1	107,862
Equipment	**102,947**	10,403	11	92,544	6,624	8	85,920
Deposit and other insurance expense	**68,330**	(9,362)	(12)	77,692	(19,856)	(20)	97,548
Professional services	**65,758**	(2,858)	(4)	68,616	(17,595)	(20)	86,211
Marketing	**64,263**	(1,297)	(2)	65,560	9,213	16	56,347
Amortization of intangibles	**46,549**	(6,769)	(13)	53,318	(7,160)	(12)	60,478
OREO and foreclosure expense	**18,271**	265	1	18,006	(21,043)	(54)	39,049
Gain on early extinguishment of debt	**(798)**	8,899	(92)	(9,697)	(9,697)		
Other expense	**180,948**	9,324	5	171,624	(7,979)	(4)	179,603
Total noninterest expense	**$ 1,835,876**	$ 107,376	6%	$ 1,728,500	$ 54,695	3%	$ 1,673,805
Number of employees (full-time equivalent), at period-end	**11,806**	561	5%	11,245	(96)	(1)%	11,341

2012 vs. 2011

Noninterest expense increased $107.4 million, or 6%, from 2011, and primarily reflected:

- $95.7 million, or 11%, increase in personnel costs, primarily reflecting an increase in bonuses, commissions, and full-time equivalent employees, as well as increased salaries and benefits.

- $10.4 million, or 11%, increase in equipment, primarily reflecting the impact of depreciation from our in-store branch expansions and other technology investments.

- $9.3 million, or 5%, increase in other expense primarily reflecting higher litigation reserves, increased sponsorships and public relations expense, and an increase in the provision for mortgage representations and warranties.

Partially offset by:

- $9.4 million, or 12%, decline in deposit and other insurance expense.

2011 vs. 2010

Noninterest expense increased $54.7 million, or 3%, from 2010, and primarily reflected:

$93.6 million, or 12%, increase in personnel costs, primarily reflecting an increase in salary and benefit-related expenses.

$27.4 million, or 17%, increase in outside data processing and other services, reflecting the costs associated with the conversion to a new debit card processor and the implementation of strategic initiatives.

$9.2 million, or 16%, increase in marketing expense, reflecting higher advertising costs.

Partially offset by:

$21.0 million, or 54%, decrease in OREO and foreclosure expenses as OREO balances declined 42% in 2011.

$19.9 million, or 20%, decrease in deposit and other insurance expense.

Table of Contents

$17.6 million, or 20%, decrease in professional services, reflecting lower legal costs as collection activities declined and consulting expenses.

$9.7 gain on the early extinguishment of debt related to the exchange of certain trust preferred securities.

Provision for Income Taxes

(This section should be read in conjunction with Significant Items 1 and 5, and Note 17 of the Notes to Consolidated Financial Statements.)

2012 versus 2011

The provision for income taxes was $184.1 million for 2012 compared with a provision for income taxes of $164.6 million in 2011. Both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. In prior periods, we established a full valuation allowance against state deferred tax assets and state net operating loss carryforwards based on the uncertainty of forecasted state taxable income expected in applicable jurisdictions in order to utilize the state deferred tax asset and net operating loss carryforwards. Based on current analysis of both positive and negative evidence and projected forecasted state taxable income, we believe that it is more likely than not that a portion of the state deferred tax asset and state net operating loss carryforwards will be realized. As a result of this analysis, a net $21.3 million reduction in the 2012 provision for income taxes was recorded. At December 31, 2012, a valuation allowance of $61.8 million remained for certain state deferred tax assets and state net operating loss carryforwards totaling $94.5 million that are not expected to be realized within the carryforward periods.

At December 31, 2012, we had a net deferred tax asset of $203.9 million. Based on both positive and negative evidence and our level of forecasted future taxable income, we determined that no impairment existed to the net deferred tax asset at December 31, 2012. For regulatory capital purposes, there was no disallowed net deferred tax asset at December 31, 2012, compared to a total disallowed net deferred tax asset of $39.1 million at December 31, 2011.

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 2009. We have appealed certain proposed adjustments resulting from the IRS examination of our 2006 and 2007 tax returns. In addition, we will appeal certain proposed adjustments resulting from the IRS examination of our 2008 and 2009 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. During 2011, we entered into discussions with the Appeals Division of the IRS for the 2006 and 2007 tax returns. 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. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois.

2011 versus 2010

The provision for income taxes was $164.6 million for 2011 compared with a provision of $40.0 million in 2010. Both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. In 2010, we entered into an asset monetization transaction that generated a tax benefit of $63.6 million. Also, in 2010, undistributed previously reported earnings of a foreign subsidiary of $142.3 million were distributed and an additional $49.8 million of tax expense was recorded. During 2010, a $43.6 million net tax benefit was recognized, primarily reflecting the increase in the net deferred tax asset relating to the assets acquired from the March 31, 2009 Franklin restructuring.

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, Risk Oversight 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 our primary risk exposures are credit, market, liquidity, operational, and compliance oriented. Credit risk is the risk of loss due to adverse changes in a counterparty s ability to meet their financial obligations under agreed upon terms. Market risk represents the risk of loss due to changes in the market value of assets and liabilities due to changes in interest rates, exchange rates, and equity prices. Liquidity risk arises from 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. Operational risk arises from our inherent day-to-day operations that could result in losses due to human error, inadequate or failed internal systems and controls, and external events. Compliance risk exposes us to money penalties, enforcement actions or other sanctions as a result of nonconformance with laws, rules, and regulations that apply to the financial services industry.

Some of the more significant processes used to manage and control credit, market, liquidity, operational, and compliance risks are described in the following paragraphs.

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 credit risk associated with our AFS securities portfolio *(see Note 4 of the Notes to 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.

We continue to 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.

The maximum level of credit exposure to individual credit borrowers is limited by policy guidelines based on the perceived risk of each borrower or related group of borrowers. All authority to grant commitments is delegated through the independent credit administration function and is closely monitored and regularly updated. Concentration risk is managed through limits on loan type, geography, industry, and loan quality factors. We focus predominantly on extending credit to retail and commercial customers with existing or expandable relationships within our primary banking markets, although we will consider lending opportunities outside our primary markets if we believe the associated risks are acceptable and aligned with strategic initiatives. Although we offer a broad set of products, we continue to develop new lending products and opportunities. Each of these new products and opportunities goes through a rigorous development and approval process prior to implementation to ensure our overall objective of maintaining an aggregate moderate-to-low risk portfolio profile.

The checks and balances in the credit process and the independence of the credit administration and risk management functions are designed to appropriately assess and sanction the level of credit risk being accepted, facilitate the early recognition of credit problems when they occur, and to provide for effective problem asset management and resolution. For example, we do not extend additional credit to delinquent borrowers except in certain circumstances that substantially improve our overall repayment or collateral coverage position. To that end, we continue to expand resources in our risk management areas.

Although credit quality improved in 2012, the weak residential real estate market and U.S. economy continued to negatively impact us and the financial services industry as a whole. We continued to experience higher than historical levels of delinquencies and NCOs in our loan portfolios. The performance metrics associated with the CRE, residential mortgage, and home equity portfolios continued to be the most significantly impacted portfolios as real estate prices remain substantially lower than pre-2008. Additionally, continued high unemployment, along with other economic conditions, throughout 2010-2012 slowed full recovery from the 2008-2009 U.S. recession.

Loan and Lease Credit Exposure Mix

At December 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, partially offset by a decline in the CRE portfolio reflecting the continued runoff in the noncore portfolio. The C&I loan increase included the impacts related to a continuation of the growth in high quality loans

originated over recent quarters and the purchase of a portfolio of high quality municipal equipment leases. Additionally, the FDIC-assisted Fidelity acquisition resulted in the addition of $523.9 million of loans.

Total commercial loans were $22.4 billion at December 31, 2012, and represented 56% of our total loan and lease credit exposure. Our commercial loan 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 loans 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 expand our C&I portfolio, we have developed a vertical strategy to ensure that new products or lending types are embedded within the structured, centralized Commercial Lending area with designated experienced credit officers.

CRE loans 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 loans 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 were $18.4 billion at December 31, 2012, and represented 44% of our total loan and lease credit exposure. The consumer portfolio was diversified primarily 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 market represented more than 5% of our total automobile portfolio at December 31, 2012. We have successfully implemented a loan securitization strategy to remain within 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 junior-lien on the borrower s residence, allows customers to borrow against the equity in their home. Products include closed-end loans which are generally fixed-rate with principal and interest payments, and variable-rate, interest-only 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. The home equity consists of both first-lien and junior-lien loans and lines-of-credit with underwriting criteria based on minimum credit scores, debt-to-income ratios, and LTV ratios.

Residential mortgages Residential mortgages 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. All applications are underwritten centrally and do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options. Also, all residential mortgages are originated based on a completed full appraisal.

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

Table of Contents

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

Table 9 Loan and Lease Portfolio Composition

	At December 31,									
(dollar amounts in millions)	2012		2011		2010		2009		2008	
Commercial:[1]										
Commercial and industrial	**$ 16,971**	**42%**	$ 14,699	38%	$ 13,063	34%	$ 12,888	35%	$ 13,541	33%
Commercial real estate:										
Construction	**648**	**2**	580	1	650	2	1,469	4	2,080	5
Commercial	**4,751**	**12**	5,246	13	6,001	16	6,220	17	8,018	20
Total commercial real estate	**5,399**	**14**	5,826	14	6,651	18	7,689	21	10,098	25
Total commercial	**22,370**	**56**	20,525	52	19,714	52	20,577	56	23,639	58
Consumer:										
Automobile[2]	**4,634**	**11**	4,458	11	5,614	15	3,390	9	4,464	11
Home equity	**8,335**	**20**	8,215	21	7,713	20	7,563	21	7,557	18
Residential mortgage	**4,970**	**12**	5,228	13	4,500	12	4,510	12	4,761	12
Other consumer	**419**	**1**	498	3	566	1	751	2	671	1
Total consumer	**18,358**	**44**	18,399	48	18,393	48	16,214	44	17,453	42
Total loans and leases	**$ 40,728**	**100%**	$ 38,924	100%	$ 38,107	100%	$ 36,791	100%	$ 41,092	100%

(1) 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.
(2) 2011 included a decrease of $1.3 billion resulting from the transfer of automobile loans to loans held for a sale reflecting an automobile securitization transaction completed in 2012. 2010 included an increase of $0.5 billion resulting from the adoption of a new accounting standard to consolidate a previously off-balance sheet automobile loan securitization transaction.

As shown in the table above, our loan portfolio is diversified by consumer and commercial credit. We designate specific loan types, collateral types, and loan structures as part of our credit concentration policy. C&I lending by segment, specific limits for CRE primary project types, loans secured by residential real estate, shared national credit exposure, and unsecured lending represent examples of specifically tracked components of our concentration management process. Our concentration management process is approved by our board of directors and is one of the strategies utilized to ensure a high quality, well diversified portfolio that is consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile.

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

Table 10 Total Loan and Lease Portfolio by Collateral Type

	At December 31,									
(dollar amounts in millions)	**2012**		2011		2010		2009		2008	
Secured loans:										
Real estate commercial	**$ 9,128**	**22%**	$ 9,557	25%	$ 10,389	27%	$ 11,286	31%	$ 13,121	32%
Real estate consumer	**13,305**	**33**	13,444	35	12,214	32	12,176	33	12,318	30
Vehicles	**6,659**	**16**	6,021	15	7,134	19	4,600	13	6,063	15

Receivables/Inventory	**5,178**	**13**	4,450	11	3,763	10	3,582	10	3,915	10
Machinery/Equipment	**2,749**	**7**	1,994	5	1,766	5	1,772	5	1,916	5
Securities/Deposits	**826**	**2**	800	2	734	2	1,145	3	862	2
Other	**1,090**	**3**	1,018	3	990	2	1,124	2	1,231	2
Total secured loans and leases	**38,935**	**96**	37,284	96	36,990	97	35,685	97	39,426	96
Unsecured loans and leases	**1,793**	**4**	1,640	4	1,117	3	1,106	3	1,666	4
Total loans and leases	**$ 40,728**	**100%**	$ 38,924	100%	$ 38,107	100%	$ 36,791	100%	$ 41,092	100%

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. We utilize a centralized preview and senior loan approval committee, led by our chief credit officer. The risk rating *(see next paragraph)* and complexity of the credit determines the threshold for approval of the senior loan committee with a minimum credit exposure of $10.0 million. For loans not requiring senior loan committee approval, 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. 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 ACL 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 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.

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 leveraged lending. 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 some C&I borrowers have been challenged by the continued weakness in the economy, problem loans have trended downward, reflecting a combination of proactive risk identification and effective workout strategies implemented by our SAD. Nevertheless, some borrowers may no longer have sufficient capital to withstand the extended stress and 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.

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 at origination, (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. 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.

Dedicated real estate professionals originated the majority of the portfolio, with the remainder obtained from prior bank acquisitions. Appraisals are obtained from approved vendors, and are reviewed by an internal appraisal review group comprised of certified appraisers to ensure the quality of the valuation used in the underwriting process. The portfolio is diversified by project type and loan size, and this diversification represents a significant portion of the credit risk management strategies employed for this portfolio. Subsequent to the origination of the loan, the Credit Review group performs testing to provide an independent review and assessment of the quality of the underwriting and/or risk of new loan originations.

Appraisal values are obtained in conjunction with all originations and renewals, and on an as needed basis, in compliance with regulatory requirements. We continue to perform on-going portfolio level reviews within the CRE portfolio. These reviews generate action plans based on occupancy levels or sales volume associated with the projects being reviewed. Property values are updated using appraisals on a regular basis to ensure appropriate decisions regarding the on-going management of the portfolio reflect the changing market conditions. This highly individualized process requires working closely with all of our borrowers, as well as an in-depth knowledge of CRE project lending and the market environment.

In 2010, we segregated our CRE portfolio into core and noncore segments. We believe segregating noncore CRE from core CRE improved 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. We have not subsequently originated any noncore CRE loans.

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and had either an established meaningful relationship with us that generated an acceptable return on capital or demonstrated the prospect of becoming one. The core CRE portfolio was $3.9 billion at December 31, 2012, representing 73% of total CRE loans. The performance of the core portfolio has 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.

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

Table 11 Commercial Real Estate Core vs. Noncore Portfolios

(dollar amounts in millions)

	December 31, 2012					
	Ending Balance	Prior NCOs	ACL $	ACL %	Credit Mark (1)	Nonaccrual Loans
Total core	**$ 3,937**	**$ 21**	**$ 100**	**2.54 %**	**3.06 %**	**$ 41**
Noncore SAD (2)	**597**	**145**	**129**	**21.61**	**36.93**	**82**
Noncore Other	**865**	**18**	**61**	**7.05**	**8.95**	**4**
Total noncore	**1,462**	**163**	**190**	**13.00**	**21.72**	**86**
Total commercial real estate	**$ 5,399**	**$ 184**	**$ 290**	**5.37 %**	**8.49 %**	**$ 127**

	December 31, 2011					
	Ending Balance	Prior NCOs	ACL $	ACL %	Credit Mark (1)	Nonaccrual Loans
Total core	$ 3,978	$ 25	$ 125	3.14 %	3.75 %	$ 26
Noncore SAD (2)	735	253	182	24.76	44.03	195
Noncore Other	1,113	17	88	7.91	9.29	9
Total noncore						