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

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

QUARTERLY PERIOD ENDED June 30, 2012

Commission File Number 1-34073

Huntington Bancshares Incorporated

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

41 South High Street, Columbus, Ohio 43287

Registrant s telephone number (614) 480-8300

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

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

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

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

There were 858,401,176 shares of Registrant s common stock ($0.01 par value) outstanding on June 30, 2012.

Table of Contents

HUNTINGTON BANCSHARES INCORPORATED

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets at June 30, 2012 and December 31, 2011	73
Condensed Consolidated Statements of Income for the three months and six months ended June 30, 2012 and 2011	74
Condensed Consolidated Statements of Comprehensive Income for the three months and six months ended June 30, 2012 and 2011	75
Condensed Consolidated Statements of Changes in Shareholders Equity for the six months ended June 30, 2012 and 2011	76
Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2012 and 2011	77
Notes to Unaudited Condensed Consolidated Financial Statements	78
Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations	
Executive Overview	7
Discussion of Results of Operations	10
Risk Management and Capital:	
Credit Risk	28
Market Risk	45
Liquidity Risk	47
Operational Risk	51
Compliance Risk	52
Capital	52
Business Segment Discussion	56
Additional Disclosures	69
Item 3. Quantitative and Qualitative Disclosures about Market Risk	147
Item 4. Controls and Procedures	147
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	147
Item 1A. Risk Factors	147
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	147
Item 6. Exhibits	148
Signatures	150

Glossary of Acronyms and Terms

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

2011 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2011
ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ALCO	Asset & Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ARRA	American Recovery and Reinvestment Act of 2009
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
C&I	Commercial and Industrial
CapPR	Capital Plan Review
CCAR	Comprehensive Capital Analysis and Review
CDARS	Certificate of Deposit Account Registry Service
CDO	Collateralized Debt Obligations
CDs	Certificates of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CPP	Capital Purchase Program
CRE	Commercial Real Estate
DDA	Demand Deposit Account
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EESA	Emergency Economic Stabilization Act of 2008
EPS	Earnings Per Share
ERISA	Employee Retirement Income Security Act
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FFIEC	Federal Financial Institutions Examination Council
FHA	Federal Housing Administration
FHFA	Federal Housing Finance Agency
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FOMC	Federal Open Market Committee
FNMA	Federal National Mortgage Association
Franklin	Franklin Credit Management Corporation

Table of Contents

FRB	Federal Reserve Bank
FSP	Financial Stability Plan
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
GSIFI	Globally Systemically Important Financial Institution
GSE	Government Sponsored Enterprise
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HASP	Homeowner Affordability and Stability Plan
HCER Act	Health Care and Education Reconciliation Act of 2010
IPO	Initial Public Offering
IRS	Internal Revenue Service
ISE	Interest Sensitive Earnings
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LTV	Loan to Value
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MRC	Market Risk Committee
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NAV	Net Asset Value
NCO	Net Charge-off
NPAs	Nonperforming Assets
NPR	Notice of Proposed Rulemaking
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 17), troubled debt restructured loans (Table 18), accruing loans and leases past due 90 days or more (aging analysis section of Footnote 3), and Criticized commercial loans (credit quality indicators section of Footnote 3).
Reg E	Regulation E of the Electronic Fund Transfer Act
REIT	Real Estate Investment Trust
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SIFIs	Systemically Important Financial Institutions
Sky Financial	Sky Financial Group, Inc.
SRIP	Supplemental Retirement Income Plan

Sky Trust	Sky Bank and Sky Trust, National Association
TAGP	Transaction Account Guarantee Program
TARP	Troubled Asset Relief Program
TARP Capital	Series B Preferred Stock
TCE	Tangible Common Equity
TDR	Troubled Debt Restructured Loan
TLGP	Temporary Liquidity Guarantee Program
Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

Table of Contents

PART I. FINANCIAL INFORMATION

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

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

INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have 145 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. Our over 680 banking offices are located in Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia. Selected financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio and a limited purpose office located in the Cayman Islands and another limited purpose office located in Hong Kong. Our foreign banking activities, in total or with any individual country, are not significant.

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

Our discussion is divided into key segments:

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

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

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

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

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

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

EXECUTIVE OVERVIEW

Summary of 2012 Second Quarter Results

For the quarter, we reported net income of $152.7 million, or $0.17 per common share, compared with $153.3 million, or $0.17 per common share, in the prior quarter (*see Table 1*).

Fully-taxable equivalent net interest income was $434.7 million for the quarter, up $13.6 million, or 3%, from the prior quarter. The increase reflected the benefit of a $1.3 billion, or 3% (10% annualized), increase in average earning assets, and a 2 basis point increase in the fully-taxable equivalent net interest margin to 3.42% from 3.40%. The 2 basis point increase in the net interest margin reflected the benefits from the 5 basis point reduction in the cost of total interest bearing liabilities, as well as $0.8 billion, or 7%, growth in average noninterest bearing deposits. However, there was a 3 basis point negative impact from the mix and yield of earning assets and other items. The acquisition of Fidelity Bank at the end of the prior quarter had a positive 2 basis point impact on the net interest margin, and the recent redemption of two trust preferred securities had a 1 basis point positive impact.

The provision for credit losses increased $2.1 million, or 6%, from the prior quarter. The provision for credit losses in the current quarter was $47.7 million lower than NCOs, reflecting continued improvement in credit quality.

Noninterest income decreased $31.5 million, or 11%. This included a $22.6 million decrease in gain on sale of loans as the prior quarter included a $23.0 million gain associated with that quarter s automobile loan securitization. In addition, other income decreased $9.2 million as the prior quarter included an $11.4 million bargain purchase gain associated with the FDIC-assisted acquisition of Dearborn, Michigan-based Fidelity Bank. Mortgage banking income declined $8.1 million as the benefit of the net mortgage servicing rights decreased by $6.8 million. This was partially offset by an increase in service charges on deposit accounts and capital market fees, reflecting the results of our OCR initiative.

Noninterest expense decreased $18.4 million, or 4%. This reflected a $19.9 million reduction in other expense as the prior quarter included a $23.5 million addition to litigation reserves. Deposit and other insurance expense decreased $5.0 million, and net occupancy declined $3.6 million. The positive impacts from these reductions were partially offset by a $6.1 million increase in outside data processing and other services, a $4.6 million seasonal increase in marketing, and a $4.2 million increase in professional services. Of the total noninterest expense, $6.8 million related to the prior quarter s FDIC-assisted acquisition of Fidelity Bank, of which approximately 40% was one-time in nature and mainly impacted outside data processing and other services and professional services. Of note, noninterest expense included four unrelated items that we believe were one-time in nature that, in total, reduced expenses $6.4 million.

The period end ACL as a percentage of total loans and leases decreased to 2.28%, from 2.37%. The ACL as a percentage of period end NALs decreased to 192% from 206%, as NALs increased $6.6 million, or 1%, to $474.2 million, or 1.19% of total loans and leases. Total NCOs for the 2012 second quarter were $84.2 million, or an annualized 0.82% of average total loans and leases, compared to $83.0 million, or an annualized 0.85%, in the prior quarter.

Our Tier 1 common risk-based capital ratio at June 30, 2012, was 10.08%, down from 10.15% at March 31, 2012, and our tangible common equity ratio increased to 8.41% from 8.33% over this same period. The regulatory Tier 1 risk-based capital ratio at June 30, 2012 was 11.93%, down from 12.22%, at March 31, 2012. This decline reflected an increase in risk-weighted assets due to balance sheet and unfunded commitment growth, as well as the capital actions taken throughout the quarter.

Business Overview

General

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

The second quarter results clearly showed the benefit of 11.6% annualized growth in consumer checking account households and 11.9% annualized growth in commercial relationships, with both electronic banking and service charges on deposits up over 9%. Not only are we gaining customers, we are selling deeper with 76.0% of consumer checking account households and 32.6% commercial relationships now with 4 or more products or services. A portion of our strategic investments remains in the early stages, such as our in-store strategy. In contrast, others have matured and are adding meaningfully to the bottom line, like our customer focused capital markets activities, which posted a record quarter

resulting in 35% linked quarter and 58% year-over-year revenue growth.

Table of Contents

Economy

We continue to see positive trends within our Midwest footprint. Relative to the broader United States, parts of the Midwest continue to experience lower levels of unemployment, strength in manufacturing, and more stable home prices.

Generally, our footprint large metropolitan statistical areas (MSA) unemployment rates were below the national average as of April 2012. In addition, our footprint states have continued to be strong export states. For the three-month average ending April 2012, exports from our footprint states were 3.2% greater than the same period last year. By comparison, overall U.S. exports were 2.9% higher. Office vacancy rates in our footprint MSAs were above the national vacancy rate in the prior quarter, but have remained on declining trends, with the exception of Cincinnati.

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

Legislative and Regulatory

Regulatory reforms continue to be adopted which impose additional restrictions on current business practices. A recent action affecting us was the Federal Reserve BASEL III proposal and the capital plans rule.

BASEL III and the Dodd-Frank Act In June 2012, the FRB, OCC, and FDIC (collectively, the Agencies) each issued Notices of Proposed Rulemaking (NPRs) that would revise and replace the Agencies current capital rules to align with the BASEL III capital standards and meet certain requirements of the Dodd-Frank Act. Certain requirements of the 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 are in a comment period through September 7, 2012 and subject to further modification by the Agencies. We are currently evaluating the impact of the proposed NPRs on our regulatory capital ratios and estimate a reduction of approximately 150 basis points to our BASEL I Tier I Common risk-based capital ratio based on our existing balance sheet composition. We anticipate that our capital ratios, on a BASEL III basis, would continue to exceed the well-capitalized minimum requirements. For additional discussion, please see BASEL III and the Dodd-Frank Act section within the Capital section.

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

During 2011, we participated in the Federal Reserve s Capital Plan Review (CapPR) process and made our capital plan submission in January 2012. On March 14, 2012, we announced that the Federal Reserve had completed its review of our capital plan submission and did not object to our proposed capital actions. During 2012, we will transition into the Federal Reserve s more rigorous CCAR or equivalent process, which had previously been required of only the largest 19 bank holding companies.

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

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

Expectations

For the remainder of 2012, average net interest income is expected to show modest improvement from the second quarter level as we anticipate an increase in total loans, excluding the impacts of any future loan securitizations. Those benefits to net interest income are expected to be mostly offset, however, by downward NIM pressure due to the anticipated competitive pressures on loan pricing, as well as lower rate securities through reinvestment, and declining positive impacts from deposit repricing. The C&I portfolio is expected to continue to show meaningful growth. Our sales pipeline remains robust with much of this reflecting the positive impact from strategic initiatives to expand our commercial

lending expertise into areas such as specialty banking, asset based lending, and equipment financing. It also reflects our long-standing, continued support of middle market and small business lending. Automobile loan balances are expected to grow from period-end balances. Residential mortgages and home equity loans are expected to be relatively flat as we continue to evaluate the impact of the proposed capital rules recently released by our regulators. CRE loans likely will experience modest levels of declines from current levels.

Table of Contents

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

Noninterest income is expected to show a modest increase from the 2012 second quarter level after excluding the impacts of any future automobile loan securitization gains and any net MSR impact. This growth is expected to reflect primarily the continued growth in new customers and increased contribution from key fee income activities including capital markets, treasury management services, and brokerage, as well as the continued positive impact of our cross-sell and product penetration initiatives throughout the company.

Noninterest expense continued to run at levels above our long-term expectations relative to revenue. For the full year, we continue to anticipate positive operating leverage and modest improvement in our expense efficiency ratio. This will likely reflect the benefit of revenue growth as we expect expenses could increase slightly. While we will continue our focus on improving expense efficiencies throughout the company, additional regulatory costs and expenses associated with strategic actions, including the planned opening of over 30 in-store branches, may offset some of the improvements. Credit quality is expected to experience continued improvement. The level of provision for credit losses in the first half of the year was at the low end of our long-term expectation, and we expect some quarterly volatility given the absolute low level of provision and the uncertain and uneven nature of the economic recovery.

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

Table of Contents

DISCUSSION OF RESULTS OF OPERATIONS

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

Table of Contents

Table 1 - Selected Quarterly Income Statement Data (1)

	2012			2011	
(dollar amounts in thousands, except per share amounts)	**Second**	First	Fourth	Third	Second
Interest income	**$ 487,544**	$ 479,937	$ 485,216	$ 490,996	$ 492,137
Interest expense	**58,582**	62,728	70,191	84,518	88,800
Net interest income	**428,962**	417,209	415,025	406,478	403,337
Provision for credit losses	**36,520**	34,406	45,291	43,586	35,797
Net interest income after provision for credit losses	**392,442**	382,803	369,734	362,892	367,540
Service charges on deposit accounts	**65,998**	60,292	63,324	65,184	60,675
Trust services	**29,914**	30,906	28,775	29,473	30,392
Electronic banking	**20,514**	18,630	18,282	32,901	31,728
Mortgage banking income	**38,349**	46,418	24,098	12,791	23,835
Brokerage income	**19,025**	19,260	18,688	20,349	20,819
Insurance income	**17,384**	18,875	17,906	17,220	16,399
Bank owned life insurance income	**13,967**	13,937	14,271	15,644	17,602
Capital markets fees	**13,455**	9,982	9,811	11,256	8,537
Gain on sale of loans	**4,131**	26,770	2,884	19,097	2,756
Automobile operating lease income	**2,877**	3,775	4,727	5,890	7,307
Securities gains (losses)	**350**	(613)	(3,878)	(1,350)	1,507
Other income	**27,855**	37,088	30,464	30,104	34,210
Total noninterest income	**253,819**	285,320	229,352	258,559	255,767
Personnel costs	**243,034**	243,498	228,101	226,835	218,570
Outside data processing and other services	**48,149**	42,058	53,422	49,602	43,889
Net occupancy	**25,474**	29,079	26,841	26,967	26,885
Equipment	**24,872**	25,545	25,884	22,262	21,921
Deposit and other insurance expense	**15,731**	20,738	18,481	17,492	23,823
Marketing	**21,365**	16,776	16,379	22,251	20,102
Professional services	**15,458**	11,230	16,769	20,281	20,080
Amortization of intangibles	**11,940**	11,531	13,175	13,387	13,386
Automobile operating lease expense	**2,183**	2,854	3,362	4,386	5,434
OREO and foreclosure expense	**4,106**	4,950	5,009	4,668	4,398
Gain on early extinguishment of debt	**(2,580)**		(9,697)		
Other expense	**34,537**	54,417	32,548	30,987	29,921
Total noninterest expense	**444,269**	462,676	430,274	439,118	428,409
Income before income taxes	**201,992**	205,447	168,812	182,333	194,898
Provision for income taxes	**49,286**	52,177	41,954	38,942	48,980
Net income	**$ 152,706**	$ 153,270	$ 126,858	$ 143,391	$ 145,918
Dividends on preferred shares	**7,984**	8,049	7,703	7,703	7,704
Net income applicable to common shares	**$ 144,722**	$ 145,221	$ 119,155	$ 135,688	$ 138,214
Average common shares basic	**862,261**	864,499	864,136	863,911	863,358
Average common shares diluted	**867,551**	869,164	868,156	867,633	867,469

Net income per common share basic	**$ 0.17**	$ 0.17	$ 0.14	$ 0.16	$ 0.16
Net income per common share diluted	**0.17**	0.17	0.14	0.16	0.16
Cash dividends declared per common share	**0.04**	0.04	0.04	0.04	0.01
Return on average total assets	**1.10 %**	1.13 %	0.92 %	1.05 %	1.11 %
Return on average common shareholders equity	**11.1**	11.4	9.3	10.8	11.6
Return on average tangible common shareholders equity (2)	**13.1**	13.5	11.2	13.0	13.3
Net interest margin (3)	**3.42**	3.40	3.38	3.34	3.40
Efficiency ratio (4)	**62.8**	63.8	64.0	63.5	62.7
Effective tax rate	**24.4**	25.4	24.9	21.4	25.1
Revenue FTE					
Net interest income	**$ 428,962**	$ 417,209	$ 415,025	$ 406,478	$ 403,337
FTE adjustment	**5,747**	3,935	3,479	3,658	3,834
Net interest income (3)	**434,709**	421,144	418,504	410,136	407,171
Noninterest income	**253,819**	285,320	229,352	258,559	255,767
Total revenue (3)	**$ 688,528**	$ 706,464	$ 647,856	$ 668,695	$ 662,938

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

Table of Contents

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

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

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

Table of Contents

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

(dollar amounts in thousands, except per share amounts)	Six Months Ended June 30, 2012	2011	Change Amount	Percent
Interest income	**$ 967,481**	$ 994,014	$ (26,533)	(3)%
Interest expense	**121,310**	186,347	(65,037)	(35)
Net interest income	**846,171**	807,667	38,504	5
Provision for credit losses	**70,926**	85,182	(14,256)	(17)
Net interest income after provision for credit losses	**775,245**	722,485	52,760	7
Service charges on deposit accounts	**126,290**	114,999	11,291	10
Trust services	**60,820**	61,134	(314)	(1)
Electronic banking	**39,144**	60,514	(21,370)	(35)
Mortgage banking income	**84,767**	46,519	38,248	82
Brokerage income	**38,285**	41,330	(3,045)	(7)
Insurance income	**36,259**	34,344	1,915	6
Bank owned life insurance income	**27,904**	32,421	(4,517)	(14)
Capital markets fees	**23,437**	15,473	7,964	51
Gain on sale of loans	**30,901**	9,963	20,938	210
Automobile operating lease income	**6,652**	16,154	(9,502)	(59)
Securities gains (losses)	**(263)**	1,547	(1,810)	(117)
Other income	**64,943**	58,314	6,629	11
Total noninterest income	**539,139**	492,712	46,427	9
Personnel costs	**486,532**	437,598	48,934	11
Outside data processing and other services	**90,207**	84,171	6,036	7
Net occupancy	**54,553**	55,321	(768)	(1)
Equipment	**50,417**	44,398	6,019	14
Deposit and other insurance expense	**36,469**	41,719	(5,250)	(13)
Marketing	**38,141**	36,997	1,144	3
Professional services	**26,688**	33,545	(6,857)	(20)
Amortization of intangibles	**23,471**	26,756	(3,285)	(12)
Automobile operating lease expense	**5,037**	12,270	(7,233)	(59)
OREO and foreclosure expense	**9,056**	8,329	727	9
Gain on early extinguishment of debt	**(2,580)**		(2,580)	
Other expense	**88,954**	78,004	10,950	14
Total noninterest expense	**906,945**	859,108	47,837	6
Income before income taxes	**407,439**	356,089	51,350	14
Provision for income taxes	**101,463**	83,725	17,738	21
Net income	**$ 305,976**	$ 272,364	$ 33,612	12 %
Dividends declared on preferred shares	**16,033**	15,407	626	4
Net income applicable to common shares	**$ 289,943**	$ 256,957	$ 32,986	13 %
Average common shares basic	**863,380**	863,358	22	%
Average common shares diluted (2)	**868,357**	867,353	1,004	

Per common share				
Net income per common share - basic	**$ 0.34**	$ 0.30	$ 0.04	13 %
Net income per common share - diluted	**0.33**	0.30	0.03	10
Cash dividends declared	**0.08**	0.02	0.06	300
Return on average total assets	**1.11 %**	1.03 %	0.08 %	8 %
Return on average common shareholders equity	**11.3**	11.0	0.3	3
Return on average tangible common shareholders equity (3)	**13.3**	13.4	(0.1)	(1)
Net interest margin (4)	**3.41**	3.41		
Efficiency ratio (5)	**63.3**	63.7	(0.4)	(1)
Effective tax rate	**24.9**	23.5	1.4	6
Revenue FTE				
Net interest income	**$ 846,171**	$ 807,667	$ 38,504	5 %
FTE adjustment	**9,682**	7,779	1,903	24
Net interest income (4)	**855,853**	815,446	40,407	5
Noninterest income	**539,139**	492,712	46,427	9
Total revenue (4)	**$ 1,394,992**	$ 1,308,158	$ 86,834	7 %

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

(2) For all periods presented, the impact of the 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 preferred stock and warrants were repurchased in December 2010 and January 2011, respectively.

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

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

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

Significant Items

Definition of Significant Items

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

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

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

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

Significant Items Influencing Financial Performance Comparisons

There were not any Significant Items for the current quarter. Earnings comparisons were impacted by the Significant Items summarized below.

1. **Litigation Reserve.** $23.5 million and $17.0 million of additions to litigation reserves were recorded as other noninterest expense in the first quarter of 2012 and 2011, respectively. This resulted in a negative impact of $0.02 per common share in 2012 and $0.01 per common share in 2011 for both quarterly and year-to-date basis.
2. **Bargain Purchase Gain.** During the 2012 first quarter, an $11.4 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition was recorded in noninterest income. This resulted in a positive impact of $0.01 per common share for both the quarterly and year-to-date basis.

Table of Contents

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

Table 3 - Significant Items Influencing Earnings Performance Comparison

	Three Months Ended					
	June 30, 2012		March 31, 2012		June 30, 2011	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS (2)**	After-tax	EPS (2)	After-tax	EPS (2)
Net income GAAP	**$ 152,706**		$ 153,270		$ 145,918	
Earnings per share, after tax		**$ 0.17**		$ 0.17		$ 0.16
Change from prior quarter $				0.03		0.02
Change from prior quarter %		**%**		21 %		14 %
Change from year-ago $		**$ 0.01**		$ 0.03		$ 0.13
Change from year-ago %		**6 %**		21 %		433 %
Significant Items favorable (unfavorable) impact:	**Earnings (1)**	**EPS (2)**	Earnings (1)	EPS (2)	Earnings (1)	EPS (2)
Bargain purchase gain	**$**	**$**	$ 11,409	$ 0.01	$	$
Litigation reserves addition			(23,500)	(0.02)		

	Six Months Ended			
	June 30, 2012		June 30, 2011	
(dollar amounts in thousands)	**After-tax**	**EPS (2)**	After-tax	EPS (2)
Net income	**$ 305,976**		$ 272,364	
Earnings per share, after tax		**$ 0.33**		$ 0.30
Change from a year-ago $		**0.03**		0.26
Change from a year-ago %		**10 %**		650 %
Significant Items favorable (unfavorable) impact:	**Earnings (1)**	**EPS (2)**	Earnings (1)	EPS (2)
Bargain purchase gain	**$ 11,409**	**$ 0.01**	$	$
Litigation reserves addition	**(23,500)**	**(0.02)**	(17,028)	(0.01)

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

Net Interest Income / Average Balance Sheet

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

Table 4 - Consolidated Quarterly Average Balance Sheets

	Average Balances				
	2012		2011		
(dollar amounts in millions)	**Second**	First	Fourth	Third	Second
Assets					
Interest-bearing deposits in banks	**$ 124**	$ 100	$ 107	$ 164	$ 131
Trading account securities	**54**	50	81	92	112
Federal funds sold and securities purchased under resale agreement					21
Loans held for sale	**410**	1,265	316	237	181
Available-for-sale and other securities:					
Taxable	**8,285**	8,171	8,065	7,902	8,428
Tax-exempt	**387**	404	409	421	436
Total available-for-sale and other securities	**8,672**	8,575	8,474	8,323	8,864
Held-to-maturity securities taxable	**611**	632	650	665	174
Loans and leases: (1)					
Commercial:					
Commercial and industrial	**16,094**	14,824	14,219	13,664	13,370
Commercial real estate:					
Construction	**584**	598	533	670	554
Commercial	**5,491**	5,254	5,425	5,441	5,679
Commercial real estate	**6,075**	5,852	5,958	6,111	6,233
Total commercial	**22,169**	20,676	20,177	19,775	19,603
Consumer:					
Automobile	**4,985**	4,576	5,639	6,211	5,954
Home equity	**8,310**	8,234	8,149	8,002	7,874
Residential mortgage	**5,253**	5,174	5,043	4,788	4,566
Other consumer	**462**	485	511	521	538
Total consumer	**19,010**	18,469	19,342	19,522	18,932
Total loans and leases	**41,179**	39,145	39,519	39,297	38,535
Allowance for loan and lease losses	**(908)**	(961)	(1,014)	(1,066)	(1,128)
Net loans and leases	**40,271**	38,184	38,505	38,231	37,407
Total earning assets	**51,050**	49,767	49,147	48,778	48,018
Cash and due from banks	**928**	1,012	1,671	1,700	1,068
Intangible assets	**609**	613	625	639	652
All other assets	**4,158**	4,225	4,221	4,142	4,160
Total assets	**$ 55,837**	$ 54,656	$ 54,650	$ 54,193	$ 52,770
Liabilities and Shareholders Equity					

Deposits:					
Demand deposits noninterest-bearing	**$ 12,064**	$ 11,273	$ 10,716	$ 8,719	$ 7,806
Demand deposits interest-bearing	**5,939**	5,646	5,570	5,573	5,565
Money market deposits	**13,182**	13,141	13,594	13,321	12,879
Savings and other domestic deposits	**4,978**	4,817	4,706	4,752	4,778
Core certificates of deposit	**6,618**	6,510	6,769	7,592	8,079
Total core deposits	**42,781**	41,387	41,355	39,957	39,107
Other domestic time deposits of $250,000 or more	**298**	347	405	387	467
Brokered deposits and negotiable CDs	**1,421**	1,301	1,410	1,533	1,333
Deposits in foreign offices	**357**	430	434	401	347
Total deposits	**44,857**	43,465	43,604	42,278	41,254
Short-term borrowings	**1,391**	1,512	1,728	2,251	2,112
Federal Home Loan Bank advances	**626**	419	29	285	97
Subordinated notes and other long-term debt	**2,251**	2,652	2,866	3,030	3,249
Total interest-bearing liabilities	**37,061**	36,775	37,511	39,125	38,906
All other liabilities	**1,094**	1,116	978	1,017	913
Shareholders equity	**5,618**	5,492	5,445	5,332	5,145
Total liabilities and shareholders equity	**$ 55,837**	$ 54,656	$ 54,650	$ 54,193	$ 52,770

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

Table of Contents

Table 5 - Consolidated Quarterly Net Interest Margin Analysis

	Average Rates (2)				
	2012		2011		
Fully-taxable equivalent basis (1)	**Second**	First	Fourth	Third	Second
Assets					
Interest-bearing deposits in banks	**0.31 %**	0.05 %	0.06 %	0.04 %	0.22 %
Trading account securities	**1.64**	1.65	0.97	1.41	1.59
Federal funds sold and securities purchased under resale agreement					0.09
Loans held for sale	**3.46**	3.80	3.96	4.46	4.97
Available-for-sale and other securities:					
Taxable	**2.33**	2.39	2.37	2.43	2.59
Tax-exempt	**4.23**	4.17	4.22	4.17	4.02
Total available-for-sale and other securities	**2.41**	2.47	2.46	2.52	2.66
Held-to-maturity securities taxable	**2.97**	2.98	2.99	3.04	2.96
Loans and leases: (3)					
Commercial:					
Commercial and industrial	**3.99**	4.01	4.01	4.13	4.31
Commercial real estate:					
Construction	**3.66**	3.85	4.78	3.87	3.37
Commercial	**3.93**	3.82	3.91	3.91	3.90
Commercial real estate	**3.89**	3.82	3.99	3.91	3.84
Total commercial	**3.97**	3.96	4.01	4.06	4.16
Consumer:					
Automobile	**4.68**	4.87	4.80	4.89	5.06
Home equity	**4.30**	4.30	4.41	4.45	4.49
Residential mortgage	**4.14**	4.17	4.30	4.47	4.62
Other consumer	**7.42**	7.47	7.32	7.57	7.76
Total consumer	**4.43**	4.49	4.57	4.68	4.79
Total loans and leases	**4.18**	4.21	4.28	4.37	4.47
Total earning assets	**3.89 %**	3.91 %	3.95 %	4.02 %	4.14 %
Liabilities					
Deposits:					
Demand deposits noninterest-bearing	**%**	%	%	%	%
Demand deposits interest-bearing	**0.07**	0.06	0.08	0.10	0.09
Money market deposits	**0.30**	0.26	0.32	0.41	0.40
Savings and other domestic deposits	**0.39**	0.45	0.52	0.69	0.74
Core certificates of deposit	**1.38**	1.60	1.69	1.95	2.04
Total core deposits	**0.50**	0.54	0.61	0.77	0.82
Other domestic time deposits of $250,000 or more	**0.66**	0.68	0.78	0.93	1.01
Brokered deposits and negotiable CDs	**0.75**	0.79	0.77	0.77	0.89
Deposits in foreign offices	**0.19**	0.18	0.19	0.26	0.26
Total deposits	**0.51**	0.55	0.61	0.77	0.82
Short-term borrowings	**0.16**	0.16	0.18	0.16	0.16
Federal Home Loan Bank advances	**0.21**	0.21	2.09	0.32	0.88

Subordinated notes and other long-term debt	**2.83**	2.74	2.56	2.43	2.39
Total interest-bearing liabilities	**0.63 %**	0.68 %	0.74 %	0.86 %	0.91 %
Net interest rate spread	**3.18 %**	3.15 %	3.15 %	3.11 %	3.19 %
Impact of noninterest-bearing funds on margin	**0.25**	0.25	0.23	0.22	0.21
Net interest margin	**3.42 %**	3.40 %	3.38 %	3.34 %	3.40 %

(1) FTE yields are calculated assuming a 35% tax rate.
(2) Loan and lease and deposit average rates include impact of applicable derivatives, non-deferrable fees, and amortized deferred fees.
(3) For purposes of this analysis, NALs are reflected in the average balances of loans.

Table of Contents

Table 6 - Average Loans/Leases and Deposits

	Second Quarter		First Quarter	2Q12 vs 2Q11		2Q12 vs 1Q12	
(dollar amounts in millions)	**2012**	2011	2012	Amount	Percent	Amount	Percent
Loans/Leases:							
Commercial and industrial	**$ 16,094**	$ 13,370	$ 14,824	$ 2,724	20%	$ 1,270	9%
Commercial real estate	**6,075**	6,233	5,852	(158)	(3)	223	4
Total commercial	**22,169**	19,603	20,676	2,566	13	1,493	7
Automobile	**4,985**	5,954	4,576	(969)	(16)	409	9
Home equity	**8,310**	7,874	8,234	436	6	76	1
Residential mortgage	**5,253**	4,566	5,174	687	15	79	2
Other loans	**462**	538	485	(76)	(14)	(23)	(5)
Total consumer	**19,010**	18,932	18,469	78		541	3
Total loans and leases	**$ 41,179**	$ 38,535	$ 39,145	$ 2,644	7%	$ 2,034	5%
Deposits:							
Demand deposits noninterest-bearing	**$ 12,064**	$ 7,806	$ 11,273	$ 4,258	55%	$ 791	7%
Demand deposits interest-bearing	**5,939**	5,565	5,646	374	7	293	5
Total demand deposits	**18,003**	13,371	16,919	4,632	35	1,084	6
Money market deposits	**13,182**	12,879	13,141	303	2	41	
Savings and other domestic time deposits	**4,978**	4,778	4,817	200	4	161	3
Core certificates of deposit	**6,618**	8,079	6,510	(1,461)	(18)	108	2
Total core deposits	**42,781**	39,107	41,387	3,674	9	1,394	3
Other deposits	**2,076**	2,147	2,078	(71)	(3)	(2)	(0)
Total deposits	**$ 44,857**	$ 41,254	$ 43,465	$ 3,603	9%	$ 1,392	3%

2012 Second Quarter versus 2011 Second Quarter

Fully-taxable equivalent net interest income increased $27.5 million, or 7%, from the year-ago quarter. This reflected a $3.0 billion, or 6%, increase in average total earning assets and a 2 basis point increase in the FTE net interest margin. The increase in average earning assets reflected:

- $2.6 billion, or 7%, increase in average total loans and leases.
- $0.4 billion, or 251%, increase in average held-to-maturity securities.
- $0.2 billion, 127%, increase in average loans held for sale.

Partially offset by:

- $0.2 billion, or 2%, decrease in average total available-for-sale and other securities.

The 2 basis point increase in the FTE net interest margin reflected the 28 basis point positive impact from the reduction in the cost of average total interest-bearing liabilities, partially offset by a 25 basis point negative impact from lower earning asset yields and a shift to lower-yield, higher quality credits and other items.

The $2.6 billion, or 7%, increase in average total loans and leases primarily reflected:

$2.7 billion, or 20%, growth in the average C&I portfolio primarily reflecting a combination of factors, including the benefits from our strategic initiatives focusing on equipment finance and large corporate. In addition, we continued to see strong growth in more traditional middle-market and business banking loans. This growth was evident despite line utilization rates that remained well below historical norms.

$0.7 billion, or 15%, increase in average residential mortgages reflecting a purposeful decision to sell a lower percentage of mortgages during the second half of 2011.

$0.4 billion, or 6%, increase in average home equity loans with over 70% of new originations in 2012 in a first lien position.

Table of Contents

Partially offset by:

- $1.0 billion, or 16%, decrease in the average automobile portfolio. This reflected the impact of our continued program of the securitization and sale of such loans. Specifically, $1.0 billion in the 2011 third quarter and $1.3 billion in the 2012 first quarter. While not impacting averages, $1.3 billion of automobile loans was reclassified to loans held for sale at the end of the current quarter in preparation for an expected securitization in the second half of 2012.

The $3.6 billion, or 9%, increase in average total deposits from the year-ago quarter reflected:

- $3.7 billion, or 9%, growth in average total core deposits. The drivers of this change were a $4.6 billion, or 35%, growth in average total demand deposits and more modest growth in both money market deposits and savings and other domestic deposits, partially offset by $1.5 billion, or 18%, decline in average core certificates of deposit.

2012 Second Quarter versus 2012 First Quarter

Fully-taxable equivalent net interest income increased $13.6 million, or 3%, from the 2012 first quarter. This reflected the combined positive impacts of a $1.3 billion, or 3%, increase in average earning assets and a 2 basis point increase in the FTE net interest margin. The increase in average earnings assets reflected a $2.0 billion, or 5%, increase in average total loans and leases, partially offset by a $0.8 billion decline in average loans held for sale, reflecting last quarter s $1.3 billion automobile loan securitization and sale. The primary item impacting the increase in the FTE net interest margin was:

- 5 basis point positive impact from the reduction in the cost of average total interest bearing liabilities, as well as 7% growth in average noninterest bearing deposits.

Partially offset by:

- 3 basis point negative impact from lower earning asset yields and a shift to lower-yield, higher quality credits and other items.

The acquisition of Fidelity Bank at the end of the prior quarter had a 2 basis point positive impact to the FTE net interest margin, and the current quarter s redemption of two issuances of trust preferred securities had a 1 basis point positive impact.

The $2.0 billion, or 5%, increase in average total loans and leases from the 2012 first quarter reflected:

- $1.3 billion, or 9%, growth in average total C&I loans. This reflected the continued elevated level of activity from multiple business lines including middle market and equipment finance, as well as the full quarter impact of the Fidelity Bank related loans.

- $0.4 billion, or 9%, growth in average automobile loans. Automobile loan originations were more than $1.1 billion. At the end of the quarter, $1.3 billion of automobile loans were reclassified to loans held for sale in preparation of a securitization in the second half of 2012.

- $0.2 billion, or 4%, growth in average CRE loans. This reflected the full quarter impact of the Fidelity Bank related loans partially offset by continued runoff of the noncore portfolio.

The $1.4 billion, or 3%, increase in average total deposits from the 2012 first quarter reflected:

- $1.1 billion, or 6%, increase in average total demand deposits.

- $0.2 billion, or 3%, increase in average savings and other domestic time deposits.

- $0.1 billion, or 2%, increase in core certificates of deposit.

The acquisition of Fidelity Bank at the end of the prior quarter contributed $0.5 billion to average total loans and $0.7 billion to average total deposits in the current quarter.

Table of Contents

Table 7 - Consolidated YTD Average Balance Sheets and Net Interest Margin Analysis

	YTD Average Balances				YTD Average Rates (2)	
Fully-taxable equivalent basis (1)	Six Months Ended June 30,		Change		Six Months Ended June 30,	
(dollar amounts in millions)	**2012**	2011	Amount	Percent	**2012**	2011
Assets						
Interest-bearing deposits in banks	**$ 112**	$ 130	$ (18)	(14)%	**0.19 %**	0.17%
Trading account securities	**52**	128	(76)	(59)	**1.65**	1.47
Federal funds sold and securities purchased under resale agreement		11	(11)	(100)	**0.29**	0.09
Loans held for sale	**837**	300	537	179	**3.71**	4.36
Available-for-sale and other securities:						
Taxable	**8,228**	8,766	(538)	(6)	**2.36**	2.56
Tax-exempt	**396**	441	(45)	(10)	**4.20**	4.37
Total available-for-sale and other securities	**8,624**	9,207	(583)	(6)	**2.44**	2.65
Held-to-maturity securities taxable	**622**	87	535	615	**2.98**	2.95
Loans and leases: (3)						
Commercial:						
Commercial and industrial	**15,458**	13,246	2,212	17	**4.00**	4.44
Commercial real estate:						
Construction	**591**	582	9	2	**3.76**	3.37
Commercial	**5,373**	5,795	(422)	(7)	**3.88**	3.91
Commercial real estate	**5,964**	6,377	(413)	(6)	**3.87**	3.86
Total commercial	**21,422**	19,623	1,799	9	**3.96**	4.25
Consumer:						
Automobile	**4,781**	5,829	(1,048)	(18)	**4.77**	5.14
Home equity	**8,272**	7,801	471	6	**4.30**	4.51
Residential mortgage	**5,214**	4,516	698	15	**4.15**	4.69
Other consumer	**473**	548	(75)	(14)	**7.44**	7.80
Total consumer	**18,740**	18,694	46		**4.46**	4.85
Total loans and leases	**40,162**	38,317	1,845	5	**4.20**	4.54
Allowance for loan and lease losses	**(934)**	(1,179)	245	(21)		
Net loans and leases	**39,228**	37,138	2,090	6		
Total earning assets	**50,409**	48,180	2,229	5	**3.90%**	4.19%
Cash and due from banks	**970**	1,183	(213)	(18)		
Intangible assets	**611**	659	(48)	(7)		
All other assets	**4,191**	4,224	(33)	(1)		
Total assets	**$ 55,247**	$ 53,067	$ 2,180	4 %		
Liabilities and Shareholders Equity						
Deposits:						
Demand deposits noninterest-bearing	**$ 11,668**	$ 7,571	$ 4,097	54%	**%**	%

Demand deposits interest-bearing	**5,792**	5,462	330	6	**0.06**	0.09
Money market deposits	**13,162**	13,184	(22)		**0.28**	0.45
Savings and other domestic deposits	**4,898**	4,740	158	3	**0.42**	0.78
Core certificates of deposit	**6,564**	8,234	(1,670)	(20)	**1.49**	2.05
Total core deposits	**42,084**	39,191	2,893	7	**0.52**	0.86
Other domestic time deposits of $250,000 or more	**323**	536	(213)	(40)	**0.67**	1.05
Brokered deposits and negotiable CDs	**1,361**	1,372	(11)	(1)	**0.77**	1.00
Deposits in foreign offices	**393**	360	33	9	**0.19**	0.23
Total deposits	**44,161**	41,459	2,702	7	**0.53**	0.86
Short-term borrowings	**1,451**	2,123	(672)	(32)	**0.16**	0.17
Federal Home Loan Bank advances	**523**	63	460	730	**0.21**	1.36
Subordinated notes and other long-term debt	**2,452**	3,386	(934)	(28)	**2.78**	2.36
Total interest-bearing liabilities	**36,919**	39,460	(2,541)	(6)	**0.66**	0.95
All other liabilities	**1,105**	952	153	16		
Shareholders equity	**5,555**	5,084	471	9		
Total liabilities and shareholders equity	**$ 55,247**	$ 53,067	$ 2,180	4%		
Net interest rate spread					**3.16**	3.20
Impact of noninterest-bearing funds on margin					**0.25**	0.21
Net interest margin					**3.41%**	3.41%

Table of Contents

(1) FTE yields are calculated assuming a 35% tax rate.
(2) Loan, lease, and deposit average rates include the impact of applicable derivatives, non-deferrable fees, and amortized deferred fees.
(3) For purposes of this analysis, nonaccrual loans are reflected in the average balances of loans.

2012 First Six Months versus 2011 First Six Months

Fully-taxable equivalent net interest income for the first six-month period of 2012 increased $40.4 million, or 5%, from the comparable year-ago period. This reflected the benefit of a 5% increase in average total earning assets. The fully-taxable equivalent net interest margin was unchanged at 3.41%. The increase in average earning assets reflected a combination of factors including:

- $1.8 billion, or 5%, increase in average total loans and leases.
- $0.5 billion, or 179%, increase in average loans held for sale.
- $0.5 billion, or 615%, increase in average held-to-maturity securities.

Partially offset by:

- $0.6 billion, or 6%, decline in average total available-for-sale and other securities.

The following table details the change in our reported loans and deposits:

Table 8 - Average Loans/Leases and Deposits - 2012 First Six Months vs. 2011 First Six Months

	Six Months Ended June 30,		Change	
(dollar amounts in millions)	**2012**	2011	Amount	Percent
Loans/Leases:				
Commercial and industrial	**$ 15,458**	$ 13,246	$ 2,212	17 %
Commercial real estate	**5,964**	6,377	(413)	(6)
Total commercial	**21,422**	19,623	1,799	9
Automobile	**4,781**	5,829	(1,048)	(18)
Home equity	**8,272**	7,801	471	6
Residential mortgage	**5,214**	4,516	698	15
Other consumer	**473**	548	(75)	(14)
Total consumer	**18,740**	18,694	46	
Total loans and leases	**$ 40,162**	$ 38,317	$ 1,845	5 %
Deposits:				
Demand deposits noninterest-bearing	**$ 11,668**	$ 7,571	$ 4,097	54 %
Demand deposits interest-bearing	**5,792**	5,462	330	6
Total demand deposits	**17,460**	13,033	4,427	34
Money market deposits	**13,162**	13,184	(22)	
Savings and other domestic deposits	**4,898**	4,740	158	3
Core certificates of deposit	**6,564**	8,234	(1,670)	(20)

Total core deposits	**42,084**	39,191	2,893	7
Other deposits	**2,077**	2,268	(191)	(8)
Total deposits	**$ 44,161**	$ 41,459	$ 2,702	7 %

The $1.8 billion, or 5%, increase in average total loans and leases primarily reflected:

$2.2 billion, or 17%, increase in the average C&I portfolio, primarily reflecting a combination of factors, including the benefits from our strategic initiatives focusing on equipment finance and large corporate. In addition, we continued to see strong growth in more traditional middle-market and business banking loans. This growth was evident despite line utilization rates that remained well below historical norms.

$0.7 billion, or 15%, increase in the average residential mortgage portfolio, primarily reflecting a purposeful decision to sell a lower percentage of mortgages in the secondary market during the second half of 2011.

$0.5 billion, or 6%, increase in the average home equity portfolio with over 70% of new originations in 2012 in a first-lien position.

Partially offset by:

- $1.0 billion, or 18%, decline in the average automobile portfolio. This reflected the impact of our continued program of the securitization and sale of such loans. Specifically, $1.0 billion in the 2011 third quarter and $1.3 billion in the 2012 first quarter.
- $0.4 billion, or 6%, decline in the average CRE portfolio, primarily reflecting the continued execution of our plan to reduce the total CRE exposure, primarily in the noncore CRE portfolio. Declines were partially offset by additions to the core CRE portfolio associated with the FDIC-assisted acquisition of Fidelity Bank.

The $2.7 billion, or 7%, increase in average total deposits reflected:

- $4.4 billion, or 34%, increase in demand deposits reflecting an improved deposit mix as a result of growing total number of consumer checking account households as well as our treasury management and OCR focus on growing commercial demand deposits.

Partially offset by:

- $1.7 billion, or 20%, decline in core certificates of deposits.

Table of Contents

Provision for Credit Losses

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

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

The provision for credit losses for the 2012 second quarter was $36.5 million, an increase of $2.1 million, or 6%, from the prior quarter, and $0.7 million, or 2%, from the year-ago quarter. The current quarter s provision for credit losses was $47.7 million less than total NCOs and the provision for credit losses for the first six-month period of 2012 was $96.3 million less than total NCOs. The level of provision for credit losses in the first half of 2012 was at the lower end of our long-term expectation. Some quarter-to-quarter volatility is expected given the absolute low level of the provision for credit losses and the uncertain and uneven nature of the economic recovery. *(See Credit Quality discussion).*

Noninterest Income

(This section should be read in conjunction with Significant Item 2.)

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

Table 9 - Noninterest Income

	2012			2011		2Q12 vs 2Q11		2Q12 vs 1Q12	
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second	Amount	Percent	Amount	Percent
Service charges on deposit accounts	**$ 65,998**	$ 60,292	$ 63,324	$ 65,184	$ 60,675	$ 5,323	9 %	$ 5,706	9 %
Trust services	**29,914**	30,906	28,775	29,473	30,392	(478)	(2)	(992)	(3)
Electronic banking	**20,514**	18,630	18,282	32,901	31,728	(11,214)	(35)	1,884	10
Mortgage banking income	**38,349**	46,418	24,098	12,791	23,835	14,514	61	(8,069)	(17)
Brokerage income	**19,025**	19,260	18,688	20,349	20,819	(1,794)	(9)	(235)	(1)
Insurance income	**17,384**	18,875	17,906	17,220	16,399	985	6	(1,491)	(8)
Bank owned life insurance income	**13,967**	13,937	14,271	15,644	17,602	(3,635)	(21)	30	
Capital markets fees	**13,455**	9,982	9,811	11,256	8,537	4,918	58	3,473	35
Gain on sale of loans	**4,131**	26,770	2,884	19,097	2,756	1,375	50	(22,639)	(85)
Automobile operating lease income	**2,877**	3,775	4,727	5,890	7,307	(4,430)	(61)	(898)	(24)
Securities gains (losses)	**350**	(613)	(3,878)	(1,350)	1,507	(1,157)	(77)	963	(157)
Other income	**27,855**	37,088	30,464	30,104	34,210	(6,355)	(19)	(9,233)	(25)
Total noninterest income	**$ 253,819**	$ 285,320	$ 229,352	$ 258,559	$ 255,767	$ (1,948)	(1)%	$ (31,501)	(11)%

2012 Second Quarter versus 2011 Second Quarter

The $1.9 million, or 1%, decrease in total noninterest income from the year-ago quarter reflected:

$11.2 million, or 35%, decline in electronic banking income related to implementing the lower debit card interchange fee structure mandated in the Durbin Amendment of the Dodd-Frank Act.

$6.4 million, or 19%, decrease in other income, as the prior year-ago quarter reflected an increased value in a loan servicing asset.

$4.4 million, or 61%, decline in automobile operating lease income, reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

$3.6 million, or 21%, decline in bank owned life insurance income.

Partially offset by:

$14.5 million, or 61%, increase in mortgage banking income. This primarily reflected an $18.7 million increase in origination and secondary marketing income. Also impacting the year-over-year comparison was a $0.8 million net MSR hedging gain in the current quarter compared to a net MSR hedging gain of $4.7 million in the year-ago quarter.

$5.3 million, or 9%, increase in service charges on deposits, primarily reflecting continued strong customer growth.

$4.9 million, or 58%, increase in capital markets fees reflecting strong customer demand for interest rate protection and other risk management products.

Table of Contents

2012 Second Quarter versus 2012 First Quarter

The $31.5 million, or 11%, decrease in total noninterest income from the prior quarter reflected:

$22.6 million, or 85%, decline in gain on sale of loans, as the previous quarter included a $23.0 million automobile loan securitization gain.

$9.2 million, or 25%, decline in other income, reflecting the prior quarter s $11.4 million bargain purchase gain associated with the FDIC-assisted Fidelity Bank acquisition.

$8.1 million, or 17%, decline in mortgage banking income. This primarily reflected a $6.8 million decline in net MSR hedging gains, and a $1.1 million decline in origination and secondary marketing income.

Partially offset by:

$5.7 million, or 9%, increase in service charges on deposit accounts, reflecting continued growth in consumer households and business relationships.

$3.5 million, or 35%, increase in capital market fees, primarily reflecting strong customer demand for interest rate protection and other risk management products.

2012 First Six Months versus 2011 First Six Months

Noninterest income for the first six-month period of 2012 increased $46.4 million, or 9%, from the comparable year-ago period.

Table 10 - Noninterest Income - 2012 First Six Months vs. 2011 First Six Months

	Six Months Ended June 30,		Change	
(dollar amounts in thousands)	**2012**	2011	Amount	Percent
Service charges on deposit accounts	**$ 126,290**	$ 114,999	$ 11,291	10 %
Trust services	**60,820**	61,134	(314)	(1)
Electronic banking	**39,144**	60,514	(21,370)	(35)
Mortgage banking income	**84,767**	46,519	38,248	82
Brokerage income	**38,285**	41,330	(3,045)	(7)
Insurance income	**36,259**	34,344	1,915	6
Bank owned life insurance income	**27,904**	32,421	(4,517)	(14)
Capital markets fees	**23,437**	15,473	7,964	51
Gain on sale of loans	**30,901**	9,963	20,938	210
Automobile operating lease income	**6,652**	16,154	(9,502)	(59)
Securities gains (losses)	**(263)**	1,547	(1,810)	(117)
Other income	**64,943**	58,314	6,629	11
Total noninterest income	**$ 539,139**	$ 492,712	$ 46,427	9 %

The $46.4 million, or 9%, increase in total noninterest income reflected:

$38.2 million, or 82%, increase in mortgage banking income. This primarily reflected a $30.2 million increase in origination and secondary marketing income as originations increased 33% from the year-ago period, and a $7.2 million increase in MSR net hedging income.

$20.9 million, or 210%, increase in gain on sale of loans, as the current year-to-date period included a $23.0 million automobile loan securitization gain.

$11.3 million, or 10%, increase in service charges of deposit account, primarily reflecting continued strong customer growth.

$8.0 million, or 51%, increase in capital market fees, primarily reflecting strong customer demand for derivatives and other risk management products.

$6.6 million, or 11%, increase in other income, primarily reflecting the $11.4 million bargain purchase gain in the current year-to-date period associated with the FDIC-assisted Fidelity Bank acquisition, partially offset by the impacts related to an increased value in a loan servicing asset.

Table of Contents

Partially offset by:

$21.4 million, or 35%, decline in electronic banking income, primarily reflecting the implementation of the lower debit card interchange fee structure mandated in the Durbin Amendment of the Dodd-Frank Act.

$9.5 million, or 59%, decline in automobile operating lease expense primarily reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

Noninterest Expense

(This section should be read in conjunction with Significant Item 1.)

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

Table 11 - Noninterest Expense

	2012		2011			2Q12 vs 2Q11		2Q12 vs 1Q12	
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second	Amount	Percent	Amount	Percent
Personnel costs	**$ 243,034**	$ 243,498	$ 228,101	$ 226,835	$ 218,570	$ 24,464	11 %	$ (464)	(0)%
Outside data processing and other services	**48,149**	42,058	53,422	49,602	43,889	4,260	10	6,091	14
Net occupancy	**25,474**	29,079	26,841	26,967	26,885	(1,411)	(5)	(3,605)	(12)
Equipment	**24,872**	25,545	25,884	22,262	21,921	2,951	13	(673)	(3)
Deposit and other insurance expense	**15,731**	20,738	18,481	17,492	23,823	(8,092)	(34)	(5,007)	(24)
Marketing	**21,365**	16,776	16,379	22,251	20,102	1,263	6	4,589	27
Professional services	**15,458**	11,230	16,769	20,281	20,080	(4,622)	(23)	4,228	38
Amortization of intangibles	**11,940**	11,531	13,175	13,387	13,386	(1,446)	(11)	409	4
Automobile operating lease expense	**2,183**	2,854	3,362	4,386	5,434	(3,251)	(60)	(671)	(24)
OREO and foreclosure expense	**4,106**	4,950	5,009	4,668	4,398	(292)	(7)	(844)	(17)
Gain on early extinguishment of debt	**(2,580)**		(9,697)			(2,580)		(2,580)	
Other expense	**34,537**	54,417	32,548	30,987	29,921	4,616	15	(19,880)	(37)
Total noninterest expense	**$ 444,269**	$ 462,676	$ 430,274	$ 439,118	$ 428,409	$ 15,860	4 %	$ (18,407)	(4)%
Number of employees (full-time equivalent), at period-end	**11,417**	11,166	11,245	11,473	11,457	(40)	(0)	251	2

2012 Second Quarter versus 2011 Second Quarter

The $15.9 million, or 4%, increase in total noninterest expense from the year-ago quarter reflected:

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

$4.6 million, or 15%, increase in other expense, reflecting a $3.1 million increase in the provision for the mortgage representations and warranties reserve.

$4.3 million, or 10%, increase in outside data processing and other services, primarily reflecting the implementation of strategic initiatives.

$3.0 million, or 13%, increase in equipment expense reflecting the impact of depreciation from technology investments.

Table of Contents

Partially offset by:

- $8.1 million, or 34%, decline in deposit and other insurance expense reflecting lower insurance premiums.
- $4.6 million, or 23%, decline in professional services reflecting lower legal related expenses.
- $3.3 million, or 60%, decline in automobile operating lease expense as the portfolio continued its planned runoff as we exited that business in 2008.

2012 Second Quarter versus 2012 First Quarter

The $18.4 million, or 4%, decrease in total noninterest expense from the prior quarter reflected:

- $19.9 million, or 37%, decrease in other expense, as the prior quarter included a $23.5 million addition to litigation reserves.
- $5.0 million, or 24%, decline in deposit and other insurance, reflecting adjustments to insurance premiums.
- $3.6 million, or 12%, decline in net occupancy expense, primarily reflecting seasonally lower utility and building service expense.

Partially offset by:

- $6.1 million, or 14%, increase in outside data processing and other services, partially reflecting the conversion and integration of Fidelity Bank and the implementation of strategic initiatives.
- $4.6 million, or 27%, increase in seasonal marketing expense.
- $4.2 million, or 38%, increase in professional services, partially reflecting the conversion and integration of Fidelity Bank and increased consulting related expenses.

2012 First Six Months versus 2011 First Six Months

Noninterest expense for the first six-month period of 2012 increased $47.8 million, or 6%, from the comparable year-ago period.

Table 12 - Noninterest Expense - 2012 First Six Months vs. 2011 First Six Months

	Six Months Ended June 30,		Change	
(dollar amounts in thousands)	**2012**	2011	Amount	Percent
Personnel costs	**$ 486,532**	$ 437,598	$ 48,934	11 %
Outside data processing and other services	**90,207**	84,171	6,036	7
Net occupancy	**54,553**	55,321	(768)	(1)
Equipment	**50,417**	44,398	6,019	14

Deposit and other insurance expense	**36,469**	41,719	(5,250)	(13)
Marketing	**38,141**	36,997	1,144	3
Professional services	**26,688**	33,545	(6,857)	(20)
Amortization of intangibles	**23,471**	26,756	(3,285)	(12)
Automobile operating lease expense	**5,037**	12,270	(7,233)	(59)
OREO and foreclosure expense	**9,056**	8,329	727	9
Gain on early extinguishment of debt	**(2,580)**		(2,580)	
Other expense	**88,954**	78,004	10,950	14
Total noninterest expense	**$ 906,945**	$ 859,108	$ 47,837	6 %
Number of employees (full-time equivalent), at period-end	**11,417**	11,457	(40)	%

The $47.8 million, or 6%, increase in total noninterest expense reflected:

- $48.9 million, or 11%, increase in personnel costs, primarily reflecting increased salaries and benefits, including an increase in commissions and incentive compensation expense due to improved performance metrics and results.
- $11.0 million, or 14%, increase in other expense, primarily reflecting an addition to litigation reserves and an increase in the provision for the mortgage representations and warranties reserve.
- $6.0 million, or 14%, increase in equipment, primarily reflecting the impact of depreciation from technology investments.
- $6.0 million, or 7%, increase in outside data processing and other services, primarily reflecting the conversion and integration of Fidelity Bank and the implementation of strategic initiatives.

Partially offset by:

- $7.2 million, or 59%, decline in automobile operating lease expense, primarily reflecting the impact of a declining portfolio as a result of having exited that business in 2008.
- $6.9 million, or 20%, decline in professional services, primarily reflecting lower legal-related expenses.
- $5.3 million, or 13%, decline in deposit and other insurance expense, primarily reflecting adjustments to insurance premiums.

Provision for Income Taxes

The provision for income taxes in the 2012 second quarter was $49.3 million. This compared with a provision for income taxes of $52.2 million in the 2012 first quarter and $49.0 million in the 2011 second quarter. All three quarters included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. At June 30, 2012, we had a net deferred tax asset of $232.4 million. Based on both positive and negative evidence and our level of forecasted future taxable income, there was no impairment to the deferred tax asset at June 30, 2012. As of June 30, 2012, there is no disallowed deferred tax asset for regulatory capital purposes compared to $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 2007. We have appealed certain proposed adjustments resulting from the IRS examination of our 2006 and 2007 tax returns. We believe our positions related to such proposed adjustments are correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. In 2011, we entered into discussions with the Appeals Division of the IRS. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. Nevertheless, although no assurances can be given, we believe the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. In the 2011 third quarter, the IRS began its examination of our 2008 and 2009 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, and Illinois.

RISK MANAGEMENT AND CAPITAL

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

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

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

Credit Risk

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

Loan and Lease Credit Exposure Mix

At June 30, 2012, our loans and leases totaled $40.0 billion, representing a $1.0 billion, or 3%, 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 automobile portfolio as a result of our securitization program. The C&I loan growth 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. The decline in the automobile portfolio reflected the transfer of automobile loans to loans held for sale in the 2012 second quarter related to an automobile securitization planned for second half of 2012 *(see Automobile Portfolio discussion).*

At June 30, 2012, commercial loans and leases totaled $22.2 billion, and represented 55% of our total credit exposure. Our commercial portfolio is diversified along product type, customer size, and geography within our footprint, and is comprised of the following (*see Commercial Credit discussion)*:

C&I C&I loans and leases are made to commercial customers for use in normal business operations to finance working capital needs, equipment purchases, or other projects. The majority of these borrowers are customers doing business within our geographic regions. C&I loans and leases are generally underwritten individually and secured with the assets of the company and/or the personal guarantee of the business owners. The financing of owner occupied facilities is considered a C&I loan even though there is improved real estate as collateral. This treatment is a result of the credit decision process, which focuses on cash flow from operations of the business to repay the debt. The operation, sale, rental, or refinancing of the real estate is not considered the primary repayment source for these types of loans. As we look to grow our C&I portfolio, we have further developed our ABL capabilities by adding experienced ABL professionals to take advantage of market opportunities resulting in

better leveraging of the manufacturing base in our primary markets. Also, our Equipment Finance area is targeting larger equipment financings in the manufacturing sector in addition to our core products. We also expanded our Large Corporate Banking area with sufficient resources to ensure we appropriately recognize and manage the risks associated with this type of lending.

Table of Contents

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

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

Total consumer loans and leases were $17.7 billion at June 30, 2012, and represented 45% of our total loan and lease credit exposure. The consumer portfolio is primarily comprised of automobile, home equity loans and lines-of-credit, and residential mortgages *(see Consumer Credit discussion).*

Automobile Automobile loans are primarily comprised of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. No state outside of our primary banking markets represented more than 5% of our total automobile portfolio at June 30, 2012. We have successfully implemented a loan securitization strategy to maintain our established portfolio concentration limits.

Home equity Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first-lien or junior-lien on the borrower s residence, allows customers to borrow against the equity in their home. Given the current low interest rate environment, many borrowers have utilized the line-of-credit home equity product as the primary source of financing their home versus residential mortgages. As a result, the proportion of the home equity portfolio secured by a first-lien has increased significantly over the past three years, positively impacting the portfolio s risk profile. The portfolio s credit risk profile is substantially reduced when we hold a first-lien position. During the first six-month period of 2012, 75% of our home equity portfolio originations were secured by a first-lien. The first-lien position, combined with continued high average FICO scores, significantly reduces the PD associated with these loans. The combination provides a strong base when assessing the expected future performance of this portfolio. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values impact the severity of losses. We actively manage the extension of credit and the amount of credit extended through a combination of criteria including financial position, debt-to-income policies, and LTV policy limits.

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

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

Table of Contents

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

Table 13 - Loan and Lease Portfolio Composition (1)

	2012						2011			
(dollar amounts in millions)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
Commercial:[2]										
Commercial and industrial	**$ 16,322**	**41 %**	$ 15,838	39 %	$ 14,699	38 %	$ 13,939	36 %	$ 13,544	34 %
Commercial real estate:										
Construction	**591**	**1**	597	1	580	1	520	1	591	2
Commercial	**5,317**	**13**	5,443	13	5,246	13	5,414	14	5,573	14
Total commercial real estate	**5,908**	**14**	6,040	14	5,826	14	5,934	15	6,164	16
Total commercial	**22,230**	**55**	21,878	53	20,525	52	19,873	51	19,708	50
Consumer:										
Automobile	**3,808**	**10**	4,787	12	4,458	11	5,558	14	6,190	16
Home equity	**8,344**	**21**	8,261	20	8,215	21	8,079	21	7,952	20
Residential mortgage	**5,123**	**13**	5,284	13	5,228	13	4,986	13	4,751	12
Other consumer	**454**	**1**	469	2	498	3	516	1	525	2
Total consumer	**17,729**	**45**	18,801	47	18,399	48	19,139	49	19,418	50
Total loans and leases	**$ 39,959**	**100 %**	$ 40,679	100 %	$ 38,924	100 %	$ 39,012	100 %	$ 39,126	100 %

(1) Loans acquired in the FDIC-assisted acquisition of Fidelity Bank are reflected in the above table effective March 31, 2012.
(2) As defined by regulatory guidance, there were no commercial loans outstanding that would be considered a concentration of lending to a particular industry or group of industries.

As shown the table above, we have larger exposures associated with C&I and the home equity portfolios. We have an established process to measure and address concentration exposure to certain portfolio segments, project types, and industries.

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

Table 14 - Loan and Lease Portfolio by Collateral Type (1)

	2012						2011			
(dollar amounts in millions)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
Secured loans:										
Real estate commercial	**$ 9,398**	**23 %**	$ 9,326	24 %	$ 9,557	25 %	$ 9,554	24 %	$ 9,781	25 %
Real estate consumer	**13,467**	**33**	13,470	34	13,444	35	13,065	33	12,703	32
Vehicles	**5,650**	**14**	6,623	16	6,021	16	6,898	18	7,594	19
Receivables/Inventory	**5,026**	**13**	4,749	12	4,450	12	4,297	11	4,171	11
Machinery/Equipment	**2,759**	**7**	2,536	6	1,994	5	1,864	5	1,784	5
Securities/Deposits	**789**	**2**	733	2	800	2	805	2	802	2
Other	**1,043**	**3**	983	2	1,018	1	1,103	3	1,095	3
Total secured loans and leases	**38,132**	**95**	38,420	96	$ 37,284	96 %	37,586	96	37,930	97
Unsecured loans and leases	**1,827**	**5**	1,738	4	1,640	4	1,426	4	1,196	3

Total loans and leases	**$ 39,959**	**100 %**	$ 40,158	100 %	38,924	100 %	$ 39,012	100 %	$ 39,126	100 %

(1) Loans acquired in the FDIC-assisted acquisition of Fidelity Bank are reflected in the above table effective June 30, 2012.

Commercial Credit

The primary factors considered in commercial credit approvals are the financial strength of the borrower, assessment of the borrower s management capabilities, cash flows from operations, industry sector trends, type and sufficiency of collateral, type of exposure, transaction structure, and the general economic outlook. While these are the primary factors considered, there are a number of other factors that may be considered in the decision process. For all loans exceeding $5.0 million, we utilize a centralized senior loan committee, led by our chief credit officer for approvals of commercial credit. The risk rating *(see next paragraph)* of the credit determines the threshold for approval of the senior loan committee with a minimum credit exposure of $5.0 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.

Table of Contents

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

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

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

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

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

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

C&I PORTFOLIO

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

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

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

31

Table of Contents

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. Additionally, we established a limit to our CRE exposure of no more than the amount of Tier 1 risk-based capital plus the ACL. We have been actively reducing our CRE exposure during the past several years, and our CRE exposure met this established limit at June 30, 2012. We actively monitor both geographic and project-type concentrations and performance metrics of all CRE loan types, with a focus on higher-risk classes. Both macro-level and loan-level stress-test scenarios based on existing and forecast market conditions are part of the on-going portfolio management process for the CRE portfolio.

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

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and has either an established meaningful relationship with us that generates an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was $4.2 billion at June 30, 2012, representing 71% of total CRE loans. The performance of the core portfolio met our expectations based on the consistency of the asset quality metrics within the portfolio. Based on our extensive project level assessment process, including forward-looking collateral valuations, we continue to believe the credit quality of the core portfolio is stable. Loans are not reclassified between the core and noncore segments based on performance, and as such, we do not anticipate an elevated level of problem loans in the core portfolio.

A CRE loan is generally considered noncore based on the lack of a substantive relationship outside of the loan product, with no immediate prospects for meeting the core relationship criteria. The noncore CRE portfolio declined from $1.8 billion at December 31, 2011, to $1.7 billion at June 30, 2012, and represented 29% of total CRE loans. Of the loans in the noncore portfolio at June 30, 2012, 68% were categorized as Pass, 95% had guarantors, 99% were secured, and 93% were located within our geographic footprint. However, it is within the noncore portfolio where most of the credit quality challenges exist. For example, $0.2 billion, or 10%, of related outstanding balances, are classified as NALs. SAD administered $0.7 billion, or 41%, of total noncore CRE loans at June 30, 2012. We expect to exit the majority of noncore CRE relationships over time through normal repayments and refinancings, possible sales should economically attractive opportunities arise, or the reclassification to a core CRE relationship if it expands to meet the core criteria.

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

Table 15 - Commercial Real Estate - Core vs. Noncore Portfolios

	June 30, 2012					
(dollar amounts in millions)	**Ending Balance**	**Prior NCOs**	**ACL $**	**ACL %**	**Credit Mark (2)**	**Nonaccrual Loans**
Total core (1)	**$ 4,207**	**$ 16**	**$ 108**	**2.57 %**	**2.94 %**	**$ 42**
Noncore SAD (3)	**694**	**191**	**142**	**20.46**	**37.63**	**169**
Noncore Other	**1,007**	**34**	**61**	**6.06**	**9.13**	**9**
Total noncore	**1,701**	**225**	**203**	**11.93**	**22.22**	**178**
Total commercial real estate	**$ 5,908**	**$ 241**	**$ 311**	**5.26 %**	**8.98 %**	**$ 220**
	December 31, 2011					
Total core	$ 3,978	$ 25	$ 125	3.14 %	3.75 %	$ 26
Noncore SAD (3)	735	253	182	24.76	44.03	195
Noncore Other	1,113	17	88	7.91	9.29	9
Total noncore	1,848	270	270	14.61	25.50	204

Total commercial real estate	$ 5,826	$ 295	$ 395	6.78 %	11.27 %	$ 230

(1) Includes loans acquired in the FDIC-assisted acquisition of Fidelity Bank. The acquired loans were recorded at fair value with no associated ACL.
(2) Calculated as (Prior NCOs + ACL $) / (Ending Balance + Prior NCOs).
(3) Noncore loans managed by SAD, the area responsible for managing loans and relationships designated as Classified Loans.

Table of Contents

As shown in the above table, the ending balance of the CRE portfolio at June 30, 2012, increased slightly compared with December 31, 2011, as a result of the Fidelity acquisition. However, the noncore portfolio declined 8% compared to December 31, 2011, and was a result of payoffs and NCOs as we actively focus on the noncore portfolio to reduce our overall CRE exposure. This reduction demonstrates our continued commitment to achieving a materially lower risk profile in the CRE portfolio, consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. We will continue to support our core developer customers as appropriate, however, we do not believe that significant additional CRE activity is appropriate given our current exposure in CRE lending and the current economic conditions.

Also, as shown above, substantial reserves for the noncore portfolio have been established. At June 30, 2012, the ACL related to the noncore portfolio was 11.93%. The combination of the existing ACL and prior NCOs represents the total credit actions taken on each segment of the portfolio. From this data, we calculate a credit mark that provides a consistent measurement of the cumulative credit actions taken against a specific portfolio segment. The 37.63% credit mark associated with the SAD-managed noncore portfolio is an indicator of the proactive portfolio management strategy employed for this portfolio.

Consumer Credit

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

AUTOMOBILE PORTFOLIO

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

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

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

RESIDENTIAL REAL ESTATE SECURED PORTFOLIOS

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

Table 16 - Selected Home Equity and Residential Mortgage Portfolio Data

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by junior-lien			
(dollar amounts in millions)	**06/30/12**	12/31/11	**06/30/12**	12/31/11	**06/30/12**	12/31/11
Ending balance	**$ 4,151**	$ 3,815	**$ 4,193**	$ 4,400	**$ 5,123**	$ 5,228
Portfolio weighted average LTV ratio[1]	**71%**	71%	**81%**	81%	**77%**	77%

Portfolio weighted average FICO score[2]	**751**	749	**733**	734	**737**	731

33

	Home Equity				Residential Mortgage (3)	
	Secured by first-lien		Secured by junior-lien			
	Six Months Ended June 30,					
	2012	2011	**2012**	2011	**2012**	2011
Originations	**$ 886**	$ 918	**$ 302**	$ 435	**$ 532**	$ 751
Origination weighted average LTV ratio[1]	**72%**	71%	**82%**	82%	**84%**	84%
Origination weighted average FICO score[2]	**771**	768	**759**	758	**754**	757

(1) The LTV ratios for home equity loans and home equity lines-of-credit are cumulative and reflect the balance of any senior loans. LTV ratios reflect collateral values at the time of loan origination.
(2) Portfolio weighted average FICO scores reflect currently updated customer credit scores whereas origination weighted average FICO scores reflect the customer credit scores at the time of loan origination.
(3) Represents only owned-portfolio originations.

Home Equity Portfolio

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

At June 30, 2012, 50% of our home equity portfolio was secured by first-lien mortgages. The credit risk profile is substantially reduced when we hold a first-lien position. During the first six-month period of 2012, 75% of our home equity portfolio originations were secured by a first-lien mortgage. We focus on high quality borrowers primarily located within our footprint. The majority of our home equity line-of-credit borrowers consistently pay more than the minimum payment required in any given month. Additionally, since we focus on developing complete relationships with our customers, many of our home equity borrowers are utilizing other products and services. The combination of high quality borrowers as measured by financial condition and FICO score, as well as the lien position, provide a high degree of confidence regarding the performance of the 2009-2011 originations.

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

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

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

We continue to make origination policy adjustments based on our assessment of an appropriate risk profile and industry actions, as well as the recently issued Basel III NPRs *(see Capital section).* In addition to origination policy adjustments, we take actions, as necessary, to manage the risk profile of this portfolio. We believe our Credit Risk Management systems allow for effective portfolio analysis and segmentation to identify the highest risk exposures in the portfolio. Our disclosures regarding lien position, FICO distribution, and geographical distribution are examples of segmentation analysis.

34

An emerging trend has been identified where borrowers make a purposeful financial decision to stop making required payments on the junior-lien loan, and in some cases, the first-lien loan. This strategic default scenario is generally associated with borrowers that have very limited or no history of delinquency. These accounts also tend to migrate quickly from a current status to charge-off without the historical stops at each delinquency stage. The resulting increase in the relative speed of the migration from current status to charge-off represents a negative impact to the longer term performance of the portfolio. Although the collateral value assessment is an important component of the overall credit risk analysis, there are very few instances of available equity in junior-lien default situations. In response to this trend and the potential negative impacts to the portfolio, we have established at least a 98% LGD for junior-lien loans, which at June 30, 2012, comprised 50% of our home equity portfolio.

Further, in January 2012, regulatory guidance was published addressing specific risks and required actions associated with junior-lien loans. As a result of this guidance, effective with the 2012 first quarter, any junior-lien loan associated with a nonaccruing first-lien loan is also placed on nonaccrual status. This action resulted in an increase in home equity NALs of $8.7 million in the 2012 first quarter. Also contained in the regulatory guidance was an item associated with maturing HELOCs. Even in situations where the product contains an amortization period at the conclusion of the draw period, there will likely be a payment shock to the borrower. This is a risk embedded in the portfolio that we address with proactive contact strategies beginning 180 days prior to maturity. In certain circumstances, our Home Savers team is able to provide payment and structure relief to borrowers experiencing significant financial hardship associated with the payment adjustment.

Residential Mortgage Portfolio

We focus on higher quality borrowers and underwrite all applications centrally. We do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options. We will continue to evaluate the impact of the recently issued Basel III NPRs to our residential mortgage origination policies.

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

At June 30, 2012, 51% of our total residential mortgage loan portfolio had adjustable rates. At June 30, 2012, ARM loans that were expected to have rates reset totaled $1.8 billion through 2015. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in underlying property value. Given the quality of our borrowers, the relatively low current interest rates, and the results of our continued analysis (including possible impacts of changes in interest rates), we believe that we have a relatively limited exposure to ARM reset risk. Nonetheless, we have taken actions to mitigate our risk exposure. We initiate borrower contact at least six months prior to the interest rate resetting, and have been successful in converting many ARMs to fixed-rate loans through this process. Given the relatively low current interest rates, many fixed-rate products currently offer a better interest rate to our ARM borrowers.

Several government programs continued to impact the residential mortgage portfolio, including various refinance programs such as HAMP and HARP, which positively affected the availability of credit for the industry. We utilize these programs to enhance our existing strategies of working closely with our customers. During the first six-month period of 2012, we closed $257 million in HARP residential mortgages and $4 million in HAMP residential mortgages. The HARP residential mortgage loans are considered current and are either part of our residential mortgage portfolio or serviced for others. The HAMP refinancings are associated with residential mortgages that are serviced for others.

Credit Quality

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

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

Credit quality performance in the 2012 second quarter reflected overall continued improvement despite the inclusion of the acquired Fidelity portfolio. NCOs increased slightly compared to the prior quarter and declined substantially from the year-ago quarter. NPAs declined 1% compared to the prior quarter. Although commercial Criticized loans increased compared to the prior quarter as a result of the Fidelity acquisition, the overall portfolio excluding the acquired Fidelity loans continued to improve. The ACL to total loans ratio declined to 2.28% and our ACL coverage ratios remained at appropriate levels. Our ACL as a percentage of NPAs remained strong at 174%.

35

Table of Contents

NPAs, NALs, AND TDRs

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

NPAs and NALs

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

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

Table of Contents

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

Table 17 - Nonaccrual Loans and Leases and Nonperforming Assets

	2012		2011		
(dollar amounts in thousands)	**June 30,**	March 31,	December 31,	September 30,	June 30,
Nonaccrual loans and leases:					
Commercial and industrial	**$ 133,678**	$ 142,492	$ 201,846	$ 209,632	$ 229,327
Commercial real estate	**219,417**	205,105	229,889	257,086	291,500
Residential mortgage	**75,048**	74,114	68,658	61,129	59,853
Home equity	**46,023**	45,847	40,687	37,156	33,545
Total nonaccrual loans and leases[1]	**474,166**	467,558	541,080	565,003	614,225
Other real estate owned, net					
Residential[2]	**21,499**	31,850	20,330	18,588	20,803
Commercial	**17,109**	16,897	18,094	19,418	17,909
Total other real estate owned, net	**38,608**	48,747	38,424	38,006	38,712
Other nonperforming assets[3]	**10,476**	10,772	10,772	10,972	
Total nonperforming assets	**$ 523,250**	$ 527,077	$ 590,276	$ 613,981	$ 652,937
Nonaccrual loans as a % of total loans and leases	**1.19 %**	1.15 %	1.39 %	1.45 %	1.57 %
Nonperforming assets ratio[4]	**1.31**	1.29	1.51	1.57	1.67

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

The $3.8 million, or 1%, decline in NPAs compared with March 31, 2012, primarily reflected:

$10.1 million, or 21%, decline in OREO, primarily reflecting significant sale activity during the current quarter. The increase in the 2012 first quarter primarily resulted from OREO properties acquired in the Fidelity Bank acquisition.

$8.8 million, or 6%, decline in C&I NALs, reflecting both NCO activity and problem credit resolutions, including payoffs. The decline was associated with loans throughout our footprint, with no specific industry concentration.

Partially offset by:

$14.3 million, or 7%, increase in CRE NALs, reflecting a small number of higher-dollar amount loans. Although we anticipate some degree of quarter-to-quarter volatility in our NAL levels, we expect that the overall trend will continue to be lower.

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

Compared with December 31, 2011, NPAs decreased $67.0 million, or 11%, primarily reflecting:

- $68.2 million, or 34%, decline in C&I NALs, reflecting both NCO activity and problem credit resolutions, including payoffs. The decline was associated with loans throughout our footprint, with no specific industry concentration.

- $10.5 million, or 5%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs, partially offset by a small number of relatively higher-dollar loans placed on nonaccrual status during the current quarter.

Partially offset by:

- $6.4 million, or 9%, increase in residential mortgage NALs, reflecting the sustained weak economic conditions and the decline of residential real estate property values. The NAL balances have been written down to net realizable value, less anticipated selling costs, which substantially limits any significant future risk of additional loss on these loans.

- $5.3 million, or 13%, increase in home equity NALs, also reflecting our implementation of regulatory guidance issued in the 2012 first quarter *(see ACL section).* This action resulted in an increase in home equity NALs of $8.7 million in the 2012 first quarter.

Table of Contents

TDR Loans

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

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

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

Table 18 - Accruing and Nonaccruing Troubled Debt Restructured Loans

	2012		2011		
(dollar amounts in thousands)	**June 30,**	March 31, (1)	December 31,	September 30,	June 30,
Troubled debt restructured loans accruing:					
Commercial and industrial	**$ 57,008**	$ 53,795	$ 54,007	$ 77,509	$ 62,272
Commercial real estate	**202,190**	231,923	249,968	244,089	177,854
Automobile	**34,460**	35,521	36,573	37,371	29,059
Home equity	**66,997**	59,270	52,224	47,712	37,067
Residential mortgage	**298,967**	294,836	309,678	304,365	313,772
Other consumer	**3,038**	4,233	6,108	4,513	8,910
Total troubled debt restructured loans accruing	**662,660**	679,578	708,558	715,559	628,934
Troubled debt restructured loans nonaccruing:					
Commercial and industrial	**35,535**	26,886	48,553	27,410	29,069
Commercial real estate	**55,022**	39,606	21,968	46,854	48,676
Home equity	**374**	334	369	166	28
Residential mortgage	**28,332**	29,549	26,089	20,877	14,378
Other consumer	**113**	113	113	113	112
Total troubled debt restructured loans nonaccruing	**119,376**	96,488	97,092	95,420	92,263
Total troubled debt restructured loans	**$ 782,036**	$ 776,066	$ 805,650	$ 810,979	$ 721,197

(1) No loans related to the FDIC-assisted Fidelity Bank acquisition were considered troubled debt restructured loans at March 31, 2012.
The following table reflects TDR activity for each of the past five quarters:

Table 19 - Troubled Debt Restructured Loan Activity

	2012		2011		
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second
TDRs, beginning of period	**$ 776,066**	$ 805,650 [(1)]	$ 810,979	$ 721,197	$ 664,838
New TDRs	**94,837**	136,237	99,603	170,800	207,090
Payments	**(38,299)**	(40,120)	(67,470)	(25,124)	(25,790)
Charge-offs	**(16,551)**	(25,042)	(7,440)	(12,376)	(7,620)
Sales	**(1,840)**	(5,036)	(8,089)	(5,310)	(33,855)

Refinanced to non-TDR				(4,851)	(21,118)
Transfer to OREO	**(860)**	(1,472)	(2,658)	(1,114)	(426)
Restructured TDRs[(2)]	**(25,451)**	(88,580)	(28,576)	(57,611)	(42,435)
Other	**(5,866)**	(5,571)	9,301	25,368	(19,487)
TDRs, end of period	**$ 782,036**	$ 776,066	$ 805,650	$ 810,979	$ 721,197

(1) No loans related to the FDIC-assisted Fidelity Bank acquisition were considered troubled debt restructured loans at March 31, 2012.

(2) Represents existing commercial TDRs that were reunderwritten with new terms providing a concession. A corresponding amount is included in the New TDRs amount above.

38

Table of Contents

ACL

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

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

A provision for credit losses is recorded to adjust the ACL to the level we have determined to be appropriate to absorb credit losses inherent in our loan and lease portfolio. The provision for credit losses in the 2012 second quarter was $36.5 million, compared with $34.4 million in the prior quarter and $35.8 million in the year-ago quarter. *(See Provision for Credit Losses discussion).*

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

Our ACL evaluation process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. While the total ACL balance has declined in recent quarters, all of the relevant benchmarks remain strong.

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

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

Table 20 - Allocation of Allowance for Credit Losses (1), (2)

	2012				2011					
(dollar amounts in thousands)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
Commercial										
Commercial and industrial	**$ 280,548**	**41 %**	$ 246,026	39 %	$ 275,367	38 %	$ 285,254	36 %	$ 281,016	35 %
Commercial real estate	**305,391**	**14**	339,494	14	388,706	14	418,895	15	463,874	16
Total commercial	**585,939**	**55**	585,520	53	664,073	52	704,149	51	744,890	51
Consumer										
Automobile	**30,217**	**10**	36,552	12	38,282	11	49,402	14	55,428	16
Home equity	**135,562**	**21**	168,898	20	143,873	21	139,616	21	146,444	20
Residential mortgage	**78,015**	**13**	89,129	13	87,194	13	98,974	13	98,992	12
Other consumer	**29,913**	**1**	32,970	2	31,406	3	27,569	1	25,372	1
Total consumer	**273,707**	**45**	327,549	47	300,755	48	315,561	49	326,236	49

39

Table of Contents

Total allowance for loan and lease losses	**859,646**	**100%**	913,069	100%	964,828	100%	1,019,710	100%	1,071,126	100%
Allowance for unfunded loan commitments	**50,978**		50,934		48,456		38,779		41,060	
Total allowance for credit losses	**$ 910,624**		$ 964,003		$ 1,013,284		$ 1,058,489		$ 1,112,186	
Total allowance for loan and leases losses as % of: (1)										
Total loans and leases[3]		2.15 %		2.24 %		2.48 %		2.61 %		2.74 %
Nonaccrual loans and leases[4]		181		195		178		180		174
Nonperforming assets[5]		164		173		163		166		164
Total allowance for credit losses as % of: (1)										
Total loans and leases[3]		2.28 %		2.37 %		2.60 %		2.71 %		2.84 %
Nonaccrual loans and leases[4]		192		206		187		187		181
Nonperforming assets[5]		174		183		172		172		170

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

The reduction in the ALLL compared with March 31, 2012 primarily reflected a decline in the consumer portfolio, and to a lesser extent, the commercial real estate portfolio. These declines were partially offset by an increase in the C&I portfolio resulting from significant loan growth.

The ACL to total loans declined to 2.28% at June 30, 2012 compared to 2.60% at December 31, 2011. We believe the decline in the ratio is appropriate given the continued improvement in the risk profile of our loan portfolio. Further, we believe that early identification of loans with changes in credit metrics and aggressive action plans for these loans, combined with originating high quality new loans will contribute to continued improvement in our key credit quality metrics. However, the overall economic conditions improved only slightly in the first six-month period of 2012 and the residential real estate market remained stressed. The overall economic conditions have shown some recent improvement, but risks to a full recovery remain, including the European economic instability, continued budget issues in local governments, flat domestic economic growth, and the variety of policy proposals regarding job growth, debt management, and domestic tax policy. Continued high unemployment, among other factors, has slowed any significant recovery. In the near-term, we anticipate a continued high unemployment rate and the concern around the U.S. and local government budget issues will continue to negatively impact the financial condition of some of our retail and commercial borrowers.

The pronounced downturn in the residential real estate market that began in early 2007 has resulted in significantly lower residential real estate values. We have significant exposure to loans secured by residential real estate and continue to be an active lender in our communities. The impact of the downturn in real estate values has had a significant impact on some of our borrowers as evidenced by the higher delinquencies and NCOs since late 2007. We do not anticipate any meaningful improvement in the near-term. A trend of purposeful delinquencies or strategic defaults has begun impacting both NCO and NAL levels in the residential real estate secured portfolios. These borrower actions drove

writedowns and increased NAL levels in the residential mortgage and first-lien home equity portfolio, and NCOs in the junior-lien home equity portfolio. Given the combination of these noted factors, we believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

Table of Contents

NCOs

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

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

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

Table 21 - Quarterly Net Charge-off Analysis

	2012		2011		
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second
Net charge-offs by loan and lease type:					
Commercial:					
Commercial and industrial	**$ 15,678**	$ 28,495	$ 10,913	$ 17,891	$ 18,704
Commercial real estate:					
Construction	**(1,531)**	(1,186)	(2,471)	1,450	4,145
Commercial	**30,709**	11,692	30,854	22,990	23,450
Commercial real estate	**29,178**	10,506	28,383	24,440	27,595
Total commercial	**44,856**	39,001	39,296	42,331	46,299
Consumer:					
Automobile	**449**	3,078	4,237	3,863	2,255
Home equity	**21,045**	23,729	23,419	26,222	25,441
Residential mortgage	**10,786**	10,570	9,732	11,562	16,455
Other consumer	**7,109**	6,614	7,233	6,577	7,084
Total consumer	**39,389**	43,991	44,621	48,224	51,235
Total net charge-offs	**$ 84,245**	$ 82,992	$ 83,917	$ 90,555	$ 97,534
Net charge-offs annualized percentages:					
Commercial:					
Commercial and industrial	**0.39 %**	0.77 %	0.31 %	0.52 %	0.56 %
Commercial real estate:					
Construction	**(1.05)**	(0.79)	(1.85)	0.87	2.99
Commercial	**2.24**	0.89	2.27	1.69	1.65
Commercial real estate	**1.92**	0.72	1.91	1.60	1.77
Total commercial	**0.81**	0.75	0.78	0.86	0.94
Consumer:					
Automobile	**0.04**	0.27	0.30	0.25	0.15
Home equity	**1.01**	1.15	1.15	1.31	1.29
Residential mortgage	**0.82**	0.82	0.77	0.97	1.44
Other consumer	**6.15**	5.45	5.66	5.05	5.27
Total consumer	**0.83**	0.95	0.92	0.99	1.08
Net charge-offs as a % of average loans	**0.82 %**	0.85 %	0.85 %	0.92 %	1.01 %

In assessing NCO trends, it is helpful to understand the process of how commercial loans are treated as they deteriorate over time. The ALLL established at origination is consistent with the level of risk associated with the original underwriting. As a part of our normal portfolio management process for commercial loans, the loan is periodically reviewed and the ALLL is increased or decreased based on the revised risk rating. In certain cases, the standard ALLL is determined to not be appropriate, and a specific reserve is established based on the projected cash flow and collateral value of the specific loan. Charge-offs, if necessary, are generally recognized in a period after the specific ALLL was established. If the previously established ALLL exceeds that necessary to satisfactorily resolve the problem loan, a reduction in the overall level of the ALLL could be recognized. Consumer loans are treated in much the same manner as commercial loans, although specific reserves are not

identified for consumer loans. In summary, if loan quality deteriorates, the typical credit sequence would be periods of reserve building, followed by periods of higher NCOs as the previously established ALLL is utilized. Additionally, an increase in the ALLL either precedes or is in conjunction with increases in NALs. When a loan is classified as NAL, it is evaluated for specific ALLL or charge-off. As a result, an increase in NALs does not necessarily result in an increase in the ALLL or an expectation of higher future NCOs.

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

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

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

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

2012 Second Quarter versus 2012 First Quarter

C&I NCOs decreased $12.8 million, or 45%. Current quarter NCOs were generally associated with smaller relationships and there was not any specific concentration in either geography or project type. Given the relatively low absolute level of NCOs in this portfolio, some level of volatility on a quarter to quarter basis is expected.

CRE NCOs increased $18.7 million, or 178%. The vast majority of this increase represented two larger NCOs. As with the C&I portfolio, given the relatively low absolute level of NCOs in this portfolio, some level of volatility on a quarter to quarter basis is expected.

Automobile NCOs decreased $2.6 million, or 85%. The relatively low levels of NCOs reflected the continued high credit quality of originations and a strong resale market for used automobiles. We anticipate continued strength in the used automobile market for the remainder of 2012.

Home equity NCOs decreased $2.7 million, or 11%. The decline is a positive sign, however, the continued stresses in the residential property markets remain. We continue to manage the default rate through focused delinquency monitoring as essentially all defaults for junior-lien home equity loans incur significant losses reflecting the reduction of equity associated with the collateral property.

Table of Contents

The table below reflects NCO activity for the first six-month periods ended June 30, 2012 and 2011.

Table 22 - Year to Date Net Charge-off Analysis

(dollar amounts in thousands)	Six Months Ended June 30, **2012**	2011
Net charge-offs by loan and lease type:		
Commercial:		
Commercial and industrial	**$ 44,173**	$ 60,895
Commercial real estate:		
Construction	**(2,717)**	32,545
Commercial	**42,401**	62,733
Commercial real estate	**39,684**	95,278
Total commercial	**83,857**	156,173
Consumer:		
Automobile	**3,527**	6,967
Home equity	**44,774**	52,156
Residential mortgage	**21,356**	35,387
Other consumer	**13,723**	11,934
Total consumer	**83,380**	106,444
Total net charge-offs	**$ 167,237**	$ 262,617
Net charge-offs annualized percentages:		
Commercial:		
Commercial and industrial	**0.57 %**	0.92 %
Commercial real estate:		
Construction	**(0.92)**	11.18
Commercial	**1.58**	2.17
Commercial real estate	**1.33**	2.99
Total commercial	**0.78**	1.59
Consumer:		
Automobile	**0.15**	0.24
Home equity	**1.08**	1.34
Residential mortgage	**0.82**	1.57
Other consumer	**5.80**	4.36
Total consumer	**0.89**	1.14
Net charge-offs as a % of average loans	**0.83 %**	1.37 %

2012 First Six Months versus 2011 First Six Months

C&I NCOs decreased $16.7 million, or 27%, primarily reflecting credit quality improvement in the underlying portfolio as well as our on-going proactive credit management practices. There was not any concentration in either geography or project type.

CRE NCOs decreased $55.6 million, or 58%, primarily reflecting credit quality improvement in the underlying portfolio as well as our on-going proactive credit management practices. There was no concentration in either geography or project type, and the NCOs were generally associated with small relationships. The performance of the portfolio was consistent with our expectations.

Automobile NCOs decreased $3.4 million, or 49%. The relatively low levels of NCOs reflected the continued high credit quality of originations and a strong resale market for used vehicles.

Home equity NCOs declined $7.4 million, or 14%. The decline is an indication of the continuing improvement in the portfolio. This slowly emerging declining trend is consistent with our expectations for this portfolio. We continue to manage the default rate through focused delinquency monitoring as essentially all defaults for junior-lien home equity loans incur significant losses reflecting the reduction of equity associated with the collateral property.

Residential mortgage NCOs declined $14.0 million, or 40%, reflecting improvement in the overall economy compared to the year-ago period, however, the continued stress in the residential real estate market remains and NCOs remain elevated compared to historic performance.

Market Risk

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

Interest Rate Risk

OVERVIEW

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

INCOME SIMULATION AND ECONOMIC VALUE ANALYSIS

Interest rate risk measurement is calculated and reported to the ALCO and ROC monthly. The information reported includes the identification of any policy limits that have been exceeded, along with an assessment that describes the policy limit breach and outlines the action plan and timeline for resolution, mitigation, or assumption of the risk. Two broad approaches to modeling interest rate risk are employed: income simulation and economic value analysis. An income simulation analysis is used to measure the sensitivity of forecasted ISE to changes in market rates over a one-year time period. Although BOLI, automobile operating lease assets, and excess cash balances held at the Federal Reserve Bank are classified as noninterest-earning assets, and the net revenue from these assets is recorded in noninterest income and noninterest expense, these portfolios are included in the interest sensitivity analysis because they have attributes similar to interest-earning assets. EVE analysis measures the sensitivity of period-end assets and liabilities to changes in market interest rates. EVE at risk is measured on a net tangible equity basis, excluding ALLL and AULC reserves. EVE analysis serves as a complement to ISE analysis as it provides risk exposure estimates for time periods beyond the one-year ISE simulation period. The major difference between ISE and EVE analysis is that ISE uses a forecasted balance sheet to determine the sensitivity to market rates, while EVE is a point in time valuation of the net equity position. Since ISE measures the impact of changes in market rates to earnings and EVE measures the change in market rates to the net equity position, it is not unusual to have an asset-sensitive ISE, but a liability-sensitive EVE exposure.

The models used for both ISE and EVE consider prepayment speeds on mortgage loans, mortgage-backed securities, and consumer installment loans, as well as cash flows of other assets and liabilities. ISE analysis also considers balance sheet growth assumptions. Both include the effects of derivatives, such as interest rate swaps, caps, floors, and other types of interest rate options.

ISE analysis first determines a baseline scenario using market interest rates implied by the prevailing implied forward yield curve as of the period-end. Alternative scenarios, usually involving gradual (ramps) and sudden (shocks) rate changes, are then used to determine any changes in net interest income and margin. In addition to standard ramps and shocks, ISE analysis uses other interest rate scenarios that alter the shape of the yield curve (e.g., a flatter or steeper yield curve), or hold current interest rates constant for the entire measurement period. ISE analysis also uses alternative scenarios to measure short-term repricing risks, such as the impact of LIBOR-based interest rates rising or falling faster than the Prime rate.

The scenarios for evaluating ISE exposure model gradual +/-100 and +/-200 basis point parallel shifts in market interest rates over the next one-year period, beyond the interest rate change implied by the current implied forward yield curve. We assume market interest rates will not fall below 0% for these scenarios. The table below shows the results of these scenarios as of June 30, 2012, and December 31, 2011. All of the positions were within the board of directors policy limits for those periods.

Table of Contents

Table 23 - Interest Sensitive Earnings at Risk

	Interest Sensitive Earnings at Risk (%)			
Basis point change scenario	-200	-100	+100	+200
Board policy limits	-4.0%	-2.0%	-2.0%	-4.0%
June 30, 2012	-2.6	-1.8	1.9	3.7
December 31, 2011	-3.6	-2.3	1.8	3.4

The ISE at risk reported as of June 30, 2012, for the +200 basis points scenario shows a more asset sensitive interest rate risk position compared with December 31, 2011.

The following table shows the income sensitivity of select portfolios to changes in market interest rates. A portfolio with 100% sensitivity would indicate that interest income and expense will change with the same magnitude and direction as interest rates. A portfolio with 0% sensitivity is insensitive to changes in interest rates. The percent change is calculated as the change in the simulated portfolio income/expense divided by a beta which represents the change in portfolio income/expense assuming 100% sensitivity to the change in market rates. Note that the that the beta calculated from -100 and -200 basis point scenarios are not subject to floors on market rates. In the -100 and -200 basis point scenarios, portfolio income/expense is constrained by floors on portfolio yields, with the -200 basis point scenario less sensitive because portfolio yields fall less as a percentage of the beta calculated from market rates. For the +200 basis points scenario, total interest-sensitive income is 37.1% sensitive to changes in market interest rates, while total interest-sensitive expense is 29.6% sensitive to changes in market interest rates. Net interest income at risk for the +200 basis points scenario has an asset-sensitive near-term interest rate risk position.

Table 24 - Interest Income/Expense Sensitivity

	Percent of Total Earning Assets (1)	Percent Change in Interest Income/Expense for a Given Change in Interest Rates Over / (Under) Base Case Parallel Ramp			
Basis point change scenario		-200	-100	+100	+200
Total loans	78 %	-15.8%	-24.5%	39.1 %	40.4 %
Total investments and other earning assets	22	-15.1	-20.0	29.2	26.9
Total interest sensitive income		-15.3	-23.1	36.4	37.1
Total interest-bearing deposits	67	-7.5	-12.4	26.2	27.3
Total borrowings	7	-18.5	-33.0	56.1	59.8
Total interest-sensitive expense		-8.3	-13.9	28.4	29.6

(1) At June 30, 2012.

The primary simulations for EVE at risk assume immediate +/-100 and +/-200 basis points parallel shifts in market interest rates beyond the interest rate change implied by the current forward yield curve. The table below outlines the June 30, 2012, results compared with December 31, 2011. All of the positions were within the board of directors policy limits for the quarter ending June 30, 2012.

Table 25 - Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)			
Basis point change scenario	-200	-100	+100	+200

Board policy limits	-12.0%	-5.0%	-5.0%	-12.0%
June 30, 2012	**-1.4**	**0.4**	**-2.6**	**-6.6**
December 31, 2011	-1.5	0.8	-1.7	-4.6

The EVE at risk reported as of June 30, 2012, for the +200 basis points scenario shows a higher liability sensitive position compared with December 31, 2011. The long-term liability exposure is a result of assets with longer duration than liabilities. When interest rates rise, fixed-rate assets lose economic value; the longer the duration, the greater the value lost. The opposite is true when interest rates fall; however, due to the absolute low level of current rates, the results for the EVE at risk in a down-shock are different than those in an up-shock. This is evidenced in the -200 basis point shock compared to the -100 basis point shock. EVE increases in the -100 basis point shock, albeit at a smaller amount than lost in the +100 basis point shock, due to prepayments. But EVE decreases in the -200 basis point shock because the longer-duration assets are impacted more by the flooring of market rates than the shorter-duration liabilities.

46

The following table shows the economic value sensitivity of select portfolios to changes in market interest rates. The change in economic value for each portfolio is measured as the percent change from the base economic value for that portfolio. For the +200 basis points scenario, total net tangible assets decreased in value -3.5%, while total net tangible liabilities increased in value 3.0%.

Table 26 - Economic Value Sensitivity

	Percent of Total Net Tangible Assets (1)	Percent Change in Economic Value for a Given Change in Interest Rates			
		Over / (Under) Base Case Parallel Shocks			
Basis point change scenario		-200	-100	+100	+200
Total loans	71 %	1.0 %	1.0 %	-1.5%	-3.1%
Total investments and other earning assets	20	1.9	1.8	-2.7	-5.6
Total net tangible assets (2)		1.2	1.1	-1.7	-3.5
Total deposits	81	-1.7	-1.3	1.6	3.1
Total borrowings	7	-0.5	-0.5	0.7	1.2
Total net tangible liabilities (3)		-1.6	-1.2	1.6	3.0

(1) At June 30, 2012.
(2) Tangible assets excluding ALLL.
(3) Tangible liabilities excluding AULC.

MSRs

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

At June 30, 2012, we had a total of $128.3 million of capitalized MSRs representing the right to service $15.7 billion in mortgage loans. Of this $128.3 million, $45.1 million was recorded using the fair value method, and $83.2 million was recorded using the amortization method.

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

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

Price Risk

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

Liquidity Risk

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

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

Bank Liquidity and Sources of Liquidity

Our primary sources of funding for the Bank are retail and commercial core deposits. At June 30, 2012, these core deposits funded 77% of total assets (109% of total loans). At June 30, 2012 and December 31, 2011, total core deposits represented 95% of total deposits.

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

Core deposits may increase our need for liquidity as certificates of deposit mature or are withdrawn before maturity and as nonmaturity deposits, such as checking and savings account balances, are withdrawn. Noninterest-bearing demand deposits increased $1.2 billion from December 31, 2011, but include certain large commercial deposits that may be more short-term in nature.

Demand deposit overdrafts that have been reclassified as loan balances were $14.6 million, $26.2 million, and $15.9 million at June 30, 2012, December 31, 2011, and June 30, 2011, respectively. Other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs totaled $2.1 billion, $1.7 billion, and $1.9 billion at June 30, 2012, December 31, 2011, and June 30, 2011, respectively.

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

Table 27 - Deposit Composition

	2012				2011					
(dollar amounts in millions)	**June 30,**		March 31,		December 31,		September 30,		June 30,	
By Type										
Demand deposits - noninterest-bearing	**$ 12,324**	**27 %**	$ 11,797	26 %	$ 11,158	26 %	$ 9,502	22 %	$ 8,210	20 %
Demand deposits - interest-bearing	**6,060**	**13**	6,126	14	5,722	13	5,763	13	5,642	14
Money market deposits	**13,756**	**30**	13,169	29	13,117	30	13,759	32	12,643	31
Savings and other domestic deposits	**4,961**	**11**	4,954	11	4,698	11	4,711	11	4,752	11
Core certificates of deposit	**6,508**	**14**	6,920	15	6,513	15	7,084	16	7,936	19
Total core deposits	**43,609**	**95**	42,966	95	41,208	95	40,819	94	39,183	95
Other domestic deposits of $250,000 or more	**260**	**1**	325	1	390	1	421	1	436	1
Brokered deposits and negotiable CDs	**1,888**	**4**	1,276	3	1,321	3	1,535	4	1,486	4
Deposits in foreign offices	**319**		442	1	361	1	445	1	297	
Total deposits	**$ 46,076**	**100 %**	$ 45,009	100 %	$ 43,280	100 %	$ 43,220	100 %	$ 41,402	100 %
Total core deposits:										
Commercial	**$ 18,324**	**42 %**	$ 17,101	40 %	$ 16,366	38 %	$ 15,526	38 %	$ 13,541	35 %
Consumer	**25,285**	**58**	25,865	60	24,842	62	25,293	62	25,642	65

Total core deposits	**$ 43,609**	**100 %**	$ 42,966	100 %	$ 41,208	100 %	$ 40,819	100 %	$ 39,183	100 %

Table of Contents

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

Table 28 - Federal Funds Purchased and Repurchase Agreements

	2012		2011		
(dollar amounts in millions)	**June 30,**	March 31,	December 31,	September 30,	June 30,
Balance at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,191**	$ 1,482	$ 1,434	$ 2,201	$ 1,983
Other short-term borrowings	**15**	22	7	24	40
Weighted average interest rate at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**0.19 %**	0.14 %	0.17 %	0.16 %	0.15 %
Other short-term borrowings	**1.57**	0.81	2.74	1.01	0.69
Maximum amount outstanding at month-end during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,286**	$ 1,590	$ 1,752	$ 2,431	$ 2,361
Other short-term borrowings	**26**	23	18	53	50
Average amount outstanding during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,365**	$ 1,501	$ 1,707	$ 2,200	$ 2,067
Other short-term borrowings	**26**	11	21	51	45
Weighted average interest rate during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**0.15 %**	0.14 %	0.17 %	0.16 %	0.15 %
Other short-term borrowings	**0.92**	1.76	0.95	0.56	0.58

To the extent we are unable to obtain sufficient liquidity through core deposits, we may meet our liquidity needs through sources of wholesale funding or asset securitization or sale. These sources of wholesale funding include other domestic time deposits of $250,000 or more, brokered deposits and negotiable CDs, deposits in foreign offices, short-term borrowings, FHLB advances, other long-term debt, and subordinated notes. At June 30, 2012, total wholesale funding was $6.2 billion, a decrease from $6.6 billion at December 31, 2011. During the 2012 second quarter, Bank obligations of $600 million matured. An additional $65 million of Bank obligations will mature in October 2012.

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

Table 29 - Federal Reserve and FHLB Borrowing Capacity

(dollar amounts in billions)	**June 30, 2012**	December 31, 2011	June 30, 2011
Loans and securities pledged:			
Federal Reserve Bank	**$ 10.2**	$ 10.5	$ 9.8
FHLB	**8.2**	8.3	7.5
Total loans and securities pledged	**$ 18.4**	$ 18.8	$ 17.3
Total unused borrowing capacity at Federal Reserve Bank and FHLB	**$ 10.5**	$ 10.5	$ 9.6

At June 30, 2012, we believe the Bank has sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Parent Company Liquidity

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

At June 30, 2012, December 31, 2011, and June 30, 2011, the parent company had $1.0 billion, $0.9 billion and $0.6 billion, respectively, in cash and cash equivalents.

Based on the current quarterly dividend of $0.04 per common share, cash demands required for common stock dividends are estimated to be approximately $34.3 million per quarter. Based on the current dividend, cash demands required for Series A Preferred Stock are estimated to be approximately $7.7 million per quarter. Cash demands required for Series B Preferred Stock are expected to be approximately $0.3 million per quarter.

Based on a regulatory dividend limitation, the Bank could not have declared and paid a dividend to the parent company at June 30, 2012, without regulatory approval. We do not anticipate that the Bank will request regulatory approval to pay dividends in the near future as we continue to build Bank regulatory capital above its already well-capitalized level. To help meet any additional liquidity needs, we have an open-ended automatic shelf registration statement filed and effective with the SEC, which permits us to issue an unspecified amount of debt or equity securities.

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

We sponsor a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The Plan provides benefits based upon length of service and compensation levels. Our policy is to contribute an annual amount that is at least equal to the minimum funding requirements. Although not required, Huntington may choose to make a cash contribution to the Plan up to the maximum deductible limit in the 2012 plan year. The Bank and other subsidiaries fund approximately 90% of pension contributions. Funding requirements are calculated annually as of the end of the year and are heavily dependent on the value of our pension plan assets and the interest rate used to discount plan obligations. To the extent that the low interest rate environment continues, including as a result of the Federal Reserve Maturity Extension Program, or the pension plan does not earn the expected asset return rates, annual pension contribution requirements in future years could increase and such increases could be significant. Any additional pension contributions are not expected to significantly impact liquidity. Although not required, Huntington s board of directors approved a $75 million contribution to the Plan in the third quarter of 2012.

During the 2012 second quarter, we redeemed $80 million of trust preferred securities, resulting in a gain of $1.7 million. The trust preferred securities were redeemed at the redemption price (as a percentage of the liquidation amount) plus accrued and unpaid distributions to the redemption date. These redemptions were funded from our existing cash and were consistent with the capital plan we submitted to the Federal Reserve.

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

Off-Balance Sheet Arrangements

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

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

Through our credit process, we monitor the credit risks of outstanding standby letters-of-credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At June 30, 2012, we had $0.5 billion of standby letters-of-credit outstanding, of which 82% were collateralized. Included in this $0.5 billion are letters-of-credit issued by the Bank that support

securities that were issued by our customers and remarketed by The Huntington Investment Company, our broker-dealer subsidiary.

Table of Contents

We enter into forward contracts relating to the mortgage banking business to hedge the exposures we have from commitments to extend new residential mortgage loans to our customers and from our mortgage loans held for sale. At June 30, 2012, December 31, 2011, and June 30, 2011, we had commitments to sell residential real estate loans of $938.9 million, $629.0 million, and $400.2 million, respectively. These contracts mature in less than one year.

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

Operational Risk

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

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

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

Representation and Warranty Reserve

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

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

Table 30 - Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	2012		2011		
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second
Reserve for representations and warranties, beginning of period	**$ 24,802**	$ 23,218	$ 23,854	$ 24,497	$ 23,786
Reserve charges	**(2,677)**	(2,056)	(4,736)	(3,340)	(365)
Provision for representations and warranties	**4,173**	3,640	4,100	2,697	1,076
Reserve for representations and warranties, end of period	**$ 26,298**	$ 24,802	$ 23,218	$ 23,854	$ 24,497

Table of Contents

Table 31 - Mortgage Loan Repurchase Statistics

	2012		2011		
(dollar amounts in thousands)	**Second**	First	Fourth	Third	Second
Number of loans sold	**5,935**	6,621	5,461	3,877	3,875
Amount of loans sold (UPB)	**$ 890,592**	$ 1,008,055	$ 815,119	$ 529,722	$ 512,069
Number of loans repurchased (1)	**55**	41	34	43	36
Amount of loans repurchased (UPB) (1)	**$ 8,998**	$ 4,841	$ 5,019	$ 7,325	$ 4,755
Number of claims received	**227**	134	101	96	130
Successful dispute rate (2)	**48 %**	46 %	63 %	27 %	49 %
Number of make whole payments (3)	**47**	33	20	38	8
Amount of make whole payments (3)	**$ 2,130**	$ 1,611	$ 1,156	$ 3,392	$ 445

(1) Loans repurchased are loans that fail to meet the purchaser s terms.
(2) Successful disputes are a percent of close out requests.
(3) Make whole payments are payments to reimburse for losses on foreclosed properties.

Foreclosure Documentation

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

Compliance Risk

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

Capital

Both regulatory capital and shareholders equity are managed at the Bank and on a consolidated basis. We have an active program for managing capital and maintain a comprehensive process for assessing the Company s overall capital adequacy. We believe our current levels of both regulatory capital and shareholders equity are adequate.

Regulatory Capital

BASEL III and the Dodd-Frank Act

In June 2012, the FRB, OCC, and FDIC (collectively, the Agencies) each issued 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 revisions would include implementation of a new common equity Tier 1 minimum capital requirement and apply limits on a banking organization s capital distributions and certain discretionary bonus payments if the banking organization does not hold a specified amount of common equity Tier 1 capital in addition to the amount necessary to meet its minimum risk-based capital requirements. The NPRs also would establish more conservative standards for including an instrument in regulatory capital. The revisions set forth in these NPRs are consistent with section 171 of the Dodd-Frank Act, which requires the Agencies to establish minimum risk-based and leverage capital requirements.

The Agencies are also proposing to revise their rules for calculating risk-weighted assets to enhance risk sensitivity and address weaknesses identified over recent years, including by incorporating aspects of the Basel II standardized framework in the International Convergence of Capital Measurement and Capital Standards: A Revised Framework, including subsequent amendments to that standard, and recent consultative papers from the Basel Committee on Banking Supervision. The Standardized Approach NPR also includes alternatives to credit ratings, consistent with section 939A of the Dodd-Frank Act. The revisions include methodologies for determining risk-weighted assets for residential mortgages, securitization exposures, and counterparty credit risk. The Standardized Approach NPR also would introduce disclosure requirements that would apply to top-tier banking organizations domiciled in the United States with $50.0 billion or more in total assets, including us, and disclosures related to regulatory capital instruments.

The proposed NPRs are in a comment period through September 7, 2012, and subject to further modification by the Agencies. We are currently evaluating the impact of the proposed NPRs on our regulatory capital ratios and estimate a reduction of approximately 150 basis points to our BASEL I Tier I common risk-based capital ratio based on our existing balance sheet composition. We anticipate that our capital ratios, on a BASEL III basis, would continue to exceed the well-capitalized minimum requirements.

Capital Planning

In connection with its increased focus on the adequacy of regulatory capital and risk management for larger financial institutions, in late 2011, the FRB finalized rules to require banks with assets over $50.0 billion to submit capital plans annually. Per the FRB s rule, our submission included a comprehensive capital plan supported by an assessment of expected uses and sources of capital over a given planning time period under a range of expected and stress scenarios. We participated in the FRB s CapPR process and made our capital plan submission in January 2012. On March 14, 2012, we announced that the FRB had completed its review of our capital plan submission and did not object to our proposed capital actions. The planned actions included the potential repurchase of up to $182.0 million of common stock and a continuation of our current common dividend through the 2013 first quarter. In 2012, we are transitioning into the FRB s more rigorous CCAR process, which had previously been required of only the largest 19 bank holding companies. For additional discussion, refer to the Updates to Risk Factors section located in the Additional Disclosures section of this MD&A.

Capital Adequacy

The FRB establishes capital adequacy requirements, including well-capitalized standards for the Company. The OCC establishes similar capital adequacy requirements and standards for the Bank. Regulatory capital primarily consists of Tier 1 risk-based capital and Tier 2 risk-based capital. The sum of Tier 1 risk-based capital and Tier 2 risk-based capital equals our total risk-based capital.

Risk-based capital guidelines require a minimum level of capital as a percentage of risk-weighted assets . Risk-weighted assets consist of total assets plus certain off-balance sheet and market items, subject to adjustment for predefined credit risk factors. At June 30, 2012, both the Company and the Bank were well-capitalized under applicable regulatory capital adequacy guidelines.

Tier 1 common equity, a non-GAAP financial measure, is used by banking regulators, investors and analysts to assess and compare the quality and composition of our capital with the capital of other financial services companies. We use Tier 1 common equity, along with the other capital measures, to assess and monitor our capital position. Tier 1 common equity is defined as Tier 1 capital less elements of Tier 1 capital not in the form of common equity (e.g. perpetual preferred stock, noncontrolling interests in subsidiaries, and trust preferred capital debt securities).

The following table presents risk-weighted assets and other financial data necessary to calculate certain financial ratios, including the Tier 1 common equity ratio, which we use to measure capital adequacy:

Table 32 - Capital Adequacy

	2012		2011		
(dollar amounts in millions)	**June 30,**	March 31,	December 31,	September 30,	June 30,
Consolidated capital calculations:					
Common shareholders equity	**$ 5,263**	$ 5,164	$ 5,032	$ 5,037	$ 4,890
Preferred shareholders equity	**386**	386	386	363	363
Total shareholders equity	**5,649**	5,550	5,418	5,400	5,253
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(159)**	(171)	(175)	(188)	(202)
Other intangible assets deferred tax liability (1)	**56**	60	61	66	71
Total tangible equity (2)	**5,102**	4,995	4,860	4,834	4,678
Preferred shareholders equity	**(386)**	(386)	(386)	(363)	(363)
Total tangible common equity (2)	**$ 4,716**	$ 4,609	$ 4,474	$ 4,471	$ 4,315

Total assets	**$ 56,623**	$ 55,877	$ 54,451	$ 54,979	$ 53,050

Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(159)**	(171)	(175)	(188)	(202)
Other intangible assets deferred tax liability (1)	**56**	60	61	66	71
Total tangible assets (2)	**$ 56,076**	$ 55,322	$ 53,893	$ 54,413	$ 52,475
Tier 1 capital	**$ 5,714**	$ 5,709	$ 5,557	$ 5,488	$ 5,352
Preferred shareholders equity	**(386)**	(386)	(386)	(363)	(363)
Trust preferred securities	**(449)**	(532)	(532)	(565)	(565)
REIT preferred stock	**(50)**	(50)	(50)	(50)	(50)
Tier 1 common equity (2)	**$ 4,829**	$ 4,741	$ 4,589	$ 4,510	$ 4,374
Risk-weighted assets (RWA)	**$ 47,890**	$ 46,716	$ 45,891	$ 44,376	$ 44,080
Tier 1 common equity / RWA ratio (2)	**10.08 %**	10.15 %	10.00 %	10.17 %	9.92 %
Tangible equity / tangible asset ratio (2)	**9.10**	9.03	9.02	8.88	8.91
Tangible common equity / tangible asset ratio (2)	**8.41**	8.33	8.30	8.22	8.22
Tangible common equity / RWA ratio (2)	**9.85**	9.86	9.75	10.08	9.79

(1) Other intangible assets are net of deferred tax liability, and calculated assuming a 35% tax rate.
(2) Tangible equity, Tier 1 common equity, tangible common equity, and tangible assets are non-GAAP financial measures. Additionally, any ratios utilizing these financial measures are also non-GAAP. These financial measures have been included as they are considered to be critical metrics with which to analyze and evaluate financial condition and capital strength. Other companies may calculate these financial measures differently.

Our Tier 1 common equity risk-based ratio improved 8 basis points to 10.08% at June 30, 2012 compared with 10.00% at December 31, 2011. This increase primarily reflected the combination of an increase in retained earnings and a reduction in the disallowed tax deferred asset, partially offset by an increase in risk-weighted assets, the redemption of $80.0 million in trust preferred securities, the repurchase of 6.4 million common shares, and the impacts related to the payments of dividends.

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

Table 33 - Regulatory Capital Data

		2012		2011		
(dollar amounts in millions)		**June 30,**	March 31,	December 31,	September 30,	June 30,
Total risk-weighted assets	Consolidated	**$ 47,890**	$ 46,716	$ 45,891	$ 44,376	$ 44,080
	Bank	**47,786**	46,498	45,651	44,242	43,907
Tier 1 risk-based capital	Consolidated	**5,714**	5,709	5,557	5,488	5,352
	Bank	**4,636**	4,437	4,245	4,159	3,957
Tier 2 risk-based capital	Consolidated	**1,190**	1,186	1,221	1,216	1,213
	Bank	**1,294**	1,372	1,508	1,830	1,827
Total risk-based capital	Consolidated	**6,904**	6,895	6,778	6,704	6,565
	Bank	**5,930**	5,809	5,753	5,989	5,784
Tier 1 leverage ratio	Consolidated	**10.34 %**	10.55 %	10.28 %	10.24 %	10.25 %
	Bank	**8.42**	8.24	7.89	7.79	7.62
Tier 1 risk-based capital ratio	Consolidated	**11.93**	12.22	12.11	12.37	12.14
	Bank	**9.70**	9.54	9.30	9.40	9.01
Total risk-based capital ratio	Consolidated	**14.42**	14.76	14.77	15.11	14.89
	Bank	**12.41**	12.49	12.60	13.54	13.17

54

The decrease in our consolidated Tier 1 risk-based capital ratios compared with December 31, 2011, primarily reflected an increase in risk-weighted assets, the redemption of $80.0 million in trust preferred securities, the repurchase of 6.4 million common shares, and the impacts related to the payments of dividends, partially offset by an increase in retained earnings and a reduction in the disallowed deferred tax asset.

Shareholders Equity

We generate shareholders equity primarily through the retention of earnings, net of dividends. Other potential sources of shareholders equity include issuances of common and preferred stock. Our objective is to maintain capital at an amount commensurate with our risk profile and risk tolerance objectives, to meet both regulatory and market expectations, and to provide the flexibility needed for future growth and business opportunities. Shareholders equity totaled $5.6 billion at June 30, 2012, representing a $0.2 billion, or 4%, increase compared with December 31, 2011, primarily reflecting an increase in retained earnings.

Dividends

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

On July 19, 2012, our board of directors declared a quarterly cash dividend of $0.04 per common share, payable in October 2012. Cash dividends of $0.04 per common share were also declared on January 19, 2012 and April 18, 2012. Our 2012 capital plan to the FRB *(see Capital Planning section above)* included the continuation of our current common dividend through the 2013 first quarter.

On July 19, 2012, our board of directors also declared a quarterly cash dividend on our 8.50% Series A Non-Cumulative Perpetual Convertible Preferred Stock of $21.25 per share. The dividend is payable in October 2012. Cash dividends of $21.25 per share were also declared on January 19, 2012 and April 28, 2012.

On July 19, 2012, our board of directors also declared a quarterly cash dividend on our Floating Rate Series B Non-Cumulative Perpetual Preferred Stock of approximately $7.89 per share. The dividend is payable in October 2012. Cash dividends of approximately $7.92 per share and approximately $8.18 per share were also declared on April 28, 2012 and January 19, 2012, respectively.

Share Repurchases

From time to time the Board authorizes the Company to repurchase shares of our common stock. Although we announce when the Board authorizes share repurchases, we typically do not give any public notice before we repurchase our shares. Future stock repurchases may be private or open-market repurchases, including block transactions, accelerated or delayed block transactions, forward transactions, and similar transactions. Various factors determine the amount and timing of our share repurchases, including our capital requirements, the number of shares we expect to issue for employee benefit plans and acquisitions, market conditions (including the trading price of our stock), and regulatory and legal considerations, including the FRB s response to our capital plan.

Our board of directors have authorized a share repurchase program consistent with our capital plan. During the six-month period ended June 30, 2012, we repurchased 6.4 million common shares at a weighted average share price of $6.26.

BUSINESS SEGMENT DISCUSSION

Overview

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

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

Optimal Customer Relationship (OCR)

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

OCR was introduced in late 2009. Through 2010, much of the effort was spent on defining processes, sales training, and systems development to fully capture and measure OCR performance metrics. In 2011, we introduced OCR-related metrics for commercial relationships, which complements the previously disclosed consumer OCR-related metrics. In 2012, we are seeing the results in our revenue growth.

CONSUMER OCR PERFORMANCE

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

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

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

The following table presents consumer checking account household OCR metrics:

Table 34 - Consumer Checking Household OCR Cross-sell Report

	2012		2011		
	Second	First	Fourth	Third	Second
Number of households	**1,167,413**	1,134,444	1,095,638	1,073,708	1,042,424
Product Penetration by Number of Services					
1 Service	**3.6 %**	3.7 %	4.1 %	4.4 %	4.5 %
2-3 Services	**20.4**	21.2	22.4	22.8	24.2
4+ Services	**76.0**	75.1	73.5	72.8	71.3
Total revenue *(in millions)*	**$ 249.7**	$ 236.5	$ 230.6	$ 251.9	$ 260.0

Table of Contents

Our emphasis on cross-sell, coupled with customers increasingly being attracted by the benefits offered through our Fair Play banking philosophy with programs such as 24-Hour Grace® on overdrafts and Asterisk-Free Checking , are having a positive effect. The percent of consumer households with over four products at the end of the 2012 second quarter was 76.0%, up from 73.5% at the end of last year. For the first six-month period of 2012, consumer checking account households grew at a 11.6% annualized rate and 12% for the full year. Total consumer checking account household revenue in the 2012 second quarter was $249.7 million, up $13.2 million, or 6%, from the 2012 first quarter. This was primarily driven by growth in households and noninterest income. Total consumer checking account household revenue was down $10.3 million, or 4%, from the year-ago quarter due to the Durbin amendment.

COMMERCIAL OCR PERFORMANCE

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

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

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

The following table presents commercial relationship OCR metrics:

Table 35 - Commercial Relationship OCR Cross-sell Report

	2012		2011		
	Second	First	Fourth	Third	Second
Commercial Relationships	**147,190**	142,947	138,357	135,826	133,165
Product Penetration by Number of Services					
1 Service	**26.5 %**	27.2 %	28.4 %	29.7 %	30.7 %
2-3 Services	**40.9**	40.2	40.2	41.1	42.6
4+ Services	**32.6**	32.7	31.4	29.2	26.7
Total revenue *(in millions)*	**$ 189.2**	$ 169.7	$ 175.4	$ 175.5	$ 166.6

By focusing on targeted relationships we are able to achieve higher product service distribution among our commercial relationships. Our expanded product offerings allow us to focus not only on the credit driven relationship, but leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships utilizing over four products at the end of the 2012 second quarter was 32.6%, up from 26.7% from the prior year. For the first six-month period of 2012, commercial relationships grew at a 11.9% annualized rate. Total commercial relationship revenue in the 2012 second quarter was $189.2 million, up $19.5 million, or 11%, from the 2012 first quarter, and up $22.6 million, or 14%, higher than the year-ago quarter. This was primarily driven by capital markets activities.

Revenue Sharing

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

Expense Allocation

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

Funds Transfer Pricing (FTP)

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

Treasury / Other

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

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

Net Income by Business Segment

We reported net income of $306.0 million during the first six-month period of 2012. This compared with net income of $272.4 million during the first six-month period of 2011. The segregation of net income by business segment for the first six-month period of 2012 and 2011 is presented in the following table:

58

Table of Contents

Table 36 - Net Income by Business Segment

(dollar amounts in thousands)	Six Months Ended June 30, 2012	2011
Retail and Business Banking	**$ 58,376**	$ 101,914
Regional and Commercial Banking	**41,815**	50,863
AFCRE	**124,753**	85,425
WGH	**40,946**	17,484
Treasury/Other	**40,086**	16,678
Total net income	**$ 305,976**	$ 272,364

Average Loans/Leases and Deposits by Business Segment

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

Table 37 - Average Loans/Leases and Deposits by Business Segment

(dollar amounts in millions)	Six Months Ended June 30, 2012 Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury / Other	TOTAL
Average Loans/Leases						
Commercial and industrial	$ 3,272	$ 9,315	$ 2,005	$ 781	$ 85	$ 15,458
Commercial real estate	613	388	4,800	168	(5)	5,964
Total commercial	3,885	9,703	6,805	949	80	21,422
Automobile			4,780		1	4,781
Home equity	7,420	25	1	814	12	8,272
Residential mortgage	1,039	8		4,162	5	5,214
Other consumer	362	5	94	40	(28)	473
Total consumer	8,821	38	4,875	5,016	(10)	18,740
Total loans and leases	$ 12,706	$ 9,741	$ 11,680	$ 5,965	$ 70	$ 40,162
Average Deposits						
Demand deposits noninterest-bearing	$ 4,538	$ 2,735	$ 474	$ 3,698	$ 223	$ 11,668
Demand deposits interest-bearing	4,616	99	49	1,023	5	5,792
Money market deposits	7,405	1,613	236	3,907	1	13,162
Savings and other domestic deposits	4,716	14	16	154	(2)	4,898
Core certificates of deposit	6,419	25	2	111	7	6,564
Total core deposits	27,694	4,486	777	8,893	234	42,084
Other deposits	172	237	57	726	885	2,077
Total deposits	$ 27,866	$ 4,723	$ 834	$ 9,619	$ 1,119	$ 44,161

59

Table of Contents

Retail and Business Banking

Table 38 - Key Performance Indicators for Retail and Business Banking

(dollar amounts in thousands unless otherwise noted)	Six Months Ended June 30, **2012**	2011	Change Amount	Percent
Net interest income	**$ 442,946**	$ 473,053	$ (30,107)	(6)%
Provision for credit losses	**64,886**	58,358	6,528	11
Noninterest income	**186,995**	200,842	(13,847)	(7)
Noninterest expense	**475,246**	458,746	16,500	4
Provision for income taxes	**31,433**	54,877	(23,444)	(43)
Net income	**$ 58,376**	$ 101,914	$ (43,538)	(43)%
Number of employees (full-time equivalent)	**5,557**	5,574	(17)	%
Total average assets *(in millions)*	**$ 14,259**	$ 13,243	$ 1,016	8
Total average loans/leases *(in millions)*	**12,706**	11,864	842	7
Total average deposits *(in millions)*	**27,866**	28,959	(1,093)	(4)
Net interest margin	**3.20 %**	3.28 %	(0.08)%	(2)
NCOs	**$ 76,141**	$ 83,012	$ (6,871)	(8)
NCOs as a % of average loans and leases	**1.20 %**	1.40 %	(0.20)%	(14)
Return on average common equity	**8.3**	14.4	(6.1)	(42)

2012 First Six Months vs. 2011 First Six Months

Retail and Business Banking reported net income of $58.4 million in the first six-month period of 2012. This was a decrease of $43.5 million, or 43%, when compared to the year-ago period.

Results for the first half of the year were negatively impacted by the Durbin Amendment of the Dodd-Frank Act, which drove a net $21.5 million reduction in debit card income. Service charges on deposit accounts increased $11.3 million or 13% as a direct result of a 12.5% increase in the number of households. Demand deposit balances increased materially when compared to the year-ago period, including a 25% increase in noninterest-bearing demand deposits. Money market deposits were down 8% and core certificate of deposits were down 20% compared to the year-ago period due to a focus on deposit mix and funding margin management. Household growth continued to outperform expectations with marketing expenses marginally down compared to prior year. Finally, average portfolio loan balances were up 7% over the same period prior year, with a 12 basis point increase in the portfolio spread.

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

- $30.1 million, or 6%, decrease in net interest income.
- $6.5 million, or 11%, increase in the provision for credit losses.
- $13.8 million, or 7%, decrease in noninterest income.
- $16.5 million, or 4%, increase in noninterest expense.

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

$8.0 million of lower equity funding related to lower rate environment.

21 basis points decrease in deposit spread resulted in a $39.8 million reduction in net interest income.

Partially offset by:

- $0.8 billion, or 7%, increase in total average loans and leases, with 12 basis point of increased spread providing $17.8 million of increased margin.

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

- $406.9 million, or 5%, increase in consumer loans driven by $413.4 million or 6% increase in home equity lines.
- $260.7 million, or 9%, increase in the C&I portfolio.

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

- $1.6 billion, or 20%, decrease in core certificate of deposits, which reflected continued focus on product mix in reducing the overall cost of deposits.
- $0.6 billion, or 8%, decrease in money market deposits.

Partially offset by:

- $0.9 billion, or 25%, increase in noninterest-bearing demand deposits.

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

- $6.5 million, or 11%, increase in provision for credit losses reflected financial difficulties experienced primarily by our residential mortgage and home equity second-lien loan borrowers.

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

- $21.0 million, or 35%, decrease in electronic banking income, the impact of the Durbin Amendment of the Dodd-Frank Act on debit card interchange income.
- $8.4 million, or 27%, decrease in other income principally the result of executing a lower level of SBA sales.

Partially offset by:

- $11.1 million, or 13%, increase in deposit service charge income due to strong household and account growth in the checking portfolio.
- $4.7 million, or 46%, increase in mortgage banking income due to higher loan originations.

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

- $14.3 million, or 10%, increase in personnel costs related to the addition of 41 Giant Eagle In-Stores.

- $2.2 million, or 1%, increase in other expenses, principally the result of a $28.2 million increase in indirect product expense allocations, partially offset by $24.1 million lower FDIC insurance expense and $2.1 million lower expense for the amortization of intangibles.

Table of Contents

Regional and Commercial Banking

Table 39 - Key Performance Indicators for Regional and Commercial Banking

(dollar amounts in thousands unless otherwise noted)	Six Months Ended June 30, **2012**	2011	Change Amount	Percent
Net interest income	**$ 132,121**	$ 117,467	$ 14,654	12 %
Provision for credit losses	**37,609**	7,427	30,182	406
Noninterest income	**67,357**	60,627	6,730	11
Noninterest expense	**97,538**	92,416	5,122	6
Provision for income taxes	**22,516**	27,388	(4,872)	(18)
Net income	**$ 41,815**	$ 50,863	$ (9,048)	(18)%
Number of employees (full-time equivalent)	**686**	643	43	7 %
Total average assets *(in millions)*	**$ 10,630**	$ 8,851	$ 1,779	20
Total average loans/leases *(in millions)*	**9,741**	7,947	1,794	23
Total average deposits *(in millions)*	**4,723**	3,574	1,149	32
Net interest margin	**2.81 %**	3.00 %	(0.19)%	(6)
NCOs	**$ 19,086**	$ 26,089	$ (7,003)	(27)
NCOs as a % of average loans and leases	**0.39 %**	0.66 %	(0.27)%	(41)
Return on average common equity	**9.9**	14.9	(5.0)	(34)

2012 First Six Months vs. 2011 First Six Months

Regional and Commercial Banking reported net income of $41.8 million for the first six-month period of 2012. This was a decrease of $9.0 million, or 18%, compared to the year-ago period. The increase in provision expense was impacted by a combination of significant loan growth and reserves allocated to new and specialty lines of business including Healthcare, Energy, Asset-Based Lending and Equipment Finance.

The Optimal Customer Relationship (OCR) initiative, which includes robust customer relationship planning, a referral tracking system, and new customer relationship management system, resulted in a 19% increase in loan originations in the first six-month period of 2012 compared to the year-ago period. The increase in originations during the current period reflected the strategic decision to enter the syndications line of business further enhancing our Large Corporate and Middle Market capabilities, as well as our continued development of our vertical strategies. Additionally, the Commercial Relationship Manager sales teams were focused on the importance of deposit relationships, as well as partnering with Treasury Management to deliver customer-focused liquidity management solutions.

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

$30.2 million, or 406%, increase in the provision for credit losses, primarily due to loan growth and reserves allocated to new and specialty lines of business.

$5.1 million, or 6%, increase in noninterest expense, due to our strategic initiatives investments.

Offset by:

$14.7 million, or 12%, increase in net interest income.

$6.7 million, or 11%, increase in noninterest income.

Table of Contents

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

- $1.8 billion, or 23%, increase in total average loans and leases which reflected the strategic decision to enter the syndications line of business, as well as the continued development of our vertical strategies.

- $1.1 billion, or 32%, increase in average total deposits.

Partially offset by:

- 19 basis point decrease in the net interest margin due to changes to funds transfer pricing put in place over the past year.

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

- $1.0 billion, or 90%, increase in the large corporate portfolio average balance due to establishing relationships with targeted prospects within our footprint.

- $0.7 billion, or 64%, increase in the equipment finance portfolio average balance which reflected our focus on developing vertical strategies in business aircraft, rail industry, lender finance and syndications, as well as the purchase of a portfolio of municipal leases in late March 2012.

- $0.3 billion, or 38%, increase in the healthcare portfolio average balance due to strategic focus on the banking needs of the healthcare industry, specifically targeting alternate site real estate, seniors real estate, medical technology, community hospitals, metro hospitals, and health care services.

Partially offset by:

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

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

- $1.1 billion, or 32%, increase in average core deposits reflected a $0.7 billion increase in average noninterest-bearing deposits. Regional and Commercial Banking initiated a strategic focus to gain a deeper share of wallet with certain key relationships. This focus was specifically targeted to liquidity solutions for these customers and resulted in significant deposit growth. Middle Market accounts, such as Not-For-Profit universities, Healthcare, etc., contributed $0.6 billion of the balance growth, while Large Corporate accounts contributed $0.5 billion.

- Strategic initiatives to deepen customer relationships, new and innovative product offerings, pricing discipline, and sales and retention initiatives.

- Best practices from each region were shared and institutionalized.

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

A combination of significant loan growth and reserves allocated to new and specialty lines of business, partially offset by improved credit quality in the portfolio evidenced by a $7.0 million decrease in NCOs.

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

$5.9 million, or 36%, increase in capital markets related income, including a $2.5 million, or 32%, increase in sales of customer interest rate protection products, a $2.7 million, or 62%, increase in institutional brokerage income driven by stronger underwriting fees and fixed-income commissions compared to the prior year, and a $0.7 million, or 16%, increase in foreign exchange revenue.

$2.8 million, or 21%, increase in commitment and other loan fees reflecting the deployment of the syndications line of business.

Partially offset by:

$1.0 million decrease in equipment finance fee income primarily reflecting gains on small ticket lease portfolios in 2011.

$0.8 million, or 50%, decrease in operating lease income as lease originations were structured as direct finance leases beginning in the 2009 second quarter.

Table of Contents

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

- $7.9 million, or 18%, increase in personnel costs, reflecting a 7% increase in FTE employees. This increase in personnel is attributable to our strategic investments in our core footprint markets, vertical strategies, and product capabilities.
- $2.0 million, or 54%, increase in allocated FDIC insurance premiums.
- $2.6 million, or 26%, increase in marketing and business development expense.

Partially offset by:

- $2.3 million, or 17%, decrease in allocated overhead expense.
- $3.5 million, or 54%, decrease in legal, outside appraisal, and consulting expense.
- $0.8 million, or 57%, decrease in operating lease expense as lease originations were structured as direct finance leases beginning in the 2009 second quarter.

64

Table of Contents

Automobile Finance and Commercial Real Estate

Table 40 - Key Performance Indicators for Automobile Finance and Commercial Real Estate

(dollar amounts in thousands unless otherwise noted)	Six Months Ended June 30, **2012**	2011	Change Amount	Percent
Net interest income	**$ 177,192**	$ 177,130	$ 62	%
Provision (reduction in allowance) for credit losses	**(47,082)**	(10,071)	37,011	(368)
Noninterest income	**45,018**	29,525	15,493	52
Noninterest expense	**77,365**	85,304	(7,939)	(9)
Provision for income taxes	**67,174**	45,997	21,177	46
Net income	**$ 124,753**	$ 85,425	$ 39,328	46 %
Number of employees (full-time equivalent)	**271**	282	(11)	(4)%
Total average assets *(in millions)*	**$ 12,482**	$ 13,156	$ (674)	(5)
Total average loans/leases *(in millions)*	**11,680**	13,177	(1,497)	(11)
Total average deposits *(in millions)*	**834**	774	60	8
Net interest margin	**2.82 %**	2.66 %	0.16 %	6
NCOs	**$ 52,637**	$ 102,160	$ (49,523)	(48)
NCOs as a % of average loans and leases	**0.90 %**	1.55 %	(0.65)%	(42)
Return on average common equity	**40.6**	24.4	17.2	70

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

2012 First Six Months vs. 2011 First Six Months

AFCRE reported net income of $124.8 million in the first six-month period of 2012. This was an increase of $39.3 million when compared to the year-ago period.

Results for the current year continued to be positively impacted by lower provision for credit losses resulting from reductions in required reserve levels, as the underlying credit quality of the loan portfolios improved and stabilized. Also contributing to the increase in net income was the $1.3 billion auto loan securitization completed in March 2012 that resulted in a $23.0 million gain. The net interest margin continues to improve, reflecting adherence to our risk-based pricing disciplines. Overall, loan balances have declined compared to a year ago as a result of auto loan securitization activities, as well as the continued planned reduction of our CRE portfolio. Indirect auto loan production levels remain strong with originations through the first six months of 2012 totaling a record $2.1 billion, up from $1.8 billion in the year ago period.

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

$37.0 million, or 368%, decline in the provision for credit losses.

$15.5 million, or 52%, increase in noninterest income.

$7.9 million, or 9%, decrease in noninterest expense.

Table of Contents

Net interest income was relatively flat from the year-ago period and reflected:

16 basis point increase in the net interest margin. This increase primarily reflected the continuation of a risk-based pricing strategy in the CRE portfolio that began in early 2009 and has resulted in improved spreads on CRE loan renewals, as well as new business originated.

Offset by:

$1.1 billion, or 18%, decrease in the average consumer automobile portfolio. This decrease resulted from the $1.0 billion auto loan securitization completed in the 2011 third quarter, as well as the $1.3 billion auto loan securitization completed in the 2012 first quarter.

$0.4 billion, or 6%, decrease in our average commercial portfolio. This decrease primarily reflected a $0.6 billion decrease in CRE loans offset, in part, by a $0.2 billion increase in automobile floor plan loans. The decline in CRE loans continued to reflect our managed reduction of this overall exposure, particularly in the noncore portfolio.

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

$60.0 million, or 8%, increase in average core deposits reflecting our commitment to strengthening relationships with core customers and prospects, as well as new commercial automobile dealer relationships.

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

$45.8 million, or 48%, decrease in commercial NCOs. Expressed as a percentage of related average balances, commercial NCO s decreased to 1.43% in the first six-month period of 2012 from 2.62% in the year-ago period.

$3.4 million, or 48%, decrease in indirect automobile-related NCOs. As a percentage of related average balances, indirect automobile-related NCO s were 0.15% in the first six-month period of 2012 compared to 0.24% in the year-ago period. These relatively lower charge-off levels reflect our consistent focus on high credit quality of originations combined with a continued strong resale market for used vehicles.

A reduction in required reserve levels, primarily due to lower levels of commercial NALs which totaled $211 million at June 30, 2012, down 28% compared to June 30, 2011.

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

The $23.0 million gain on the securitization and sale of $1.3 billion of indirect auto loans during the 2012 first quarter.

Partially offset by:

$9.5 million, or 59%, decrease in operating lease income resulting from the continued runoff of that portfolio, as we exited that business at the end of 2008.

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

$7.2 million, or 59%, decrease in operating lease expense resulting from the continued runoff of that portfolio.

$2.4 million decrease in legal and other outside service expense resulting from a decrease in collection related activities, as well as increased cost deferrals associated with origination activities.

$1.9 million, or 13%, decrease in personnel costs, which primarily related to higher origination related cost deferrals resulting from increased loan origination activities.

Partially offset by:

$3.9 million increase in allocated costs, primarily FDIC insurance.

Table of Contents

Wealth Advisors, Government Finance, and Home Lending

Table 41 - Key Performance Indicators for Wealth Advisors, Government Finance, and Home Lending

	Six Months Ended June 30,		Change	
(dollar amounts in thousands unless otherwise noted)	**2012**	2011	Amount	Percent
Net interest income	**$ 95,215**	$ 96,233	$ (1,018)	(1)%
Provision for credit losses	**15,513**	29,468	(13,955)	(47)
Noninterest income	**168,231**	132,878	35,353	27
Noninterest expense	**184,939**	172,745	12,194	7
Provision for income taxes	**22,048**	9,414	12,634	134
Net income	**$ 40,946**	$ 17,484	$ 23,462	134 %
Number of employees (full-time equivalent)	**2,031**	2,042	(11)	(1)%
Total average assets *(in millions)*	**$ 7,547**	$ 6,535	$ 1,012	15
Total average loans/leases *(in millions)*	**5,965**	5,244	721	14
Total average deposits *(in millions)*	**9,619**	7,430	2,189	29
Net interest margin	**1.88 %**	2.24 %	(0.36)%	(16)
NCOs	**$ 23,335**	$ 35,440	$ (12,105)	(34)
NCOs as a % of average loans and leases	**0.78 %**	1.35 %	(0.57)%	(42)
Return on average common equity	**11.0**	5.2	5.8	112
Mortgage banking origination volume (in millions)	**$ 2,448**	$ 929	$ 1,519	164
Noninterest income shared with other business segments[(1)]	**24,400**	20,233	4,167	21
Total assets under management *(in billions) eop*	**14.9**	15.0	(0.1)	(1)
Total trust assets *(in billions) eop*	**63.5**	61.6	1.9	3

(1) Amount is not included in noninterest income reported above.
eop End of Period.

2012 First Six Months vs. 2011 First Six Months

WGH reported net income of $40.9 million in the first six-month period of 2012. This was an increase of $23.5 million, or 134%, when compared to the year-ago period.

The improved results for 2012 were largely driven by an increase in mortgage banking revenue attributable to increased mortgage loan originations and the positive impact of net MSR hedge activity. Growth in loan and deposit balances was also very strong, as average loan balances increased 14% and average deposit balances increased 29%, with core deposits increasing by 44%. In the wealth management group, brokerage income declined $3.3 million, or 13%, from the prior quarter as a result of a reduction in annuity product sales partially offset by an increase in sales of market-linked certificates of deposit. Trust and asset management income was down slightly from the first six months of 2011, although total trust assets increased to $63.5 billion. Much of the trust asset growth was in corporate trust, where revenues are tied closely to trust asset values.

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

$35.4 million, or 27%, increase in noninterest income.

- $14.0 million, or 47%, decrease in the provision for credit losses.

Partially offset by:

- $12.2 million, or 7%, increase in noninterest expense.
- $1.0 million, or 1%, decrease in net interest income.

67

Table of Contents

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

- 36 basis point decrease in the net interest margin mainly due to compressed deposit margins resulting from declining rates and reduced funds transfer pricing rates on collateralized and shorter-term deposits.

Partially offset by:

- $0.7 billion, or 14%, increase in average total loans and leases.
- $2.2 billion, or 29%, increase in average total deposits.

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

- $0.7 billion, or 20%, increase in the residential mortgage portfolio driven by historically low interest rates.

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

- $1.7 billion increase in short-term commercial deposits.
- $0.3 billion increase in deposits generated through the wealth management group.

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

- $33.4 million, or 97%, increase in mortgage banking income due to an increase in mortgage loan originations and the positive impact of net MSR hedge activity.
- $3.7 million, or 131%, increase in other noninterest income due primarily to a gain on sale of certain Low Income Housing Tax Credit investments.

Partially offset by:

- $3.3 million, or 13%, decrease in brokerage income due to a decrease in annuity product sales partially offset by an increase in sales of market-linked certificates of deposit.

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

- $7.0 million, or 7%, increase in personnel costs, which reflected higher sales commissions and loan origination costs primarily related to the increased mortgage origination volume.

$5.2 million, or 7%, increase in other expenses, primarily due to loan system conversion costs, increased mortgage volume, and increase in allocated costs.

Table of Contents

ADDITIONAL DISCLOSURES

Forward-Looking Statements

This report, including MD&A, contains certain forward-looking statements, including certain plans, expectations, goals, projections, and statements, which are subject to numerous assumptions, risks, and uncertainties. Statements that do not describe historical or current facts, including statements about beliefs and expectations, are forward-looking statements. Forward-looking statements may be identified by words such as expect, anticipate, believe, intend, estimate, plan, target, goal, or similar expressions, or future or conditional verbs such as will, may, might, should, would, could, or similar variations. The forward-looking statements are intended to be subject to the safe harbor provided by Section 27A of the Securities Act of 1933, Section 21E of the Securities Exchange Act of 1934, and the Private Securities Litigation Reform Act of 1995.

While there is no assurance that any list of risks and uncertainties or risk factors is complete, below are certain factors which could cause actual results to differ materially from those contained or implied in the forward-looking statements: (1) worsening of credit quality performance due to a number of factors such as the underlying value of collateral that could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected; (2) changes in economic conditions, including impacts from the continuing economic uncertainty in the US, the European Union, and other areas; (3) movements in interest rates; (4) competitive pressures on product pricing and services; (5) success, impact, and timing of our business strategies, including market acceptance of any new products or services introduced to implement our Fair Play banking philosophy; (6) changes in accounting policies and principles and the accuracy of our assumptions and estimates used to prepare our financial statements; (7) extended disruption of vital infrastructure; (8) the final outcome of significant litigation; (9) the nature, extent, timing and results of governmental actions, examinations, reviews, reforms, and regulations including those related to the Dodd-Frank Wall Street Reform and Consumer Protection Act; and (10) the outcome of judicial and regulatory decisions regarding practices in the residential mortgage industry, including among other things the processes followed for foreclosing residential mortgages. Additional factors that could cause results to differ materially from those described above can be found in our 2011 Annual Report on Form 10-K, and documents subsequently filed by us with the Securities and Exchange Commission.

All forward-looking statements speak only as of the date they are made and are based on information available at that time. We assume no obligation to update forward-looking statements to reflect circumstances or events that occur after the date the forward-looking statements were made or to reflect the occurrence of unanticipated events except as required by federal securities laws. As forward-looking statements involve significant risks and uncertainties, caution should be exercised against placing undue reliance on such statements.

Non-Regulatory Capital Ratios

In addition to capital ratios defined by banking regulators, the Company considers various other measures when evaluating capital utilization and adequacy, including:

- Tangible common equity to tangible assets,
- Tier 1 common equity to risk-weighted assets using Basel I and Basel III definitions, and
- Tangible common equity to risk-weighted assets using Basel I definition.

These non-regulatory capital ratios are viewed by management as useful additional methods of reflecting the level of capital available to withstand unexpected market conditions. Additionally, presentation of these ratios allows readers to compare the Company s capitalization to other financial services companies. These ratios differ from capital ratios defined by banking regulators principally in that the numerator excludes preferred securities, the nature and extent of which varies among different financial services companies. These ratios are not defined in Generally Accepted Accounting Principles (GAAP) or federal banking regulations. As a result, these non-regulatory capital ratios disclosed by the Company may be considered non-GAAP financial measures.

Because there are no standardized definitions for these non-regulatory capital ratios, the Company s calculation methods may differ from those used by other financial services companies. Also, there may be limits in the usefulness of these measures to investors. As a result, the Company encourages readers to consider the consolidated financial statements and other financial information contained in this Form 10-Q in their

entirety, and not to rely on any single financial measure.

Risk Factors

Information on risk is discussed in the Risk Factors section included in Item 1A of our 2011 Form 10-K. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report.

Table of Contents

Updates to Risk Factors

Bank regulators and other regulations, including proposed Basel capital standards and Federal Reserve guidelines, 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 are in a comment period through September 7, 2012, and subject to further modification by the Agencies. See the Capital section within Management s Discussion and Analysis of Financial Condition and Results of Operations.

In 2011, the Federal Reserve issued guidelines for evaluating proposals by certain bank holding companies, including Huntington, to undertake capital actions in 2012, 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 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.

The Federal Reserve is expected to undertake these capital plan reviews on a regular basis in the future. There can be no assurance that the Federal Reserve will respond favorably to our capital plan as part of their future capital plan reviews, and the Federal Reserve 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% Tier 1 Common risk-based capital ratio under both expected and stressed conditions.

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 16 of the Notes to Unaudited Condensed 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. *(For further discussion, see Note 16 of the Notes to Unaudited Condensed Consolidated Financial Statements.)*

Critical Accounting Policies and Use of Significant Estimates

Our financial statements are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish critical accounting policies and make accounting estimates, assumptions, and judgments that affect amounts recorded and reported in our financial statements. Note 1 of Notes to Consolidated Financial Statements included in our 2011 Form 10-K as supplemented by this report lists significant accounting policies we use in the development and presentation of our financial statements. This MD&A, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors necessary for an understanding and evaluation of our company, financial position, results of operations, and cash flows.

An accounting estimate requires assumptions about uncertain matters that could have a material effect on the financial statements if a different amount within a range of estimates were used or if estimates changed from period to period. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results that significantly differ from when those estimates were made.

Our most significant accounting estimates relate to our ACL, income taxes and deferred tax assets, and fair value measurements of investment securities, goodwill, pension, and other real estate owned. These significant accounting estimates and their related application are discussed in our 2011 Form 10-K.

Fair Value Measurements

The fair value of a financial instrument is defined as the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. We estimate the fair value of a financial instrument using a variety of valuation methods. Where financial instruments are actively traded and have quoted market prices, quoted market prices are used for fair value. We characterize active markets as those where transaction volumes are sufficient to provide objective pricing information, with reasonably narrow bid/ask spreads, and where received quoted prices do not vary widely. When the financial instruments are not actively traded, other observable market inputs, such as quoted prices of securities with similar characteristics, may be used, if available, to determine fair value. Inactive markets are characterized by low transaction volumes, price quotations that vary substantially among market participants, or in which minimal information is released publicly. When observable market prices do not exist, we estimate fair value primarily by using cash flow and other financial modeling methods. Our valuation methods consider factors such as liquidity and concentration concerns and, for the derivatives portfolio, counterparty credit risk. Other factors such as model assumptions, market dislocations, and unexpected correlations can affect estimates of fair value. Changes in these underlying factors, assumptions, or estimates in any of these areas could materially impact the amount of revenue or loss recorded.

The FASB ASC Topic 820, Fair Value Measurements, establishes a framework for measuring the fair value of financial instruments that considers the attributes specific to particular assets or liabilities and establishes a three-level hierarchy for determining fair value based on the transparency of inputs to each valuation as of the fair value measurement date. The three levels are defined as follows:

Level 1 quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices of identical or similar assets or liabilities in markets that are not active, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs that are unobservable and significant to the fair value measurement. Financial instruments are considered Level 3 when values are determined using pricing models, discounted cash flow methodologies, or similar techniques, and at least one significant model assumption or input is unobservable.

At the end of each quarter, we assess the valuation hierarchy for each asset or liability measured. As necessary, assets or liabilities may be transferred within hierarchy levels due to changes in availability of observable market inputs at the measurement date. The fair values measured at each level of the fair value hierarchy, as well as additional discussion regarding fair value measurements, can be found in Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements.

Below is a brief description of how fair value is determined for categories that have unobservable inputs.

Available-for-sale securities

Consist of certain asset-backed securities, pooled-trust-preferred securities, private-label CMOs, and municipal securities for which fair value is estimated. Assumptions used to determine the fair value of these securities have greater subjectivity due to the lack of observable market transactions. Generally, there are only limited trades of similar instruments and a discounted cash flow approach is used to determine fair value.

MSRs

MSRs do not trade in an active, open market with readily observable prices. Although sales of MSRs do occur, the precise terms and conditions typically are not readily available. Fair value is determined on an income approach model based upon month-end interest rate curve and prepayment assumptions.

Automobile loans

Effective January 1, 2010, we consolidated an automobile loan securitization that previously had been accounted for as an off-balance sheet transaction. We elected to account for the automobile loan receivables and the associated notes payable at fair value per guidance supplied in ASC 825, *Financial Instruments*.

Table of Contents

The key assumptions used to determine the fair value of the automobile loan receivables included a projection of expected losses and prepayment of the underlying loans in the portfolio and a market assumption of interest rate spreads. Certain interest rates are available from similarly traded securities while other interest rates are developed internally based on similar asset-backed security transactions in the market. The associated notes payable are valued based upon interest rates for similar financial instruments.

Business Combinations

On March 30, 2012, Huntington acquired the loans, deposits, and certain other assets and liabilities of Fidelity Bank located in Dearborn, Michigan from the FDIC. Assets acquired and liabilities assumed are recorded at fair value in accordance with ASC 805, Business Combinations .

Recent Accounting Pronouncements and Developments

Note 2 to the Unaudited Condensed Consolidated Financial Statements discusses new accounting pronouncements adopted during 2012 and the expected impact of accounting pronouncements recently issued but not yet required to be adopted. To the extent the adoption of new accounting standards materially affect financial condition, results of operations, or liquidity, the impacts are discussed in the applicable section of this MD&A and the Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

Item 1: Financial Statements

Huntington Bancshares Incorporated

Condensed Consolidated Balance Sheets

(Unaudited)

(dollar amounts in thousands, except number of shares)	**2012 June 30,**	2011 December 31,
Assets		
Cash and due from banks	**$ 1,218,588**	$ 1,115,968
Interest-bearing deposits in banks	**88,825**	90,943
Trading account securities	**53,837**	45,899
Loans held for sale (includes $570,189 and $343,588 respectively, measured at fair value) (1)	**2,123,371**	1,618,391
Available-for-sale and other securities	**8,666,778**	8,078,014
Held-to-maturity securities	**598,385**	640,551
Loans and leases (includes $210,031 and $296,250 respectively, measured at fair value) (2)	**39,959,180**	38,923,783
Allowance for loan and lease losses	**(859,646)**	(964,828)
Net loans and leases	**39,099,534**	37,958,955
Bank owned life insurance	**1,573,891**	1,549,783
Premises and equipment	**583,057**	564,429
Goodwill	**444,268**	444,268
Other intangible assets	**159,195**	175,302
Accrued income and other assets	**2,013,230**	2,168,149
Total assets	**$ 56,622,959**	$ 54,450,652
Liabilities and shareholders equity		
Liabilities		
Deposits	**$ 46,076,075**	$ 43,279,625
Short-term borrowings	**1,205,995**	1,441,092
Federal Home Loan Bank advances	**835,653**	362,972
Other long-term debt (includes $32,794 and $123,039 respectively, measured at fair value) (2)	**310,043**	1,231,517
Subordinated notes	**1,418,216**	1,503,368
Accrued expenses and other liabilities	**1,127,746**	1,213,978
Total liabilities	**50,973,728**	49,032,552
Shareholders equity		
Preferred stock authorized 6,617,808 shares:		
Series A, 8.50% fixed rate, non-cumulative perpetual convertible preferred stock, par value of $0.01, and liquidation value per share of $1,000	**362,507**	362,507
Series B, floating rate, non-voting, non-cumulative perpetual preferred stock, par value of $0.01, and liquidation value per share of $1,000	**23,785**	23,785
Common stock	**8,596**	8,656
Capital surplus	**7,569,481**	7,596,809
Less treasury shares, at cost	**(10,393)**	(10,255)
Accumulated other comprehensive loss	**(135,977)**	(173,763)
Retained (deficit) earnings	**(2,168,768)**	(2,389,639)
Total shareholders equity	**5,649,231**	5,418,100

Total liabilities and shareholders equity	**$ 56,622,959**	$ 54,450,652
Common shares authorized (par value of $0.01)	**1,500,000,000**	1,500,000,000
Common shares issued	**859,597,015**	865,584,517
Common shares outstanding	**858,401,176**	864,406,152
Treasury shares outstanding	**1,195,839**	1,178,365
Preferred shares issued	**1,967,071**	1,967,071
Preferred shares outstanding	**398,007**	398,007

(1) Amounts represent loans for which Huntington has elected the fair value option.

(2) Amounts represent certain assets and liabilities of a consolidated VIE for which Huntington has elected the fair value option.

See Notes to Unaudited Condensed Consolidated Financial Statements

73

Table of Contents

Huntington Bancshares Incorporated

Condensed Consolidated Statements of Income

(Unaudited)

(dollar amounts in thousands, except per share amounts)	**Three Months Ended June 30, 2012**	2011	**Six Months Ended June 30, 2012**	2011
Interest and fee income:				
Loans and leases	**$ 428,859**	$ 431,294	**$ 840,907**	$ 867,958
Available-for-sale and other securities				
Taxable	**48,244**	54,603	**97,068**	112,254
Tax-exempt	**2,124**	2,320	**4,323**	5,196
Held-to-maturity securities taxable	**4,538**	1,287	**9,252**	1,287
Other	**3,779**	2,633	**15,931**	7,319
Total interest income	**487,544**	492,137	**967,481**	994,014
Interest expense				
Deposits	**41,790**	68,304	**85,570**	144,100
Short-term borrowings	**558**	856	**1,141**	1,805
Federal Home Loan Bank advances	**333**	215	**555**	435
Subordinated notes and other long-term debt	**15,901**	19,425	**34,044**	40,007
Total interest expense	**58,582**	88,800	**121,310**	186,347
Net interest income	**428,962**	403,337	**846,171**	807,667
Provision for credit losses	**36,520**	35,797	**70,926**	85,182
Net interest income after provision for credit losses	**392,442**	367,540	**775,245**	722,485
Service charges on deposit accounts	**65,998**	60,675	**126,290**	114,999
Trust services	**29,914**	30,392	**60,820**	61,134
Electronic banking	**20,514**	31,728	**39,144**	60,514
Mortgage banking	**38,349**	23,835	**84,767**	46,519
Brokerage	**19,025**	20,819	**38,285**	41,330
Insurance	**17,384**	16,399	**36,259**	34,344
Bank owned life insurance	**13,967**	17,602	**27,904**	32,421
Capital markets fees	**13,455**	8,537	**23,437**	15,473
Gain on sale of loans	**4,131**	2,756	**30,901**	9,963
Automobile operating lease income	**2,877**	7,307	**6,652**	16,154
Securities gains/(losses)	**603**	1,689	**1,227**	5,894
Impairment losses recognized in earnings on available-for-sale securities	**(253)**	(182)	**(1,490)**	(4,347)
Other income	**27,855**	34,210	**64,943**	58,314
Total noninterest income	**253,819**	255,767	**539,139**	492,712
Personnel costs	**243,034**	218,570	**486,532**	437,598
Outside data processing and other services	**48,149**	43,889	**90,207**	84,171
Net occupancy	**25,474**	26,885	**54,553**	55,321
Equipment	**24,872**	21,921	**50,417**	44,398
Deposit and other insurance expense	**15,731**	23,823	**36,469**	41,719
Marketing	**21,365**	20,102	**38,141**	36,997

Professional services	**15,458**	20,080	**26,688**	33,545
Amortization of intangibles	**11,940**	13,386	**23,471**	26,756
Automobile operating lease expense	**2,183**	5,434	**5,037**	12,270
OREO and foreclosure expense	**4,106**	4,398	**9,056**	8,329
Gain on extinguishment of debt	**(2,580)**		**(2,580)**	
Other expense	**34,537**	29,921	**88,954**	78,004
Total noninterest expense	**444,269**	428,409	**906,945**	859,108
Income before income taxes	**201,992**	194,898	**407,439**	356,089
Provision for income taxes	**49,286**	48,980	**101,463**	83,725
Net income	**152,706**	145,918	**305,976**	272,364
Dividends on preferred shares	**7,984**	7,704	**16,033**	15,407
Net income applicable to common shares	**$ 144,722**	$ 138,214	**$ 289,943**	$ 256,957
Average common shares basic	**862,261**	863,358	**863,380**	863,358
Average common shares diluted	**867,551**	867,469	**868,357**	867,353
Per common share:				
Net income basic	**$ 0.17**	$ 0.16	**$ 0.34**	$ 0.30
Net income diluted	**0.17**	0.16	**0.33**	0.30
Cash dividends declared	**0.04**	0.01	**0.08**	0.02
OTTI losses for the periods presented:				
Total OTTI losses	**$ (2,245)**	$ (1,812)	**$ (1,721)**	$ (4,347)
Noncredit-related portion of loss recognized in OCI	**1,992**	1,630	**231**	
Impairment losses recognized in earnings on available-for-sale securities	**$ (253)**	$ (182)	**$ (1,490)**	$ (4,347)

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Huntington Bancshares Incorporated

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(dollar amounts in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2012	2011	**2012**	2011
Net income	**$ 152,706**	$ 145,918	**$ 305,976**	$ 272,364
Other comprehensive income, net of tax:				
Unrealized gains on available-for-sale and other securities:				
Non-credit-related impairment recoveries (losses) on debt securities not expected to be sold	**(463)**	910	**4,064**	10,037
Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains	**2,716**	61,234	**20,562**	57,504
Total unrealized gains on available-for-sale and other securities	**2,253**	62,144	**24,626**	67,541
Unrealized gains (losses) on cash flow hedging derivatives	**16,343**	16,634	**6,674**	2,212
Change in accumulated unrealized losses for pension and other post-retirement obligations	**3,243**	2,600	**6,486**	5,200
Other comprehensive income (loss)	**21,839**	81,378	**37,786**	74,953
Comprehensive income	**$ 174,545**	$ 227,296	**$ 343,762**	$ 347,317

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Huntington Bancshares Incorporated

Condensed Consolidated Statements of Changes in Shareholders Equity

(Unaudited)

(All amounts in thousands, except for per share amounts)	Preferred Stock Series A Shares	Preferred Stock Series A Amount	Preferred Stock Series B Floating Rate Shares	Preferred Stock Series B Floating Rate Amount	Common Stock Shares	Common Stock Amount	Capital Surplus	Treasury Stock Shares	Treasury Stock Amount	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
Six Months Ended June 30, 2011												
Balance, beginning of period	363	$ 362,507		$	864,195	$ 8,642	$ 7,630,093	(876)	$ (8,771)	$ (197,496)	$ (2,814,433)	$ 4,980,542
Net income											272,364	272,364
Other comprehensive income (loss)										74,953		74,953
Repurchase of warrants convertible to common stock							(49,100)					(49,100)
Cash dividends declared:												
Common ($0.02 per share)											(17,269)	(17,269)
Preferred Series A ($42.50 per share)											(15,407)	(15,407)
Recognition of the fair value of share-based compensation							7,523					7,523
Other share-based compensation activity					115	1	56				(40)	17
Other							(324)	(111)	(586)		(70)	(980)
Balance, end of period	363	$ 362,507		$	864,310	$ 8,643	$ 7,588,248	(987)	$ (9,357)	$ (122,543)	$ (2,574,855)	$ 5,252,643
Six Months Ended June 30, 2012												
Balance, beginning of period	363	$ 362,507	35	$ 23,785	865,585	$ 8,656	$ 7,596,809	(1,178)	$ (10,255)	$ (173,763)	$ (2,389,639)	$ 5,418,100
Net income											305,976	305,976
Other comprehensive income (loss)										37,786		37,786
Repurchases of common stock					(6,426)	(64)	(40,166)					(40,230)
Cash dividends declared:												
Common ($0.08 per share)											(68,923)	(68,923)
Preferred Series A ($42.50 per share)											(15,407)	(15,407)
Preferred Series B ($17.64 per share)											(626)	(626)
Recognition of the fair value ofshare-based compensation							12,820					12,820
Other share-based compensation activity					438	4	13				(41)	(24)
Other							5	(18)	(138)		(108)	(241)
Balance, end of period	363	$ 362,507	35	$ 23,785	859,597	$ 8,596	$ 7,569,481	(1,196)	$ (10,393)	$ (135,977)	$ (2,168,768)	$ 5,649,231

See Notes to Unaudited Condensed Consolidated Financial Statements

Table of Contents

Huntington Bancshares Incorporated

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(dollar amounts in thousands)	**Six Months Ended June 30, 2012**	2011
Operating activities		
Net income	**$ 305,976**	$ 272,364
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**70,926**	85,182
Depreciation and amortization	**138,876**	142,800
Change in current and deferred income taxes	**96,760**	40,889
Net sales (purchases) of trading account securities	**(7,938)**	86,633
Originations of loans held for sale	**(1,915,289)**	(1,093,814)
Principal payments on and proceeds from loans held for sale	**1,836,963**	1,612,097
Gain on early extinguishment of debt	**(2,580)**	
Bargain purchase gain	**(11,409)**	
Securities (gains) losses	**(1,227)**	(5,894)
Impairment losses recognized in earnings on available-for-sale securities	**1,490**	4,347
Other, net	**48,227**	45,751
Net cash provided by (used for) operating activities	**560,775**	1,190,355
Investing activities		
Increase (decrease) in interest bearing deposits in banks	**67,714**	9,471
Net cash received from acquisition	**40,310**	
Proceeds from:		
Maturities and calls of available-for-sale and other securities	**949,026**	1,054,306
Maturities of held-to-maturity securities	**40,852**	2,738
Sales of available-for-sale and other securities	**307,160**	2,697,629
Purchases of available-for-sale and other securities	**(1,779,203)**	(2,342,790)
Purchases of held-to-maturity securities		(204,040)
Net proceeds from sales of loans	**1,527,739**	305,950
Net loan and lease activity, excluding sales	**(2,248,763)**	(1,602,756)
Proceeds from sale of operating lease assets	**16,784**	36,184
Purchases of premises and equipment	**(55,477)**	(71,827)
Proceeds from sales of other real estate	**20,684**	40,060
Purchases of loans and leases	**(393,191)**	
Other, net	**2,205**	122
Net cash provided by (used for) investing activities	**(1,504,160)**	(74,953)
Financing activities		
Increase (decrease) in deposits	**2,084,321**	(456,356)
Increase (decrease) in short-term borrowings	**(331,381)**	17,698
Maturity/redemption of subordinated notes	**(88,600)**	(5,000)
Proceeds from Federal Home Loan Bank advances	**815,000**	200,000
Maturity/redemption of Federal Home Loan Bank advances	**(387,548)**	(152,397)
Maturity/redemption of long-term debt	**(919,814)**	(501,575)
Repurchase of Warrant to the Treasury		(49,100)
Dividends paid on preferred stock	**(15,752)**	(15,407)
Dividends paid on common stock	**(69,117)**	(17,244)

Repurchase of common stock	**(40,230)**	
Other, net	**(874)**	(27)
Net cash provided by (used for) financing activities	**1,046,005**	(979,408)
Increase (decrease) in cash and cash equivalents	**102,620**	135,994
Cash and cash equivalents at beginning of period	**1,115,968**	847,888
Cash and cash equivalents at end of period	**$ 1,218,588**	$ 983,882
Supplemental disclosures:		
Income taxes paid (refunded)	**$ 4,703**	$ 42,817
Interest paid	**128,425**	221,191
Non-cash activities		
Loans transferred to loans held for sale	**1,656,486**	6,084
Dividends accrued, paid in subsequent quarter	**47,859**	15,941

See Notes to Unaudited Condensed Consolidated Financial Statements.

Table of Contents

Huntington Bancshares Incorporated

Notes to Unaudited Condensed Consolidated Financial Statements

1. BASIS OF PRESENTATION

The accompanying Unaudited Condensed Consolidated Financial Statements of Huntington reflect all adjustments consisting of normal recurring accruals which are, in the opinion of Management, necessary for a fair presentation of the consolidated financial position, the results of operations, and cash flows for the periods presented. These Unaudited Condensed Consolidated Financial Statements have been prepared according to the rules and regulations of the SEC and, therefore, certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been omitted. The Notes to Consolidated Financial Statements appearing in Huntington s 2011 Form 10-K, which include descriptions of significant accounting policies, as updated by the information contained in this report, should be read in conjunction with these interim financial statements.

For statement of cash flows purposes, cash and cash equivalents are defined as the sum of Cash and due from banks which includes amounts on deposit with the Federal Reserve and Federal funds sold and securities purchased under resale agreements.

In conjunction with applicable accounting standards, all material subsequent events have been either recognized in the Unaudited Condensed Consolidated Financial Statements or disclosed in the Notes to Unaudited Condensed Consolidated Financial Statements.

2. ACCOUNTING STANDARDS UPDATE

ASU 2011-04 Fair Value Measurement (Topic 820), Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The ASU amends Topic 820 to add both additional clarifications to existing fair value measurement and disclosure requirements and changes to existing principles and disclosure guidance. Clarifications were made to the relevancy of the highest and best use valuation concept, measurement of an instrument classified in an entity s shareholders equity and disclosure of quantitative information about the unobservable inputs for level 3 fair value measurements. Changes to existing principles and disclosures included measurement of financial instruments managed within a portfolio, the application of premiums and discounts in fair value measurement, and additional disclosures related to fair value measurements. The updated guidance and requirements are effective for financial statements issued for the first interim or annual period beginning after December 15, 2011, and should be applied prospectively (See Note 13). The amendments did not have a material impact on Huntington s Unaudited Condensed Consolidated Financial Statements.

ASU 2011-05 Other Comprehensive Income (Topic 220), Presentation of Comprehensive Income. The ASU amends Topic 220 to require an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. An entity is also required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. The amendments do not change items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income, only the format for presentation. The updated guidance and requirements are effective for financial statements issued for the fiscal years, and the interim periods within those years, beginning after December 15, 2011. The amendments should be applied retrospectively. On October 21, 2011, the FASB exposed a proposed deferral of the requirement that companies present reclassification adjustments for each component of OCI in both net income and OCI on the face of the financial statements. See the Unaudited Condensed Consolidated Statements of Comprehensive Income. The amendment did not have a material impact on Huntington s Unaudited Condensed Consolidated Financial Statements.

ASU 2011-10 Property, Plant, and Equipment (Topic 360): Derecognition of In-Substance Real Estate. The ASU amends Topic 360 to clarify that when a reporting entity ceases to have a controlling financial interest (as described in ASC 810 Consolidation) in a subsidiary that is in-substance real estate as a result of default on the subsidiary s nonrecourse debt, the reporting entity should apply the guidance in Subtopic 360-20 to determine whether it should derecognize the in-substance real estate. The clarification is meant to eliminate diversity in practice. The amendments are effective for fiscal years, and interim periods within those years, beginning on or after June 15, 2012. Early adoption is permitted. Management is currently evaluating the impact of the guidance on Huntington s Unaudited Condensed Consolidated Financial Statements.

ASU 2011-11 Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The ASU amends Topic 210 by requiring additional improved information to be disclosed regarding financial instruments and derivative instruments that are offset in accordance with the conditions under ASC 210-20-45 or ASC 810-10-45 or subject to an enforceable master netting arrangement or similar agreement. The

amendments are effective for annual and interim reporting periods beginning on or after January 1, 2013. The disclosures required by the amendments should be applied retrospectively for all comparative periods presented. Management does not believe the amendments will have a material impact on Huntington s Unaudited Condensed Consolidated Financial Statements.

Table of Contents

3. LOANS / LEASES AND ALLOWANCE FOR CREDIT LOSSES

Loans and leases for which Huntington has the intent and ability to hold for the foreseeable future (at least 12 months), or until maturity or payoff, are classified in the Unaudited Condensed Consolidated Balance Sheets as loans and leases. Except for loans which are subject to fair value requirements, loans and leases are carried at the principal amount outstanding, net of unamortized deferred loan origination fees and costs and net of unearned income. At June 30, 2012, and December 31, 2011, the aggregate amount of these net unamortized deferred loan origination fees and costs and net unearned income was $294.3 million and $122.5 million, respectively.

Loan and Lease Portfolio Composition

The following table provides a detailed listing of Huntington s loan and lease portfolio at June 30, 2012, and December 31, 2011:

(dollar amounts in thousands)	**June 30, 2012**	December 31, 2011
Loans and leases:		
Commercial and industrial	**$ 16,321,850**	$ 14,699,371
Commercial real estate	**5,907,709**	5,825,709
Automobile	**3,807,680**	4,457,446
Home equity	**8,343,830**	8,215,413
Residential mortgage	**5,123,027**	5,228,276
Other consumer	**455,084**	497,568
Loans and leases	**39,959,180**	38,923,783
Allowance for loan and lease losses	**(859,646)**	(964,828)
Net loans and leases	**$ 39,099,534**	$ 37,958,955

As shown in the table above, the primary loan and lease portfolios are: C&I, CRE, automobile, home equity, residential mortgage, and other consumer. For ACL purposes, these portfolios are further disaggregated into classes. The classes within each portfolio are as follows:

Portfolio	**Class**
Commercial and industrial	Owner occupied Purchased impaired Other commercial and industrial
Commercial real estate	Retail properties Multi family Office Industrial and warehouse Purchased impaired Other commercial real estate
Automobile	NA (1)
Home equity	Secured by first-lien Secured by junior-lien
Residential mortgage	Residential mortgage Purchased impaired
Other consumer	Other consumer Purchased impaired

(1) Not applicable. The automobile loan portfolio is not further segregated into classes.

Table of Contents

Fidelity Bank acquisition

(See Note 19 for additional information regarding the Fidelity Bank acquisition).

On March 30, 2012, Huntington acquired the loans of Fidelity Bank located in Dearborn, Michigan from the FDIC. Under the agreement, approximately $520.6 million of loans were transferred to Huntington. These loans were recorded at fair value in accordance with ASC 805, Business Combinations . The fair values for the loans were estimated using discounted cash flow analyses using interest rates currently being offered for loans with similar terms (Level 3), and reflected an estimate of probable losses and the credit risk associated with the loans.

Loans Acquired With Deteriorated Credit Quality

ASC 310-30, Accounting for Certain Loans or Debt Securities Acquired in a Transfer , provides guidance for accounting for acquired loans that have experienced a deterioration of credit quality at the time of acquisition for which it is probable that the investor will be unable to collect all contractually required payments. Based on the timing of the Fidelity Bank acquisition occurring on the last business day of the 2012 first quarter, the assessment to determine if any of these loans were acquired with deteriorated credit quality in accordance with ASC 310-30 was not completed until the 2012 second quarter.

The excess of cash flows expected at acquisition over the initial investment in the loan is referred to as the accretable yield and is recognized in interest income over the remaining life of the loan, or pool of loans, in situations where there is a reasonable expectation about the timing and amount of cash flows expected to be collected. The difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition, considering the impact of prepayments, is referred to as the nonaccretable difference. Subsequent decreases to the expected cash flows will generally result in an increase to the allowance for loan and lease losses. Subsequent increases in cash flows result in reversal of any nonaccretable difference (or allowance for loan and lease losses to the extent any has been recorded) with a positive impact on interest income. The measurement of undiscounted cash flows involves assumptions and judgments for credit risk, interest rate risk, prepayment risk, default rates, loss severity, payment speeds, and collateral values. All of these factors are inherently subjective and significant changes in the cash flow estimates over the life of the loan can result.

The following table reflects the contractually required payments receivable, cash flows expected to be collected, and fair value of the loans at the acquisition date of March 30, 2012:

(in thousands)	
Contractually required payments including interest	$ 348,547
Less: nonaccretable difference	(119,011)
Cash flows expected to be collected	229,536
Less: accretable yield	(27,586)
Fair value of loans acquired	**$ 201,950**

The fair values for loans were estimated using discounted cash flow analyses, including prepayment assumptions and using interest rates currently being offered for loans with similar terms (Level 3). This value was reduced by an estimate of probable losses and the credit risk associated with the loans.

The following table presents a rollforward of the accretable yield from the beginning of the period to the end of the period:

(dollar amounts in thousands)	Three Months Ended June 30, **2012**	Six Months Ended June 30, **2012**
Balance, beginning of period	**$ 27,586**	**$**
Impact of acquisition/purchase on March 30, 2012		**27,586**
Accretion	**(2,825)**	**(2,825)**

Balance, end of period	**$**	**24,761**	**$**	**24,761**

At June 30, 2012, there was no allowance for loan losses recorded on the purchased impaired loan portfolio and no adjustment to either the accretable or nonaccretable yield was required. The following table reflects the outstanding balance of all contractually required payments and carrying amounts of the acquired loans at June 30, 2012:

	June 30, 2012	
(in thousands)	**Ending Balance**	**Unpaid Balance**
Commercial and industrial	**$ 57,875**	**$ 84,966**
Commercial real estate	**135,638**	**229,124**
Residential mortgage	**2,355**	**4,338**
Other consumer	**632**	**1,189**
Total	**$ 196,500**	**$ 319,617**

Table of Contents

Loan and Lease Purchases and Sales

The following table summarizes significant portfolio loan and lease purchase and sale activity for the three-month and six-month periods ended June 30, 2012 and 2011:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Portfolio loans and leases purchased during the:							
Three-month period ended June 30, 2012	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Six-month period ended June 30, 2012	**$ 477,501**	**$ 378,122**	**$**	**$ 13,025**	**$ 62,324**	**$ 85**	**$ 931,057**
Three-month period ended June 30, 2011	$	$	$	$	$	$	$
Six-month period ended June 30, 2011							
Portfolio loans and leases sold or transferred to loans held for sale during the:							
Three-month period ended June 30, 2012	**$ 71,718**	**$ 26,273**	**$ 1,483,748**	**$**	**$ 179,621**	**$**	**$ 1,761,360**
Six-month period ended June 30, 2012	**$ 125,165**	**$ 47,742**	**$ 2,783,748**	**$**	**$ 179,621**		**$ 3,136,276**
Three-month period ended June 30, 2011	$ 69,483	$ 8,330	$	$	$ 87,215	$	$ 165,028
Six-month period ended June 30, 2011	$ 155,482	$ 56,123	$	$	$ 170,757	$	$ 382,362

NALs and Past Due Loans

Loans are considered past due when the contractual amounts due with respect to principal and interest are not received within 30 days of the contractual due date.

Any loan in any portfolio may be placed on nonaccrual status prior to the policies described below when collection of principal or interest is in doubt.

All classes within the C&I and CRE portfolios are placed on nonaccrual status at 90-days past due. Residential mortgage loans are placed on nonaccrual status at 150-days past due, with the exception of residential mortgages guaranteed by government organizations which continue to accrue interest. First-lien home equity loans are placed on nonaccrual status at 150-days past due. Junior-lien home equity loans are placed on nonaccrual status at the earlier of 120-days past due or when the related first-lien loan has been identified as nonaccrual. Automobile and other consumer loans are not placed on nonaccrual status, but are generally charged-off when the loan is 120-days past due. For all classes within all loan portfolios, when a loan is placed on nonaccrual status, any accrued interest income is reversed with current year accruals charged to interest income, and prior year amounts charged-off as a credit loss.

For all classes within all loan portfolios, cash receipts received on NALs are applied entirely against principal until the loan or lease has been collected in full, after which time any additional cash receipts are recognized as interest income.

Table of Contents

Regarding all classes within the C&I and CRE portfolios, the determination of a borrower s ability to make the required principal and interest payments is based on an examination of the borrower s current financial statements, industry, management capabilities, and other qualitative measures. For all classes within the consumer loan portfolio, the determination of a borrower s ability to make the required principal and interest payments is based on multiple factors, including number of days past due and, in some instances, an evaluation of the borrower s financial condition. When, in Management s judgment, the borrower s ability to make required principal and interest payments resumes and collectability is no longer in doubt, the loan or lease is returned to accrual status. For these loans that have been returned to accrual status, cash receipts are applied according to the contractual terms of the loan.

The following table presents NALs by loan class at June 30, 2012, and December 31, 2011:

(dollar amounts in thousands)	**2012** **June 30,**	2011 December 31,
Commercial and industrial:		
Owner occupied	**$ 71,335**	$ 88,415
Purchased impaired		
Other commercial and industrial	**62,343**	113,431
Total commercial and industrial	**$ 133,678**	$ 201,846
Commercial real estate:		
Retail properties	**$ 64,425**	$ 58,415
Multi family	**29,883**	39,921
Office	**22,123**	33,202
Industrial and warehouse	**17,246**	30,119
Purchased impaired		
Other commercial real estate	**85,740**	68,232
Total commercial real estate	**$ 219,417**	$ 229,889
Automobile	**$**	$
Home equity:		
Secured by first-lien	**$ 18,632**	$ 20,012
Secured by junior-lien	**27,391**	20,675
Total home equity	**$ 46,023**	$ 40,687
Residential mortgage:		
Residential mortgage	**$ 75,048**	$ 68,658
Purchased impaired		
Total residential mortgages	**$ 75,048**	$ 68,658
Other consumer		
Other consumer	**$**	$
Purchased impaired		
Total other consumer	**$**	$
Total nonaccrual loans (1)	**$ 474,166**	$ 541,080

(1) All loans acquired as part of the FDIC-assisted Fidelity Bank acquisition accrue interest as performing loans or as purchased impaired loans in accordance with ASC 310-30; therefore, none of the acquired loans were reported as nonaccrual at June 30, 2012

82

Table of Contents

The following table presents an aging analysis of loans and leases, including past due loans, by loan class at June 30, 2012, and December 31, 2011: (1)

	June 30, 2012						
	Past Due						90 or more
(dollar amounts in thousands)	30-59 Days	60-89 Days	90 or more days	Total	Current	Total Loans and Leases	days past due and accruing
Commercial and industrial:							
Owner occupied	$ 11,700	$ 4,124	$ 47,421	$ 63,245	$ 4,123,480	$ 4,186,725	$ 1,846
Purchased impaired	2,802	1,541	17,071	21,414	36,461	57,875	17,071
Other commercial and industrial	22,168	3,776	25,873	51,817	12,025,433	12,077,250	341
Total commercial and industrial	$ 36,670	$ 9,441	$ 90,365	$ 136,476	$ 16,185,374	$ 16,321,850	$ 19,258 (2)
Commercial real estate:							
Retail properties	$ 2,938	$ 628	$ 36,797	$ 40,363	$ 1,587,004	$ 1,627,367	$
Multi family	5,210	3,040	19,893	28,143	944,178	972,321	
Office	18,163	2,815	19,409	40,387	977,783	1,018,170	
Industrial and warehouse	3,397	1,126	4,234	8,757	682,813	691,570	
Purchased impaired	8,807	1,381	38,054	48,242	87,396	135,638	38,125
Other commercial real estate	6,074	19,250	28,279	53,603	1,409,040	1,462,643	
Total commercial real estate	$ 44,589	$ 28,240	$ 146,666	$ 219,495	$ 5,688,214	$ 5,907,709	$ 38,125 (2)
Automobile	$ 29,410	6,355	$ 3,338	$ 39,103	$ 3,768,577	$ 3,807,680	$ 3,338
Home equity:							
Secured by first-lien	$ 18,105	$ 8,720	$ 30,008	$ 56,833	$ 4,093,850	$ 4,150,683	$ 11,375
Secured by junior-lien	27,648	13,334	26,630	67,612	4,125,535	4,193,147	6,801
Total home equity	$ 45,753	$ 22,054	$ 56,638	$ 124,445	$ 8,219,385	$ 8,343,830	$ 18,176
Residential mortgage:							
Residential mortgage	$ 143,368	$ 48,264	$ 168,835	$ 360,467	$ 4,760,205	$ 5,120,672	$ 99,641 (3)
Purchased impaired	220	402	1,494	2,116	239	2,355	1,494
Total residential mortgage	$ 143,588	$ 48,666	$ 170,329	$ 362,583	$ 4,760,444	$ 5,123,027	$ 101,135
Other consumer:							
Other consumer	$ 6,547	$ 1,997	$ 913	$ 9,457	$ 444,995	$ 454,452	$ 913
Purchased impaired		112	288	400	232	632	288
Total other consumer	$ 6,547	$ 2,109	$ 1,201	$ 9,857	$ 445,227	$ 455,084	$ 1,201

Table of Contents

	December 31, 2011						
	Past Due						90 or more days past due and
(dollar amounts in thousands)	30-59 Days	60-89 Days	90 or more days	Total	Current	Total Loans and Leases	accruing
Commercial and industrial:							
Owner occupied	$ 10,607	$ 7,433	$ 58,513	$ 76,553	$ 3,936,203	$ 4,012,756	$
Other commercial and industrial	32,962	7,579	60,833	101,374	10,585,241	10,686,615	
Total commercial and industrial	$ 43,569	$ 15,012	$ 119,346	$ 177,927	$ 14,521,444	$ 14,699,371	$
Commercial real estate:							
Retail properties	$ 3,090	$ 823	$ 33,952	$ 37,865	$ 1,547,618	$ 1,585,483	$
Multi family	5,022	1,768	28,317	35,107	908,438	943,545	
Office	3,134	792	30,041	33,967	990,897	1,024,864	
Industrial and warehouse	2,834	115	18,203	21,152	708,390	729,542	
Other commercial real estate	6,894	3,625	48,739	59,258	1,483,017	1,542,275	
Total commercial real estate	$ 20,974	$ 7,123	$ 159,252	$ 187,349	$ 5,638,360	$ 5,825,709	$
Automobile	$ 42,162	$ 9,046	$ 6,265	$ 57,473	$ 4,399,973	$ 4,457,446	$ 6,265
Home equity:							
Secured by first-lien	17,260	8,822	29,259	55,341	3,760,238	3,815,579	9,247
Secured by junior-lien	32,334	18,357	31,626	82,317	4,317,517	4,399,834	10,951
Residential mortgage	134,228	45,774	204,648	384,650	4,843,626	5,228,276	141,901 (4)
Other consumer	7,655	1,502	1,988	11,145	486,423	497,568	1,988

(1) NALs are included in this aging analysis based on the loan s past due status.

(2) All amounts represent accruing purchased impaired loans related to the FDIC-assisted Fidelity Bank acquisition. Under the applicable accounting guidance (ASC 310-30), the loans were recorded at fair value upon acquisition and remain in accruing status.

(3) Includes $85,678 thousand guaranteed by the U.S. government.

(4) Includes $96,703 thousand guaranteed by the U.S. government.

Table of Contents

Allowance for Credit Losses

Huntington maintains two reserves, both of which reflect Management s judgment regarding the appropriate level necessary to absorb credit losses inherent in our loan and lease portfolio: the ALLL and the AULC. Combined, these reserves comprise the total ACL. The determination of the ACL requires significant estimates, including the timing and amounts of expected future cash flows on impaired loans and leases, consideration of current economic conditions, and historical loss experience pertaining to pools of homogeneous loans and leases, all of which may be susceptible to change.

The appropriateness of the ACL is based on Management s current judgments about the credit quality of the loan portfolio. These judgments consider on-going evaluations of the loan and lease portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the level of delinquent loans, the value of any collateral and, where applicable, the existence of any guarantees or other documented support. Further, Management evaluates the impact of changes in interest rates and overall economic conditions on the ability of borrowers to meet their financial obligations when quantifying our exposure to credit losses and assessing the appropriateness of our ACL at each reporting date. In addition to general economic conditions and the other factors described above, additional factors also considered include: the impact of declining residential real estate values; the diversification of CRE loans; the development of new or expanded Commercial business segments such as Healthcare, Asset Based Lending, and Energy, and the overall condition of the manufacturing industry. Also, the ACL assessment includes the on-going assessment of credit quality metrics, and a comparison of certain ACL benchmarks to current performance. Management s determinations regarding the appropriateness of the ACL are reviewed and approved by the Company s board of directors.

The ALLL consists of two components: (1) the transaction reserve, which includes a loan level allocation under ASC 310-10, specific reserves related to loans considered to be impaired, and loans involved in troubled debt restructurings allocated under ASC 310-40, and (2) the general reserve. The transaction reserve component includes both (1) an estimate of loss based on pools of commercial and consumer loans and leases with similar characteristics and (2) an estimate of loss based on an impairment review of each impaired C&I and CRE loan greater than $1.0 million. For the C&I and CRE portfolios, the estimate of loss based on pools of loans and leases with similar characteristics is made by applying a PD factor and a LGD factor to each individual loan based on a continuously updated loan grade, using a standardized loan grading system. The PD factor and an LGD factor are determined for each loan grade using statistical models based on historical performance data. The PD factor considers on-going reviews of the financial performance of the specific borrower, including cash flow, debt-service coverage ratio, earnings power, debt level, and equity position, in conjunction with an assessment of the borrower s industry and future prospects. The LGD factor considers analysis of the type of collateral and the relative LTV ratio. These reserve factors are developed based on credit migration models that track historical movements of loans between loan ratings over time and a combination of long-term average loss experience of our own portfolio and external industry data using a 24-month emergence period.

In the case of more homogeneous portfolios, such as automobile loans, home equity loans, and residential mortgage loans, the determination of the transaction reserve also incorporates PD and LGD factors, however, the estimate of loss is based on pools of loans and leases with similar characteristics. The PD factor considers current credit scores unless the account is delinquent, in which case a higher PD factor is used. The credit score provides a basis for understanding the borrowers past and current payment performance, and this information is used to estimate expected losses over the 12-month emergence period. The performance of first-lien loans ahead of our junior-lien loans is available to use as part of our updated score process. The LGD factor considers analysis of the type of collateral and the relative LTV ratio. Credit scores, models, analyses, and other factors used to determine both the PD and LGD factors are updated frequently to capture the recent behavioral characteristics of the subject portfolios, as well as any changes in loss mitigation or credit origination strategies, and adjustments to the reserve factors are made as needed.

The general reserve consists of the economic reserve and risk-profile reserve components. The economic reserve component considers the potential impact of changing market and economic conditions on portfolio performance. The risk-profile component considers items unique to our structure, policies, processes, and portfolio composition, as well as qualitative measurements and assessments of the loan portfolios including, but not limited to, management quality, concentrations, portfolio composition, industry comparisons, and internal review functions.

The estimate for the AULC is determined using the same procedures and methodologies as used for the ALLL. The loss factors used in the AULC are the same as the loss factors used in the ALLL while also considering a historical utilization of unused commitments. The AULC is reflected in accrued expenses and other liabilities in the Unaudited Condensed Consolidated Balance Sheet.

The ACL is increased through a provision for credit losses that is charged to earnings, based on Management s quarterly evaluation of the factors previously mentioned, and is reduced by charge-offs, net of recoveries, and the ACL associated with securitized or sold loans. Management did not substantially change any material aspect of the overall approach in the determination of either the ALLL or AULC, and there were no material changes in assumptions or estimation techniques compared with prior periods that impacted the determination of the current period s ALLL and AULC.

85

Table of Contents

The following table presents ALLL and AULC activity by portfolio segment for the three-month and six-month periods ended June 30, 2012 and 2011: (1)

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended June 30, 2012: (1)							
ALLL balance, beginning of period	$ 246,026	$ 339,494	$ 36,552	$ 168,898	$ 89,129	$ 32,970	$ 913,069
Loan charge-offs	(23,718)	(35,747)	(4,999)	(23,083)	(11,903)	(8,642)	(108,092)
Recoveries of loans previously charged-off	8,040	6,569	4,550	2,038	1,117	1,533	23,847
Provision for loan and lease losses	50,200	(4,925)	(1,446)	(12,291)	886	4,052	36,476
Allowance for loans sold or transferred to loans held for sale			(4,440)		(1,214)		(5,654)
ALLL balance, end of period	$ 280,548	$ 305,391	$ 30,217	$ 135,562	$ 78,015	$ 29,913	$ 859,646
AULC balance, beginning of period	$ 42,276	$ 5,780	$	$ 2,108	$ 1	$ 769	$ 50,934
Provision for unfunded loan commitments and letters of credit	568	(555)		82	3	(54)	44
AULC balance, end of period	$ 42,844	$ 5,225	$	$ 2,190	$ 4	$ 715	$ 50,978
ACL balance, end of period	$ 323,392	$ 310,616	$ 30,217	$ 137,752	$ 78,019	$ 30,628	$ 910,624
Six-month period ended June 30, 2012: (1)							
ALLL balance, beginning of period	$ 275,367	$ 388,706	$ 38,282	$ 143,873	$ 87,194	$ 31,406	$ 964,828
Loan charge-offs	(57,224)	(57,149)	(12,609)	(48,348)	(23,648)	(17,074)	(216,052)
Recoveries of loans previously charged-off	13,051	17,465	9,082	3,574	2,292	3,351	48,815
Provision for loan and lease losses	49,354	(43,631)	597	36,463	13,391	12,230	68,404
Allowance for loans sold or transferred to loans held for sale			(5,135)		(1,214)		(6,349)
ALLL balance, end of period	$ 280,548	$ 305,391	$ 30,217	$ 135,562	$ 78,015	$ 29,913	$ 859,646
AULC balance, beginning of period	$ 39,658	$ 5,852	$	$ 2,134	$ 1	$ 811	$ 48,456
Provision for unfunded loan commitments and letters of credit	3,186	(627)		56	3	(96)	2,522
AULC balance, end of period	$ 42,844	$ 5,225	$	$ 2,190	$ 4	$ 715	$ 50,978
ACL balance, end of period	$ 323,392	$ 310,616	$ 30,217	$ 137,752	$ 78,019	$ 30,628	$ 910,624

(1) In accordance with ASC 805, no allowance for credit losses was recorded for the loans acquired in the FDIC-assisted Fidelity Bank acquisition.

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended June 30, 2011:							
ALLL balance, beginning of period	$ 299,563	$ 511,068	$ 50,862	$ 149,371	$ 96,741	$ 25,621	$ 1,133,226
Loan charge-offs	(28,230)	(40,723)	(6,877)	(27,359)	(17,330)	(8,182)	(128,701)
Recoveries of loans previously charged-off	9,526	13,128	4,622	1,918	875	1,098	31,167
Provision for loan and lease losses	157	(19,599)	6,821	22,514	20,220	6,835	36,948
Allowance for loans sold or transferred to loans held for sale					(1,514)		(1,514)
ALLL balance, end of period	$ 281,016	$ 463,874	$ 55,428	$ 146,444	$ 98,992	$ 25,372	$ 1,071,126
AULC balance, beginning of period	$ 30,706	$ 8,433	$	$ 2,241	$ 1	$ 830	$ 42,211
Provision for unfunded loan commitments and letters of credit	635	(1,801)		8		7	(1,151)
AULC balance, end of period	$ 31,341	$ 6,632	$	$ 2,249	$ 1	$ 837	$ 41,060
ACL balance, end of period	$ 312,357	$ 470,506	$ 55,428	$ 148,693	$ 98,993	$ 26,209	$ 1,112,186
Six-month period ended June 30, 2011:							
ALLL balance, beginning of period	$ 340,614	$ 588,251	$ 49,488	$ 150,630	$ 93,289	$ 26,736	$ 1,249,008
Loan charge-offs	(81,965)	(117,371)	(16,852)	(55,682)	(40,351)	(15,487)	(327,708)
Recoveries of loans previously charged-off	21,070	22,093	9,885	3,526	4,964	3,553	65,091
Provision for loan and lease losses	1,297	(29,099)	12,907	47,970	42,604	10,570	86,249
Allowance for loans sold or transferred to loans held for sale					(1,514)		(1,514)
ALLL balance, end of period	$ 281,016	$ 463,874	$ 55,428	$ 146,444	$ 98,992	$ 25,372	$ 1,071,126
AULC balance, beginning of period	$ 32,726	$ 6,158	$	$ 2,348	$ 1	$ 894	$ 42,127
Provision for unfunded loan commitments and letters of credit	(1,385)	474		(99)		(57)	(1,067)
AULC balance, end of period	$ 31,341	$ 6,632	$	$ 2,249	$ 1	$ 837	$ 41,060
ACL balance, end of period	$ 312,357	$ 470,506	$ 55,428	$ 148,693	$ 98,993	$ 26,209	$ 1,112,186

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

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

Table of Contents

Credit Quality Indicators

To facilitate the monitoring of credit quality for C&I and CRE loans, and for purposes of determining an appropriate ACL level for these loans, Huntington utilizes the following categories of credit grades:

Pass = Higher quality loans that do not fit any of the other categories described below.

OLEM = Potentially weak loans. The credit risk may be relatively minor yet represent a risk given certain specific circumstances. If the potential weaknesses are not monitored or mitigated, the loan may weaken or inadequately protect Huntington s position in the future.

Substandard = Inadequately protected loans by the borrower s ability to repay, equity, and/or the collateral pledged to secure the loan. These loans have identified weaknesses that could hinder normal repayment or collection of the debt. It is likely Huntington will sustain some loss if any identified weaknesses are not mitigated.

Doubtful = Loans that have all of the weaknesses inherent in those loans classified as Substandard, with the added elements of the full collection of the loan is improbable and that the possibility of loss is high.

The categories above, which are derived from standard regulatory rating definitions, are assigned upon initial approval of the loan or lease and subsequently updated as appropriate.

Commercial loans categorized as OLEM, Substandard, or Doubtful are considered Criticized loans. Commercial loans categorized as Substandard or Doubtful are also considered Classified loans.

For all classes within all consumer loan portfolios, each loan is assigned a specific PD factor that is generally based on the borrower s most recent credit bureau score (FICO), which we update quarterly. A FICO credit bureau score is a credit score developed by Fair Isaac Corporation based on data provided by the credit bureaus. The FICO credit bureau score is widely accepted as the standard measure of consumer credit risk used by lenders, regulators, rating agencies, and consumers. The higher the FICO credit bureau score, the higher likelihood of repayment and therefore, an indicator of lower credit risk.

Table of Contents

The following table presents each loan and lease class by credit quality indicator at June 30, 2012, and December 31, 2011:

	June 30, 2012				
	Credit Risk Profile by UCS classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial:					
Owner occupied	**$ 3,822,996**	**$ 102,504**	**$ 260,205**	**$ 1,020**	**$ 4,186,725**
Purchased impaired	**1,051**	**15,967**	**40,830**	**27**	**57,875**
Other commercial and industrial	**11,475,884**	**166,148**	**432,578**	**2,640**	**12,077,250**
Total commercial and industrial	**$ 15,299,931**	**$ 284,619**	**$ 733,613**	**$ 3,687**	**$ 16,321,850**
Commercial real estate:					
Retail properties	**$ 1,300,320**	**$ 54,694**	**$ 272,353**	**$**	**$ 1,627,367**
Multi family	**869,938**	**34,528**	**67,693**	**162**	**972,321**
Office	**888,164**	**35,844**	**94,158**	**4**	**1,018,170**
Industrial and warehouse	**622,314**	**7,486**	**61,770**		**691,570**
Purchased impaired	**5,507**	**45,926**	**84,076**	**129**	**135,638**
Other commercial real estate	**1,188,881**	**64,241**	**209,405**	**116**	**1,462,643**
Total commercial real estate	**$ 4,875,124**	**$ 242,719**	**$ 789,455**	**$ 411**	**$ 5,907,709**

	Credit Risk Profile by FICO score (1)				
	750+	650-749	<650	Other (2)	Total
Automobile	**$ 2,487,741**	**$ 2,084,794**	**$ 634,529**	**$ 84,365**	**$ 5,291,429(3)**
Home equity:					
Secured by first-lien	**$ 2,427,346**	**$ 1,387,435**	**$ 317,207**	**$ 18,695**	**$ 4,150,683**
Secured by junior-lien	**2,034,628**	**1,580,078**	**575,773**	**2,668**	**4,193,147**
Total home equity	**$ 4,461,974**	**$ 2,967,513**	**$ 892,980**	**$ 21,363**	**$ 8,343,830**
Residential mortgage:					
Residential mortgage	**$ 2,641,238**	**$ 1,805,850**	**$ 708,150**	**$ 110,001**	**$ 5,265,239**
Purchased impaired	**357**	**1,357**	**475**	**166**	**2,355**
Total residential mortgage	**$ 2,641,595**	**$ 1,807,207**	**$ 708,625**	**$ 110,167**	**$ 5,267,594(4)**
Other consumer:					
Other consumer	**$ 174,380**	**$ 185,857**	**$ 70,368**	**$ 23,847**	**$ 454,452**
Purchased impaired		**232**	**300**	**100**	**632**
Total other consumer	**$ 174,380**	**$ 186,089**	**$ 70,668**	**$ 23,947**	**$ 455,084**

	December 31, 2011				
	Credit Risk Profile by UCS classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial:					
Owner occupied	$ 3,624,103	$ 101,897	$ 285,561	$ 1,195	$ 4,012,756
Other commercial and industrial	10,108,946	145,963	425,882	5,824	10,686,615
Total commercial and industrial	$ 13,733,049	$ 247,860	$ 711,443	$ 7,019	$ 14,699,371
Commercial real estate:					

Retail properties	$ 1,191,471	$ 122,337	$ 271,675	$	$ 1,585,483
Multi family	801,717	48,094	93,449	285	943,545
Office	896,230	67,050	61,476	108	1,024,864
Industrial and warehouse	649,165	9,688	70,621	68	729,542
Other commercial real estate	1,112,751	110,276	318,479	769	1,542,275
Total commercial real estate	$ 4,651,334	$ 357,445	$ 815,700	$ 1,230	$ 5,825,709

	Credit Risk Profile by FICO score (1)				
	750+	650-749	<650	Other (2)	Total
Automobile	$ 2,635,082	$ 2,276,990	$ 707,141	$ 88,233	$ 5,707,446(5)
Home equity:					
Secured by first-lien	2,196,566	1,287,444	329,670	1,899	3,815,579
Secured by junior-lien	2,119,292	1,646,117	625,298	9,127	4,399,834
Residential mortgage	2,454,401	1,752,409	723,377	298,089	5,228,276
Other consumer	185,333	206,749	83,431	22,055	497,568

(1) Reflects currently updated customer credit scores.
(2) Reflects deferred fees and costs, loans in process, loans to legal entities, etc.
(3) Includes $1,483,749 thousand of loans reflected as loans held for sale.
(4) Includes $144,567 thousand of loans reflected as loans held for sale.
(5) Includes $1,250,000 thousand of loans reflected as loans held for sale.

Table of Contents

Impaired Loans

For all classes within the C&I and CRE portfolios, all loans with an outstanding balance of $1.0 million or greater are evaluated on a quarterly basis for impairment. Generally, consumer loans within any class are not individually evaluated on a regular basis for impairment. All TDRs, regardless of the outstanding balance amount, are also considered to be impaired. Also, loans acquired with evidence of deterioration of credit quality since origination for which it is probable, at acquisition, that all contractually required payments will not be collected are also considered to be impaired.

Once a loan has been identified for an assessment of impairment, the loan is considered impaired when, based on current information and events, it is probable that all amounts due according to the contractual terms of the loan agreement will not be collected. This determination requires significant judgment and use of estimates, and the eventual outcome may differ significantly from those estimates.

When a loan in any class has been determined to be impaired, the amount of the impairment is measured using the present value of expected future cash flows discounted at the loan s effective interest rate or, as a practical expedient, the observable market price of the loan, or the fair value of the collateral if the loan is collateral dependent. When the present value of expected future cash flows is used, the effective interest rate is the original contractual interest rate of the loan adjusted for any premium or discount. When the contractual interest rate is variable, the effective interest rate of the loan changes over time. A specific reserve is established as a component of the ALLL when a loan has been determined to be impaired. Subsequent to the initial measurement of impairment, if there is a significant change to the impaired loan s expected future cash flows, or if actual cash flows are significantly different from the cash flows previously estimated, Huntington recalculates the impairment and appropriately adjusts the specific reserve. Similarly, if Huntington measures impairment based on the observable market price of an impaired loan or the fair value of the collateral of an impaired collateral dependent loan, Huntington will adjust the specific reserve.

When a loan within any class is impaired, the accrual of interest income is discontinued unless the receipt of principal and interest is no longer in doubt. Interest income on TDRs is accrued when all principal and interest is expected to be collected under the post-modification terms. Cash receipts received on nonaccruing impaired loans within any class are generally applied entirely against principal until the loan has been collected in full, after which time any additional cash receipts are recognized as interest income. Cash receipts received on accruing impaired loans within any class are applied in the same manner as accruing loans that are not considered impaired.

Table of Contents

The following tables present the balance of the ALLL attributable to loans by portfolio segment individually and collectively evaluated for impairment and the related loan and lease balance at June 30, 2012, and December 31, 2011:

	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
ALLL at June 30, 2012:							
(dollar amounts in thousands)							
Portion of ending balance:							
Attributable to loans purchased with deteriorated credit quality	$	$	$	$	$	$	$
Attributable to loans individually evaluated for impairment	**17,797**	**49,200**	**937**	**1,239**	**12,347**	**341**	**81,861**
Attributable to loans collectively evaluated for impairment	**262,751**	**256,191**	**29,280**	**134,323**	**65,668**	**29,572**	**777,785**
Total ALLL balance	**$ 280,548**	**$ 305,391**	**$ 30,217**	**$ 135,562**	**$ 78,015**	**$ 29,913**	**$ 859,646**
Loans and Leases at June 30, 2012:							
(dollar amounts in thousands)							
Portion of ending balance:							
Attributable to loans purchased with deteriorated credit quality	**$ 57,875**	**$ 135,638**	$	$	**$ 2,355**	**$ 632**	**$ 196,500**
Attributable to loans individually evaluated for impairment	**119,650**	**355,920**	**34,460**	**67,371**	**327,300**	**3,151**	**907,852**
Attributable to loans collectively evaluated for impairment	**16,144,325**	**5,416,151**	**3,773,220**	**8,276,459**	**4,793,372**	**451,301**	**38,854,828**
Total loans evaluated for impairment (1)	**$ 16,321,850**	**$ 5,907,709**	**$ 3,807,680**	**$ 8,343,830**	**$ 5,123,027**	**$ 455,084**	**$ 39,959,180**

92

Table of Contents

	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
ALLL at December 31, 2011							
(dollar amounts in thousands)							
Portion of ending balance:							
Attributable to loans individually evaluated for impairment	$ 30,613	$ 55,306	$ 1,393	$ 1,619	$ 16,091	$ 530	$ 105,552
Attributable to loans collectively evaluated for impairment	244,754	333,400	36,889	142,254	71,103	30,876	859,276
Total ALLL balance:	$ 275,367	$ 388,706	$ 38,282	$ 143,873	$ 87,194	$ 31,406	$ 964,828
Loans and Leases at December 31, 2011:							
(dollar amounts in thousands)							
Portion of ending balance:							
Attributable to loans individually evaluated for impairment	$ 153,724	$ 387,402	$ 36,574	$ 52,593	$ 335,768	$ 6,220	$ 972,281
Attributable to loans collectively evaluated for impairment	14,545,647	5,438,307	4,420,872	8,162,820	4,892,508	491,348	37,951,502
Total loans evaluated for impairment	$ 14,699,371	$ 5,825,709	$ 4,457,446	$ 8,215,413	$ 5,228,276	$ 497,568	$ 38,923,783

93

The following tables present by class the ending, unpaid principal balance, and the related ALLL, along with the average balance and interest income recognized only for loans and leases individually evaluated for impairment: (1), (2)

	June 30, 2012			Three Months Ended June 30, 2012		Six Months Ended June 30, 2012	
(dollar amounts in thousands)	Ending Balance	Unpaid Principal Balance (5)	Related Allowance	Average Balance	Interest Income Recognized	Average Balance	Interest Income Recognized
With no related allowance recorded:							
Commercial and industrial:							
Owner occupied	$ 5,240	$ 16,451	$	$ 8,038	$ 36	$ 5,614	$ 60
Purchased impaired	57,875	82,114		70,641	832	70,641	832
Other commercial and industrial	4,981	4,983		11,114	162	8,196	255
Total commercial and industrial	$ 68,096	$ 103,548	$	$ 89,793	$ 1,030	$ 84,451	$ 1,147
Commercial real estate:							
Retail properties	$ 51,090	$ 54,559	$	$ 54,861	$ 722	$ 51,532	$ 1,476
Multi family	5,946	6,089		6,033	96	6,112	193
Office	9,670	14,943		4,010	27	2,598	52
Industrial and warehouse	6,395	7,495		6,799	100	7,178	206
Purchased impaired	135,638	211,667		174,299	1,950	174,299	1,950
Other commercial real estate	18,628	38,015		16,113	125	18,067	273
Total commercial real estate	$ 227,367	$ 332,768	$	$ 262,115	$ 3,020	$ 259,786	$ 4,150
Home equity:							
Secured by first-lien	$	$	$	$	$	$	$
Secured by junior-lien							
Total home equity	$	$	$	$	$	$	$
Residential mortgage:							
Residential mortgage	$	$	$	$	$	$	$
Purchased impaired	2,355	4,338		4,805	34	4,805	34
Total residential mortgage	$ 2,355	$ 4,338	$	$ 4,805	$ 34	$ 4,805	$ 34
Other consumer							
Other consumer	$	$	$	$	$	$	$
Purchased impaired	632	935		864	9	864	9
Total other consumer	$ 632	$ 935	$	$ 864	$ 9	$ 864	$ 9
With an allowance recorded:							
Commercial and industrial: (3)							
Owner occupied	$ 35,386	$ 45,480	$ 5,504	$ 33,400	$ 293	$ 38,411	$ 695
Purchased impaired							
Other commercial and industrial	74,043	98,632	12,293	86,688	627	87,909	1,482
Total commercial and industrial	$ 109,429	$ 144,112	$ 17,797	$ 120,088	$ 920	$ 126,320	$ 2,177
Commercial real estate: (4)							
Retail properties	$ 127,718	$ 157,655	$ 28,871	$ 118,628	$ 906	$ 121,163	$ 3,185
Multi family	28,160	33,756	4,681	25,288	206	31,312	828
Office	7,840	8,734	1,683	17,218	51	20,167	158
Industrial and warehouse	23,013	31,289	2,282	22,596	74	24,547	353
Purchased impaired							

Other commercial real estate	77,460	91,743	11,683	75,986	456	77,907	1,618
Total commercial real estate	$ 264,191	$ 323,177	$ 49,200	$ 259,716	$ 1,693	$ 275,096	$ 6,142
Automobile	$ 34,460	$ 34,460	$ 937	$ 34,991	$ 794	$ 35,518	$ 1,616
Home equity:							
Secured by first-lien	$ 51,238	$ 51,238	$ 527	$ 47,568	$ 561	$ 43,659	$ 1,040
Secured by junior-lien	16,133	16,133	712	15,919	222	16,196	437
Total home equity	$ 67,371	$ 67,371	$ 1,239	$ 63,487	$ 783	$ 59,855	$ 1,477
Residential mortgage (6):							
Residential mortgage	$ 327,300	$ 355,214	$ 12,347	$ 325,842	$ 2,866	$ 329,151	$ 5,803
Purchased impaired							
Total residential mortgage	$ 327,300	$ 355,214	$ 12,347	$ 325,842	$ 2,866	$ 329,151	$ 5,803
Other consumer:							
Other consumer	$ 3,151	$ 3,151	$ 341	$ 3,748	$ 26	$ 4,572	$ 59
Purchased impaired							
Total other consumer	$ 3,151	$ 3,151	$ 341	$ 3,748	$ 26	$ 4,572	$ 59

Table of Contents

	December 31, 2011		
(dollar amounts in thousands)	Ending Balance	Unpaid Principal Balance (5)	Related Allowance
With no related allowance recorded:			
Commercial and industrial:			
Owner occupied	$	$	$
Other commercial and industrial			
Total commercial and industrial	$	$	$
Commercial real estate:			
Retail properties	$ 43,970	$ 45,192	$
Multi family	6,292	6,435	
Office	1,191	1,261	
Industrial and warehouse	8,163	9,945	
Other commercial real estate	22,396	38,401	
Total commercial real estate	$ 82,012	$ 101,234	$
With an allowance recorded:			
Commercial and industrial:			
Owner occupied	$ 53,613	$ 77,205	$ 7,377
Other commercial and industrial	100,111	117,469	23,236
Total commercial and industrial	$ 153,724	$ 194,674	$ 30,613
Commercial real estate:			
Retail properties	$ 129,396	$ 161,596	$ 30,363
Multi family	38,154	45,138	4,753
Office	23,568	42,287	2,832
Industrial and warehouse	29,435	47,373	3,136
Other commercial real estate	84,837	119,212	14,222
Total commercial real estate	$ 305,390	$ 415,606	$ 55,306
Automobile	$ 36,574	$ 36,574	$ 1,393
Home equity:			
Secured by first-lien	35,842	35,842	626
Secured by junior-lien	16,751	16,751	993
Residential mortgage	335,768	361,161	16,091
Other consumer	6,220	6,220	530

(1) These tables do not include loans fully charged-off.

(2) All automobile, home equity, residential mortgage, and other consumer impaired loans included in these tables are considered impaired due to their status as a TDR.

(3) At June 30, 2012, $40,280 thousand of the $109,429 thousand commercial and industrial loans with an allowance recorded were considered impaired due to their status as a TDR.

(4) At June 30, 2012, $33,105 thousand of the $264,191 thousand commercial real estate loans with an allowance recorded were considered impaired due to their status as a TDR.

(5) The differences between the ending balance and unpaid principal balance amounts represent partial charge-offs.

(6) At June 30, 2012, $16,946 thousand of the $327,300 thousand residential mortgages loans with an allowance recorded were guaranteed by the U.S. government.

Table of Contents

TDR Loans

TDRs are modified loans where a concession was provided to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concessions provided are not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDRs.

TDR Concession Types

The Company s standards relating to loan modifications consider, among other factors, minimum verified income requirements, cash flow analysis, and collateral valuations. Each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower s specific circumstances at a point in time. Commercial loan modifications, including those classified as TDRs, are reviewed and approved by our SAD. The types of concessions provided to borrowers include:

Interest rate reduction: A reduction of the stated interest rate to a nonmarket rate for the remaining original life of the debt.

Amortization or maturity date change beyond what the collateral supports, including any of the following:

(1) Lengthens the amortization period of the amortized principal beyond market terms. This concession reduces the minimum monthly payment and increases the amount of the balloon payment at the end of the term of the loan. Principal is generally not forgiven.
(2) Reduces the amount of loan principal to be amortized. This concession also reduces the minimum monthly payment and increases the amount of the balloon payment at the end of the term of the loan. Principal is generally not forgiven.
(3) Extends the maturity date or dates of the debt beyond what the collateral supports. This concession generally applies to loans without a balloon payment at the end of the term of the loan.

Other: A concession that is not categorized as one of the concessions described above. These concessions include, but are not limited to: principal forgiveness, collateral concessions, covenant concessions, and reduction of accrued interest. Principal forgiveness may result from any TDR modification of any concession type. However, the aggregate amount of principal forgiven as a result of loans modified as TDRs during the three-month ended June 30, 2012, was not significant.

TDRs by Loan Type

Following is a description of TDRs by the different loan types:

Commercial loan TDRs Commercial accruing TDRs often result from loans receiving a concession with terms that are not considered a market transaction to Huntington. The TDR remains in accruing status as long as the customer is less than 90-days past due on payments per the restructured loan terms and no loss is expected.

Commercial nonaccrual TDRs result from either: (1) an accruing commercial TDR being placed on nonaccrual status, or (2) a workout where an existing commercial NAL is restructured and a concession was given. At times, these workouts restructure the NAL so that two or more new notes are created. The primary note is underwritten based upon our normal underwriting standards and is sized so projected cash flows are sufficient to repay contractual principal and interest. The terms on the secondary note(s) vary by situation, and may include notes that defer principal and interest payments until after the primary note is repaid. Creating two or more notes often allows the borrower to continue a project or weather a temporary economic downturn and allows Huntington to right-size a loan based upon the current expectations for a borrower s or project s performance.

Our strategy involving TDR borrowers includes working with these borrowers to allow them to refinance elsewhere, as well as allow them time to improve their financial position and remain our customer through refinancing their notes according to market terms and conditions in the future. A refinancing or modification of a loan occurs when either the loan matures according to the terms of the TDR-modified agreement or the borrower requests a change to the loan agreements. At that time, the loan is evaluated to determine if it is creditworthy. It is subjected to the normal underwriting standards and processes for other similar credit extensions, both new and existing.

In accordance with ASC 310-20-35, the refinanced note is evaluated to determine if it is considered a new loan or a continuation of the prior loan. A new loan is considered for removal of the TDR designation, whereas a continuation of the prior note requires a continuation of the TDR designation. In order for a TDR designation to be removed, the borrower must no longer be experiencing financial difficulties and the terms of the refinanced loan must not represent a concession.

Residential Mortgage loan TDRs Residential mortgage TDRs represent loan modifications associated with traditional first-lien mortgage loans in which a concession has been provided to the borrower. The primary concessions given to residential mortgage borrowers are amortization or maturity date changes and interest rate reductions. Residential mortgages identified as TDRs involve borrowers unable to refinance their mortgages through the Company s normal mortgage origination channels or through other independent sources. Some, but not all, of the loans may be delinquent.

Automobile, Home Equity, and Other Consumer loan TDRs The Company may make similar interest rate, term, and principal concessions as with residential mortgage loan TDRs.

TDR Impact on Credit Quality

Huntington s ALLL is largely driven by updated risk ratings assigned to commercial loans, updated borrower credit scores on consumer loans, and borrower delinquency history in both the commercial and consumer portfolios. These updated risk ratings and credit scores consider the default history of the borrower, including payment redefaults. As such, the provision for credit losses is impacted primarily by changes in borrower payment performance rather than the TDR classification. TDRs can be classified as either accrual or nonaccrual loans. Nonaccrual TDRs are included in NALs whereas accruing TDRs are excluded from NALs as it is probable that all contractual principal and interest due under the restructured terms will be collected.

TDR concessions and classification may reduce the ALLL within certain classes, specifically the C&I and CRE portfolios. The reduction is derived from the type of concessions given to the borrowers and the resulting application of the transaction reserve calculation within the ALLL. Our TDRs may include multiple concessions and the disclosure classifications are based on the primary concession provided to the borrower. The majority of our concessions for C&I and CRE loans during the period are situations in which we extended the maturity date which is normally coupled with an increase in the interest rate (in these cases, the primary concession is the maturity date extension).

The transaction reserve for non-TDR loans is calculated based upon several estimated probability factors, such as PD and LGD, both of which were previously discussed above. Upon the occurrence of a TDR in our C&I and CRE portfolios, the transaction reserve is measured based on the estimation of the probable discounted future cash flows expected to be collected on the modified loan in accordance with ASC 310-10. The resulting TDR ALLL calculation often results in a minimal or zero ALLL amount because (1) it is probable all cash flows will be collected and, (2) due to the rate increase, the discounting of the cash flows on the modified loan, using the pre-modification interest rate, exceeds the carrying value of the loan.

However, TDR concessions and classification may increase the ALLL to certain loans, such as consumer loans. The concessions made to these loans often include interest rate reductions, and therefore, the TDR ALLL calculation results in a greater ALLL compared with the non-TDR calculation as the reserve is measured based on the estimation of the probable discounted cash flows expected to be collected on the modified loan in accordance with ASC 310-10. The resulting TDR ALLL calculation often results in a higher ALLL amount because (1) it may not be probable all cash flows will be collected and, (2) due to the rate decrease, the discounting of the cash flows on the modified loan, using the pre-modification interest rate, indicates it is not probable that all cash flows will be collected.

Commercial loan TDRs In instances where the bank substantiates that it will collect its outstanding balance in full, the note is considered for return to accrual status upon the borrower sustaining sufficient cash flows for a six-month period of time. This six-month period could extend before or after the restructure date. If a charge-off was taken as part of the restructuring, any interest or principal payments received on that note are applied to first reduce the bank s outstanding book balance and then to recoveries of charged-off principal, unpaid interest, and/or fee expenses.

Residential Mortgage, Automobile, Home Equity, and Other Consumer loan TDRs Modified loans identified as TDRs are aggregated into pools for analysis. Cash flows and weighted average interest rates are used to calculate impairment at the pooled-loan level. Once the loans are aggregated into the pool, they continue to be classified as TDRs until contractually repaid or charged-off.

Residential mortgage loans not guaranteed by a U.S. government agency such as the FHA, VA, and the USDA, including TDR loans, are reported as accrual or nonaccrual based upon delinquency status. Nonaccrual TDRs are those that are greater than 150-days contractually past due. Loans guaranteed by U.S. government organizations continue to accrue interest upon delinquency.

Table of Contents

The following tables present by class and by the reason for the modification, the number of contracts, post-modification outstanding balance, and the net change in ALLL resulting from the modification for the three-month and six-month periods ending June 30, 2012:

	New Troubled Debt Restructurings During The Three-Month Period Ended June 30, 2012 (1), (2)		
(dollar amounts in thousands)	Number of Contracts	Post-modification Outstanding Ending Balance	Net change in ALLL resulting from modification
C&I Owner occupied:			
Interest rate reduction	4	$ 1,187	$ (1)
Amortization or maturity date change	30	8,312	861
Other	4	1,260	(114)
Total C&I Owner occupied	38	$ 10,759	$ 746
C&I Other commercial and industrial:			
Interest rate reduction	11	$ 3,750	$ 247
Amortization or maturity date change	43	19,554	822
Other	3	1,500	176
Total C&I Other commercial and industrial	57	$ 24,804	$ 1,245
CRE Retail properties:			
Interest rate reduction	4	$ 3,232	$ 1,243
Amortization or maturity date change	5	1,292	109
Other			
Total CRE Retail properties	9	$ 4,524	$ 1,352
CRE Multi family:			
Interest rate reduction		$	$
Amortization or maturity date change	3	196	20
Other	2	5,586	517
Total CRE Multi family	5	$ 5,782	$ 537
CRE Office:			
Interest rate reduction		$	$
Amortization or maturity date change	2	1,576	584
Other			
Total CRE Office	2	$ 1,576	$ 584
CRE Industrial and warehouse:			
Interest rate reduction		$	$
Amortization or maturity date change	3	1,335	(171)
Other			
Total CRE Industrial and Warehouse	3	$ 1,335	$ (171)
CRE Other commercial real estate:			
Interest rate reduction	7	$ 2,037	$ 300

Amortization or maturity date change	14		5,877		427
Other					
Total CRE Other commercial real estate	21	$	7,914	$	727
Automobile:					
Interest rate reduction	8	$	91	$	2
Amortization or maturity date change	428		2,904		(18)
Other					
Total Automobile	436	$	2,995	$	(16)

Table of Contents

Residential mortgage:			
Interest rate reduction	3	$ 6,133	$ (49)
Amortization or maturity date change	143	19,039	688
Other			
Total Residential mortgage	146	$ 25,172	$ 639
First-lien home equity:			
Interest rate reduction	63	$ 7,389	$ 1,182
Amortization or maturity date change	11	1,263	(1)
Other			
Total First-lien home equity	74	$ 8,652	$ 1,181
Junior-lien home equity:			
Interest rate reduction	15	$ 544	$ 85
Amortization or maturity date change	5	264	(1)
Other			
Total Junior-lien home equity	20	$ 808	$ 84
Other consumer:			
Interest rate reduction	1	$ 44	$ 4
Amortization or maturity date change	6	268	26
Other			
Total Other consumer	7	$ 312	$ 30

	New Troubled Debt Restructurings During The Six-Month Period Ended June 30, 2012 (1), (2)		
(dollar amounts in thousands)	Number of Contracts	Post-modification Outstanding Ending Balance	Net change in ALLL resulting from modification
C&I Owner occupied:			
Interest rate reduction	14	$ 4,968	$ (962)
Amortization or maturity date change	47	11,034	769
Other	8	2,771	116
Total C&I Owner occupied	69	$ 18,773	$ (77)
C&I Other commercial and industrial:			
Interest rate reduction	17	$ 5,066	$ 293
Amortization or maturity date change	71	24,010	814
Other	18	31,002	(2,690)
Total C&I Other commercial and industrial	106	$ 60,078	$ (1,583)
CRE Retail properties:			
Interest rate reduction	8	$ 6,027	$ 1,241
Amortization or maturity date change	10	3,050	91
Other			
Total CRE Retail properties	18	$ 9,077	$ 1,332

CRE Multi family:

Interest rate reduction	2	$	334	$	(5)
Amortization or maturity date change	13		1,697		(54)
Other	6		7,617		393
Total CRE Multi family	21	$	9,648	$	334

99

Table of Contents

CRE Office:			
Interest rate reduction	3	$ 2,116	$ 363
Amortization or maturity date change	2	1,576	584
Other	3	306	
Total CRE Office	8	$ 3,998	$ 947
CRE Industrial and warehouse:			
Interest rate reduction	1	$ 3,000	$ 4
Amortization or maturity date change	6	2,772	(107)
Other			
Total CRE Industrial and Warehouse	7	$ 5,772	$ (103)
CRE Other commercial real estate:			
Interest rate reduction	7	$ 2,037	$ 300
Amortization or maturity date change	28	52,553	1,827
Other	2	9,435	(1,601)
Total CRE Other commercial real estate	37	$ 64,025	$ 526
Automobile:			
Interest rate reduction	21	$ 220	$ 4
Amortization or maturity date change	900	6,280	(43)
Other			
Total Automobile	921	$ 6,500	$ (39)
Residential mortgage:			
Interest rate reduction	4	$ 6,166	$ (49)
Amortization or maturity date change	205	26,092	934
Other			
Total Residential mortgage	209	$ 32,258	$ 885
First-lien home equity:			
Interest rate reduction	130	$ 15,003	$ 2,480
Amortization or maturity date change	26	2,897	(5)
Other			
Total First-lien home equity	156	$ 17,900	$ 2,475
Junior-lien home equity:			
Interest rate reduction	37	$ 1,476	$ 217
Amortization or maturity date change	19	872	(17)
Other			
Total Junior-lien home equity	56	$ 2,348	$ 200
Other consumer:			
Interest rate reduction	5	$ 163	$ 13
Amortization or maturity date change	11	328	29
Other			
Total Other consumer	16	$ 491	$ 42

(1) Post-modification balances approximate pre-modification balances. The aggregate amount of charge-offs as a result of a restructuring are not significant.

(2) TDRs may include multiple concessions and the disclosure classifications are based on the primary concession provided to the borrower.

All classes within the C&I and CRE portfolios are considered as redefaulted at 90-days past due. Automobile loans and other consumer loans are considered as redefaulted at 120-days past due. Residential mortgage loans are considered as redefaulted at 150-days past due. The first-lien and junior-lien home equity portfolios are considered as redefaulted at 150-days past due and 120-days past due, respectively.

Table of Contents

The following tables present TDRs modified within the previous twelve months that have subsequently redefaulted during the three-month and six-month periods ended June 30, 2012:

	Troubled Debt Restructurings That Have Redefaulted Within One Year Of Modification During The Three-Month Period Ended June 30, 2012[(1)]	
(dollar amounts in thousands)	Number of Contracts	Ending Balance
C&I Owner occupied:		
Interest rate reduction		$
Amortization or maturity date change	5	472
Other		
Total C&I Owner occupied	5	$ 472
C&I Other commercial and industrial:		
Interest rate reduction	3	$ 529
Amortization or maturity date change	7	494
Other	1	97
Total C&I Other commercial and industrial	11	$ 1,120
CRE Retail Properties:		
Interest rate reduction		$
Amortization or maturity date change	1	151
Other		
Total CRE Retail properties	1	$ 151
CRE Multi family:		
Interest rate reduction		$
Amortization or maturity date change	1	119
Other		
Total CRE Multi family	1	$ 119
CRE Office:		
Interest rate reduction		$
Amortization or maturity date change		
Other		
Total CRE Office		$
CRE Industrial and Warehouse:		
Interest rate reduction		$
Amortization or maturity date change		
Other		
Total CRE Industrial and Warehouse		$

CRE Other commercial real estate:			
Interest rate reduction	1	$	917
Amortization or maturity date change	1		118

101

Table of Contents

Other		
Total CRE Other commercial real estate	2	$ 1,035
Automobile:		
Interest rate reduction	1	$
Amortization or maturity date change	43	
Other		
Total Automobile	44	$ (2)
Residential mortgage:		
Interest rate reduction	1	$ 29
Amortization or maturity date change	38	5,742
Other	4	417
Total Residential mortgage	43	$ 6,188
First-lien home equity:		
Interest rate reduction	1	$ 54
Amortization or maturity date change		
Other		
Total First-lien home equity	1	$ 54
Junior-lien home equity:		
Interest rate reduction	1	$ 98
Amortization or maturity date change	1	65
Other		
Total Junior-lien home equity	2	$ 163
Other consumer:		
Interest rate reduction		$
Amortization or maturity date change	3	
Other		
Total Other consumer	3	$ (3)

	Troubled Debt Restructurings That Have Redefaulted Within One Year Of Modification During The (1) Six-Month Period Ended June 30, 2012[1]	
(dollar amounts in thousands)	Number of Contracts	Ending Balance
C&I Owner occupied:		
Interest rate reduction	1	$ 1,011
Amortization or maturity date change	6	653
Other		
Total C&I Owner occupied	7	$ 1,664

C&I Other commercial and industrial:

Interest rate reduction	3	$ 529
Amortization or maturity date change	9	638
Other	3	459
Total C&I Other commercial and industrial	15	$ 1,626

Table of Contents

CRE Retail Properties:		
Interest rate reduction		$
Amortization or maturity date change	2	375
Other		
Total CRE Retail properties	2	$ 375
CRE Multi family:		
Interest rate reduction	2	$ 1,399
Amortization or maturity date change	1	119
Other		
Total CRE Multi family	3	$ 1,518
CRE Office:		
Interest rate reduction		$
Amortization or maturity date change		
Other		
Total CRE Office		$
CRE Industrial and Warehouse:		
Interest rate reduction		$
Amortization or maturity date change		
Other		
Total CRE Industrial and Warehouse		$
CRE Other commercial real estate:		
Interest rate reduction	1	$ 917
Amortization or maturity date change	4	670
Other		
Total CRE Other commercial real estate	5	$ 1,587
Automobile:		
Interest rate reduction	3	$
Amortization or maturity date change	103	
Other		
Total Automobile	106	$ (4)
Residential mortgage:		
Interest rate reduction	1	$ 29
Amortization or maturity date change	58	8,444
Other	4	417
Total Residential mortgage	63	$ 8,890
First-lien home equity:		
Interest rate reduction	9	$ 821
Amortization or maturity date change	1	14
Other		
Total First-lien home equity	10	$ 835

Junior-lien home equity:		
Interest rate reduction	2	$ 112
Amortization or maturity date change	2	80
Other		
Total Junior-lien home equity	4	$ 192
Other consumer:		
Interest rate reduction	1	$
Amortization or maturity date change	3	
Other		
Total Other consumer	4	$ (5)

(1) Subsequent default is defined as a payment redefault within 12 months of the restructuring date. Payment default is defined as 90-days past due for C&I and CRE loans; 120 days past due for automobile, junior-lien home equity, and other consumer loans; and 150 days past due for residential mortgage and first-lien home equity loans. Any loan may be considered to be in payment redefault prior to the guidelines noted above when collection of principal or interest is in doubt.
(2) Automobile loans are charged-off at time of subsequent redefault. During the three-month period ended June 30, 2012, $241 thousand of total automobile loans were charged-off at the time of subsequent redefault.
(3) Other consumer loans are charged-off at time of subsequent redefault. During the three-month period ended June 30, 2012, $9 thousand of total other consumer loans were charged-off at the time of subsequent redefault.
(4) Automobile loans are charged-off at time of subsequent redefault. During the six-month period ended June 30, 2012, $646 thousand of total automobile loans were charged-off at the time of subsequent redefault.
(5) Other consumer loans are charged-off at time of subsequent redefault. During the six-month period ended June 30, 2012, $62 thousand of total other consumer loans were charged-off at the time of subsequent redefault.

Pledged Loans and Leases

At June 30, 2012, the Bank has access to the Federal Reserve s discount window and advances from the FHLB Cincinnati and the FHLB Indianapolis. As of June 30, 2012, these borrowings and advances are secured by $18.4 billion of loans and securities.

Table of Contents

4. AVAILABLE-FOR-SALE AND OTHER SECURITIES

Listed below are the contractual maturities (under 1 year, 1-5 years, 6-10 years, and over 10 years) of available-for-sale and other securities at June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
(dollar amounts in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
U.S. Treasury:				
Under 1 year	**$**	**$**	$	$
1-5 years	**51,446**	**52,180**	51,773	52,672
6-10 years	**509**	**538**	509	532
Over 10 years				
Total U.S. Treasury	**51,955**	**52,718**	52,282	53,204
Federal agencies: mortgage-backed securities:				
Under 1 year	**3**	**3**		
1-5 years	**201,011**	**202,701**	218,410	219,055
6-10 years	**439,964**	**451,257**	400,105	409,521
Over 10 years	**4,467,222**	**4,540,056**	3,760,108	3,836,316
Total Federal agencies: mortgage-backed securities	**5,108,200**	**5,194,017**	4,378,623	4,464,892
Other agencies:				
Under 1 year	**1,247**	**1,284**	101,346	101,656
1-5 years	**610,968**	**624,625**	611,047	620,639
6-10 years	**53,349**	**54,836**	12,333	13,249
Over 10 years	**15,000**	**15,000**		
Total other agencies	**680,564**	**695,745**	724,726	735,544
Total U.S. Government backed agencies	**5,840,719**	**5,942,480**	5,155,631	5,253,640
Municipal securities:				
Under 1 year				
1-5 years	**182,086**	**186,353**	186,250	190,228
6-10 years	**114,392**	**121,314**	98,801	104,857
Over 10 years	**70,894**	**71,994**	109,811	112,641
Total municipal securities	**367,372**	**379,661**	394,862	407,726
Private-label CMO:				
Under 1 year				
1-5 years				
6-10 years	**9,254**	**9,325**	11,740	11,783
Over 10 years	**65,246**	**57,820**	72,858	60,581
Total private-label CMO	**74,500**	**67,145**	84,598	72,364
Asset-backed securities:				
Under 1 year	**3,253**	**3,249**		
1-5 years	**619,571**	**625,053**	644,080	646,315

6-10 years	**250,635**	**254,465**	197,940	199,075
Over 10 years	**309,067**	**177,693**	258,270	121,698
Total asset-backed securities (1)	**1,182,526**	**1,060,460**	1,100,290	967,088
Covered bonds:				
Under 1 year				
1-5 years	**282,814**	**287,649**	510,937	504,045
6-10 years				
Over 10 years				
Total covered bonds	**282,814**	**287,649**	510,937	504,045
Corporate debt:				
Under 1 year	**1,501**	**1,528**	501	518
1-5 years	**463,162**	**464,069**	383,909	379,657
6-10 years	**97,293**	**99,095**	148,896	148,708
Over 10 years	**10,162**	**9,953**		
Total corporate debt	**572,118**	**574,645**	533,306	528,883
Other:				
Under 1 year	**3,150**	**3,143**	1,900	1,900
1-5 years	**750**	**750**	2,250	2,234
6-10 years				
Over 10 years				
Non-marketable equity securities	**296,034**	**296,034**	286,515	286,515
Marketable equity securities	**54,471**	**54,811**	53,665	53,619
Total other	**354,405**	**354,738**	344,330	344,268
Total available-for-sale and other securities	**$ 8,674,454**	**$ 8,666,778**	$ 8,123,954	$ 8,078,014

(1) Amounts at June 30, 2012 and December 31, 2011 include automobile asset backed securities with a fair value of $67 million and $145 million, respectively, which meet the eligibility requirements for the Term Asset-Backed Securities Loan Facility, or TALF, administered by the Federal Reserve Bank of New York.

Other securities at June 30, 2012 and December 31, 2011 include $165.6 million of stock issued by the FHLB of Cincinnati, $3.5 million and none, respectively, of stock issued by the FHLB of Indianapolis, and $126.9 million and $120.9 million, respectively, of Federal Reserve Bank stock. Other securities also include corporate debt and marketable equity securities. Non-marketable equity securities are valued at amortized cost. At June 30, 2012 and December 31, 2011, Huntington did not have any material equity positions in FNMA or FHLMC.

The following tables provide amortized cost, fair value, and gross unrealized gains and losses recognized in accumulated other comprehensive income by investment category at June 30, 2012 and December 31, 2011.

(dollar amounts in thousands)	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
June 30, 2012				
U.S. Treasury	$ 51,955	$ 763	$	$ 52,718
Federal agencies:				
Mortgage-backed securities	5,108,200	88,436	(2,619)	5,194,017
Other agencies	680,564	15,200	(19)	695,745
Total U.S. Government backed securities	5,840,719	104,399	(2,638)	5,942,480
Municipal securities	367,372	12,289		379,661
Private-label CMO	74,500	955	(8,310)	67,145
Asset-backed securities	1,182,526	9,413	(131,479)	1,060,460
Covered bonds	282,814	4,835		287,649
Corporate debt	572,118	6,303	(3,776)	574,645
Other securities	354,405	468	(135)	354,738
Total available-for-sale and other securities	**$ 8,674,454**	**$ 138,662**	**$ (146,338)**	**$ 8,666,778**

(dollar amounts in thousands)	Amortized Cost	Unrealized Gross Gains	Unrealized Gross Losses	Fair Value
December 31, 2011				
U.S. Treasury	$ 52,282	$ 922	$	$ 53,204
Federal agencies:				
Mortgage-backed securities	4,378,623	88,266	(1,997)	4,464,892
Other agencies	724,726	10,821	(3)	735,544
Total U.S. Government backed securities	5,155,631	100,009	(2,000)	5,253,640
Municipal securities	394,862	12,889	(25)	407,726
Private-label CMO	84,598	347	(12,581)	72,364
Asset-backed securities	1,100,290	3,925	(137,127)	967,088
Covered bonds	510,937	860	(7,752)	504,045
Corporate debt	533,306	891	(5,314)	528,883
Other securities	344,330	219	(281)	344,268
Total available-for-sale and other securities	**$ 8,123,954**	**$ 119,140**	**$ (165,080)**	**$ 8,078,014**

Table of Contents

The following tables provide detail on investment securities with unrealized losses aggregated by investment category and length of time the individual securities have been in a continuous loss position, at June 30, 2012 and December 31, 2011.

	Less than 12 Months		Over 12 Months		Total	
(dollar amounts in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
June 30, 2012						
U.S. Treasury	$	$	$	$	$	$
Federal agencies:						
Mortgage-backed securities	441,849	(2,619)			441,849	(2,619)
Other agencies	1,509	(19)			1,509	(19)
Total U.S. Government backed securities	443,358	(2,638)			443,358	(2,638)
Municipal securities	229				229	
Private-label CMO			50,081	(8,310)	50,081	(8,310)
Asset-backed securities	55,203	(48)	115,260	(131,431)	170,463	(131,479)
Covered bonds						
Corporate debt	89,663	(1,542)	242,766	(2,234)	332,429	(3,776)
Other securities			1,947	(135)	1,947	(135)
Total temporarily impaired securities	**$ 588,453**	**$ (4,228)**	**$ 410,054**	**$ (142,110)**	**$ 998,507**	**$ (146,338)**

	Less than 12 Months		Over 12 Months		Total	
(dollar amounts in thousands)	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**	**Fair Value**	**Unrealized Losses**
December 31, 2011						
U.S. Treasury	$	$	$	$	$	$
Federal agencies:						
Mortgage-backed securities	417,614	(1,997)			417,614	(1,997)
Other agencies	3,070	(3)			3,070	(3)
Total U.S. Government backed securities	420,684	(2,000)			420,684	(2,000)
Municipal securities	6,667	(1)	7,311	(24)	13,978	(25)
Private-label CMO	11,613	(48)	51,039	(12,533)	62,652	(12,581)
Asset-backed securities	252,671	(547)	113,663	(136,580)	366,334	(137,127)
Covered bonds	363,694	(7,214)	14,684	(538)	378,378	(7,752)
Corporate debt	237,401	(3,652)	198,338	(1,662)	435,739	(5,314)
Other securities	1,984	(16)		(265)	1,984	(281)
Total temporarily impaired securities	**$ 1,294,714**	**$ (13,478)**	**$ 385,035**	**$ (151,602)**	**$ 1,679,749**	**$ (165,080)**

The following table is a summary of realized securities gains and losses for the three-month and six-month periods ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Gross gains on sales of securities	**$ 704**	$ 9,623	**$ 1,483**	$ 16,358
Gross (losses) on sales of securities	**(101)**	(7,934)	**(256)**	(10,464)

Net gain on sales of securities	**$ 603**	$ 1,689	**$ 1,227**	$ 5,894

Alt-A Mortgage-Backed, Pooled-Trust-Preferred, and Private-Label CMO Securities

Our three highest risk segments of our investment portfolio are the Alt-A mortgage-backed, pooled-trust-preferred, and private-label CMO portfolios. The Alt-A mortgage-backed securities and pooled-trust-preferred securities are in the asset-backed securities portfolio. The performance of the underlying securities in each of these segments continued to reflect the economic environment. Each of these securities in these three segments is subjected to a rigorous review of its projected cash flows. These reviews are supported with analysis from independent third parties.

Table of Contents

The following table presents the credit ratings for our Alt-A mortgage-backed, pooled-trust-preferred, and private label CMO securities as of June 30, 2012:

Credit Ratings of Selected Investment Securities (1)

(dollar amounts in thousands)	Amortized Cost	Fair Value	Average Credit Rating of Fair Value Amount AAA	AA +/-	A+/-	BBB +/-	<BBB-
Private-label CMO securities	$ 74,500	$ 67,145	$	$	$ 20,575	$ 5,104	$ 41,466
Alt-A mortgage-backed securities	52,711	46,442		28,460			17,982
Pooled-trust-preferred securities	198,357	73,233			20,819		52,414
Total at June 30, 2012	**$ 325,568**	**$ 186,820**	**$**	**$ 28,460**	**$ 41,394**	**$ 5,104**	**$ 111,862**
Total at December 31, 2011	$ 342,867	$ 194,062	$ 1,045	$ 23,353	$ 52,935	$ 6,858	$ 109,871

(1) Credit ratings reflect the lowest current rating assigned by a nationally recognized credit rating agency.

Negative changes to the above credit ratings would generally result in an increase of our risk-weighted assets, and a reduction to our regulatory capital ratios.

The following table summarizes the relevant characteristics of our pooled-trust-preferred securities portfolio, which are included in asset-backed securities, at June 30, 2012. Each security is part of a pool of issuers and supports a more senior tranche of securities except for the I-Pre TSL II, and MM Comm III securities which are the most senior class.

Trust Preferred Securities Data

June 30, 2012

(dollar amounts in thousands)

Deal Name	Par Value	Amortized Cost	Fair Value	Unrealized Loss (2)	Lowest Credit Rating (3)	# of Issuers Currently Performing/ Remaining (4)	Actual Deferrals and Defaults as a % of Original Collateral	Expected Defaults as a % of Remaining Performing Collateral	Excess Subordination (5)
Alesco II (1)	$ 41,646	$ 30,876	$ 9,291	$ (21,585)	C	31/36	11 %	16 %	%
Alesco IV (1)	21,293	8,243	388	(7,855)	C	30/42	19	25	
ICONS	20,000	20,000	11,842	(8,158)	BB	25/26	3	15	52
I-Pre TSL II	31,262	31,179	20,818	(10,361)	A	24/25	3	13	73
MM Comm III	7,402	7,072	3,767	(3,305)	CC	5/10	7	13	33
Pre TSL IX (1)	5,000	3,955	1,278	(2,677)	C	33/48	26	14	7
Pre TSL X (1)	18,058	9,915	4,536	(5,379)	C	34/53	39	20	
Pre TSL XI (1)	25,758	22,600	6,107	(16,493)	C	42/63	29	19	
Pre TSL XIII (1)	28,642	22,703	6,135	(16,568)	C	39/63	37	32	
Reg Diversified (1)	25,500	6,908	301	(6,607)	D	23/44	46	20	
Soloso (1)	12,500	3,906	691	(3,215)	C	41/65	29	18	
Tropic III	31,000	31,000	8,079	(22,921)	CC	23/43	39	27	32

Total	**$ 268,061**	**$ 198,357**	**$ 73,233**	**$ (125,124)**

(1) Security was determined to have OTTI. As such, the book value is net of recorded credit impairment.
(2) The majority of securities have been in a continuous loss position for 12 months or longer.
(3) For purposes of comparability, the lowest credit rating expressed is equivalent to Fitch ratings even where the lowest rating is based on another nationally recognized credit rating agency.
(4) Includes both banks and/or insurance companies.
(5) Excess subordination percentage represents the additional defaults in excess of both current and projected defaults that the CDO can absorb before the bond experiences credit impairment. Excess subordinated percentage is calculated by (a) determining what percentage of defaults a deal can experience before the bond has credit impairment, and (b) subtracting from this default breakage percentage both total current and expected future default percentages.

Security Impairment

Huntington evaluates its available-for-sale securities portfolio on a quarterly basis for indicators of OTTI. Huntington assesses whether OTTI has occurred when the fair value of a debt security is less than the amortized cost basis at period-end. Management reviews the amount of unrealized loss, the length of time the security has been in an unrealized loss position, the credit rating history, market trends of similar security classes, time remaining to maturity, and the source of both interest and principal payments to identify securities which could potentially be impaired. OTTI is considered to have occurred; (1) if Huntington intends to sell the security; (2) if it is more likely than not Huntington will be required to sell the security before recovery of its amortized cost basis; or (3) the present value of the expected cash flows is not sufficient to recover all contractually required principal and interest payments.

For securities that Huntington does not expect to sell or it is not more likely than not to be required to sell, the OTTI is separated into credit and noncredit components. A discounted cash flow analysis, which includes evaluating the timing of the expected cash flows, is completed for all debt securities subject to credit impairment. The measurement of the credit loss component is equal to the difference between the debt security s cost basis and the present value of its expected future cash flows discounted at the security s effective yield. The credit-related OTTI, represented by the expected loss in principal, is recognized in noninterest income. The remaining difference between the security s fair value and the present value of future expected cash flows is due to factors that are not credit-related and, therefore, are recognized in OCI. Huntington believes that it will fully collect the carrying value of securities on which noncredit-related impairment has been recognized in OCI. Noncredit-related OTTI results from other factors, including increased liquidity spreads and extension of the security. For securities which Huntington does expect to sell, or if it is more likely than not Huntington will be required to sell the security before recovery of its amortized cost basis, all OTTI is recognized in earnings. Presentation of OTTI is made in the Condensed Consolidated Statements of Income on a gross basis with a reduction for the amount of OTTI recognized in OCI. Once an OTTI is recorded, when future cash flows can be reasonably estimated, future cash flows are re-allocated between interest and principal cash flows to provide for a level-yield on the security.

Huntington applied the related OTTI guidance on the debt security types listed below.

Alt-A mortgage-backed and private-label CMO securities are collateralized by first-lien residential mortgage loans. The securities are valued by a third party specialist using a discounted cash flow approach and proprietary pricing model. The model uses inputs such as estimated prepayment speeds, losses, recoveries, default rates that are implied by the underlying performance of collateral in the structure or similar structures, discount rates that are implied by market prices for similar securities, collateral structure types, and house price depreciation / appreciation rates that are based upon macroeconomic forecasts.

Pooled-trust-preferred securities are CDOs backed by a pool of debt securities issued by financial institutions. The collateral generally consists of trust-preferred securities and subordinated debt securities issued by banks, bank holding companies, and insurance companies. A full cash flow analysis is used to estimate fair values and assess impairment for each security within this portfolio. A third party specialist with direct industry experience in pooled-trust-preferred security evaluations is engaged to provide assistance estimating the fair value and expected cash flows on this portfolio. The full cash flow analysis is completed by evaluating the relevant credit and structural aspects of each pooled-trust-preferred security in the portfolio, including collateral performance projections for each piece of collateral in the security and terms of the security s structure. The credit review includes an analysis of profitability, credit quality, operating efficiency, leverage, and liquidity using available financial and regulatory information for each underlying collateral issuer. The analysis also includes a review of historical industry default data, current/near term operating conditions, and the impact of macroeconomic and regulatory changes. Using the results of our analysis, we estimate appropriate default and recovery probabilities for each piece of collateral then estimate the expected cash flows for each security. The cumulative probability of default ranges from a low of 1% to 100%.

Many collateral issuers have the option of deferring interest payments on their debt for up to five years. For issuers who are deferring interest, assumptions are made regarding the issuers ability to resume interest payments and make the required principal payment at maturity; the cumulative probability of default for these issuers currently ranges from 1% to 100%, and a 10% recovery assumption. The fair value of each security is obtained by discounting the expected cash flows at a market discount rate, ranging from LIBOR plus 5.25% to LIBOR plus 17.00% as of 2012. The market discount rate is determined by reference to yields observed in the market for similarly rated collateralized debt obligations, specifically high-yield collateralized loan obligations. The relatively high market discount rate is reflective of the uncertainty of the cash flows and illiquid nature of these securities. The large differential between the fair value and amortized cost of some of the securities reflects the high market discount rate and the expectation that the majority of the cash flows will not be received until near the final maturity of the security (the final maturities range from 2032 to 2035).

For the three-month and six-month periods ended June 30, 2012 and 2011, the following table summarizes by security type, total OTTI losses recognized in the Unaudited Condensed Consolidated Statements of Income for securities evaluated for impairment as described above.

109

Table of Contents

(dollar amounts in thousands)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Available-for-sale and other securities:				
Alt-A Mortgage-backed	**$**	$ (58)	**$**	$ (230)
Pooled-trust-preferred				(3,207)
Private label CMO	**(248)**	(124)	**(1,485)**	(910)
Total debt securities	**(248)**	(182)	**(1,485)**	(4,347)
Equity securities	**(5)**		**(5)**	
Total available-for-sale and other securities	**$ (253)**	$ (182)	**$ (1,490)**	$ (4,347)

The following table rolls forward the OTTI amounts recognized in earnings on debt securities held by Huntington for the three-month and six-month periods ended June 30, 2012 and 2011 as follows:

(dollar amounts in thousands)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Balance, beginning of period	**$ 56,904**	$ 58,701	**$ 56,764**	$ 54,536
Reductions from sales/maturities		(4,481)	**(1,097)**	(4,481)
Credit losses not previously recognized				
Additional credit losses	248	182	1,485	4,347
Balance, end of period	**$ 57,152**	$ 54,402	**$ 57,152**	$ 54,402

The fair values of these assets have been impacted by various market conditions. The unrealized losses were primarily the result of wider liquidity spreads on asset-backed securities and increased market volatility on non-agency mortgage and asset-backed securities that are collateralized by certain mortgage loans. In addition, the expected average lives of the asset-backed securities backed by trust-preferred securities have been extended, due to changes in the expectations of when the underlying securities would be repaid. The contractual terms and / or cash flows of the investments do not permit the issuer to settle the securities at a price less than the amortized cost. Huntington does not intend to sell, nor does it believe it will be required to sell these securities until the fair value is recovered, which may be maturity and; therefore, does not consider them to be other-than-temporarily impaired at June 30, 2012.

As of June 30, 2012, Management has evaluated all other investment securities with unrealized losses and all non-marketable securities for impairment and concluded no additional OTTI is required.

5. HELD-TO-MATURITY SECURITIES

These are debt securities that Huntington has the intent and ability to hold until maturity. The debt securities are carried at amortized cost and adjusted for amortization of premiums and accretion of discounts using the interest method.

Listed below are the contractual maturities (under 1 year, 1-5 years, 6-10 years, and over 10 years) of held-to-maturity securities at June 30, 2012 and December 31, 2011.

	June 30, 2012		December 31, 2011	
(dollar amounts in thousands)	**Amortized Cost**	**Fair Value**	Amortized Cost	Fair Value
Federal agencies: mortgage-backed securities:				
Under 1 year	**$**	**$**	$	$

1-5 years				
6-10 years				
Over 10 years	**598,385**	**623,302**	640,551	660,186
Total Federal agencies: mortgage-backed securities	**598,385**	**623,302**	640,551	660,186
Total U.S. Government backed agencies	**598,385**	**623,302**	640,551	660,186
Total held-to-maturity securities	**$ 598,385**	**$ 623,302**	$ 640,551	$ 660,186

110

Table of Contents

The following table provides amortized cost, gross unrealized gains and losses, and fair value by investment category at June 30, 2012 and December 31, 2011:

		Unrealized		
(dollar amounts in thousands)	**Amortized Cost**	**Gross Gains**	**Gross Losses**	**Fair Value**
June 30, 2012				
Federal Agencies:				
Mortgage-backed securities	$ 598,385	$ 24,917	$	$ 623,302
Total U.S. Government backed securities	598,385	24,917		623,302
Total held-to-maturity securities	**$ 598,385**	**$ 24,917**	**$**	**$ 623,302**

		Unrealized		
(dollar amounts in thousands)	**Amortized Cost**	**Gross Gains**	**Gross Losses**	**Fair Value**
December 31, 2011				
Federal Agencies:				
Mortgage-backed securities	$ 640,551	$ 19,652	$ (17)	$ 660,186
Total U.S. Government backed securities	640,551	19,652	(17)	660,186
Total held-to-maturity securities	**$ 640,551**	**$ 19,652**	**$ (17)**	**$ 660,186**

Security Impairment

Huntington evaluates the held-to-maturity securities portfolio on a quarterly basis for impairment. Impairment would exist when the present value of the expected cash flows is not sufficient to recover the entire amortized cost basis at the balance sheet date. Under these circumstances, any OTTI would be recognized in earnings. As of June 30, 2012, Management has evaluated all held-to-maturity securities and concluded no OTTI existed in the portfolio.

6. LOAN SALES AND SECURITIZATIONS

Residential Mortgage Loans

The following table summarizes activity relating to residential mortgage loans sold with servicing retained for the three-month and six-month periods ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Residential mortgage loans sold with servicing retained	**$ 850,215**	$ 492,015	**$ 1,856,300**	$ 1,749,518
Pretax gains resulting from above loan sales (1)	**24,713**	12,565	**53,654**	45,244

(1) Recorded in other noninterest income.

A MSR is established only when the servicing is contractually separated from the underlying mortgage loans by sale or securitization of the loans with servicing rights retained. At initial recognition, the MSR asset is established at its fair value using assumptions consistent with

assumptions used to estimate the fair value of existing MSRs. At the time of initial capitalization, MSRs are recorded using either the fair value method or the amortization method. The election of the fair value method or amortization method is made at the time each servicing asset is established and is based upon Management s forward assumptions regarding interest rates. MSRs are included in accrued income and other assets. Any increase or decrease in the fair value of MSRs carried under the fair value method, as well as amortization or impairment of MSRs recorded using the amortization method, during the period is recorded as an increase or decrease in mortgage banking income, which is reflected in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

Table of Contents

The following tables summarize the changes in MSRs recorded using either the fair value method or the amortization method for the three-month and six-month periods ended June 30, 2012 and 2011:

Fair Value Method:	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Fair value, beginning of period	**$ 62,454**	$ 119,207	**$ 65,001**	$ 125,679
Change in fair value during the period due to:				
Time decay (1)	**(793)**	(1,390)	**(1,649)**	(2,764)
Payoffs (2)	**(4,253)**	(4,528)	**(8,292)**	(10,400)
Changes in valuation inputs or assumptions (3)	**(12,347)**	(8,292)	**(9,999)**	(7,518)
Fair value, end of period:	**$ 45,061**	$ 104,997	**$ 45,061**	$ 104,997

(1) Represents decrease in value due to passage of time, including the impact from both regularly scheduled loan principal payments and partial loan paydowns.
(2) Represents decrease in value associated with loans that paid off during the period.
(3) Represents change in value resulting primarily from market-driven changes in interest rates and prepayment spreads.

Amortization Method:	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Carrying value, beginning of period	**$ 85,895**	$ 83,352	**$ 72,434**	$ 70,516
New servicing assets created	**8,069**	4,525	**18,356**	19,978
Impairment (charge) / recovery	**(6,665)**		**893**	
Amortization and other	**(4,063)**	(3,135)	**(8,447)**	(5,752)
Carrying value, end of period	**$ 83,236**	$ 84,742	**$ 83,236**	$ 84,742
Fair value, end of period	**$ 83,320**	$ 95,829	**$ 83,320**	$ 95,829

MSRs do not trade in an active, open market with readily observable prices. While sales of MSRs occur, the precise terms and conditions are typically not readily available. Therefore, the fair value of MSRs is estimated using a discounted future cash flow model. The model considers portfolio characteristics, contractually specified servicing fees and assumptions related to prepayments, delinquency rates, late charges, other ancillary revenues, costs to service, and other economic factors. Changes in the assumptions used may have a significant impact on the valuation of MSRs.

A summary of key assumptions and the sensitivity of the MSR value at June 30, 2012, and December 31, 2011, to changes in these assumptions follows:

	June 30, 2012			December 31, 2011		
		Decline in fair value due to			Decline in fair value due to	
(dollar amounts in thousands)	Actual	10% adverse change	20% adverse change	Actual	10% adverse change	20% adverse change
Constant prepayment rate	19.30 %	$ (3,060)	$ (6,025)	20.11 %	$ (4,720)	$ (9,321)
Spread over forward interest rate swap rates	1,229 bps	(1,641)	(3,282)	650 bps	(1,511)	(3,023)

MSR values are very sensitive to movements in interest rates as expected future net servicing income depends on the projected outstanding principal balances of the underlying loans, which can be greatly impacted by the level of prepayments. Huntington hedges the value of certain

MSRs against changes in value attributable to changes in interest rates using a combination of derivative instruments and trading securities.

Total servicing fees included in mortgage banking income amounted to $11.6 million and $12.4 million for the three-month periods ended June 30, 2012 and 2011, respectively. For the six-month periods ended June 30, 2012 and 2011, servicing fees totaled $23.4 million and $25.0 million, respectively.

Automobile Loans and Leases

In the 2012 first quarter, automobile loans totaling $1.3 billion were transferred to a trust in a securitization transaction in exchange for $1.3 billion of net proceeds. The securitization and resulting sale of all underlying securities qualified for sale accounting. As a result of this transaction, Huntington recognized a $23.0 million gain which is reflected in other noninterest income on the Condensed Consolidated Statement of Income and recorded a $19.9 million servicing asset which is reflected in accrued income and other assets on the Condensed Consolidated Balance Sheet.

Table of Contents

In preparation of completing a securitization in the second half of 2012, $1.3 billion of automobile loans were transferred from the automobile loan portfolio to loans held for sale during the 2012 second quarter. At June 30, 2012, and through the date of this filing, the Company has not yet identified the specific loans that would be securitized or finalized terms of the securitization.

Huntington has retained servicing responsibilities on sold automobile loans and receives annual servicing fees and other ancillary fees on the outstanding loan balances. Automobile loan servicing rights are accounted for using the amortization method. A servicing asset is established at fair value at the time of the sale. The servicing asset is then amortized against servicing income. Impairment, if any, is recognized when carrying value exceeds the fair value as determined by calculating the present value of expected net future cash flows. The primary risk characteristic for measuring servicing assets is payoff rates of the underlying loan pools. Valuation calculations rely on the predicted payoff assumption and, if actual payoff is quicker than expected, then future value would be impaired.

Changes in the carrying value of automobile loan servicing rights for the three-month and six-month periods ended June 30, 2012, and 2011, and the fair value at the end of each period were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Carrying value, beginning of period	**$ 30,780**	$ 69	**$ 13,377**	$ 97
New servicing assets created			**19,883**	
Amortization and other (1)	**(4,043)**	(20)	**(6,523)**	(48)
Carrying value, end of period	**$ 26,737**	$ 49	**$ 26,737**	$ 49
Fair value, end of period	**$ 27,596**	$ 159	**$ 27,596**	$ 159

Servicing income, net of amortization of capitalized servicing assets, amounted to $2.1 million and $0.3 million for the three-month periods ending June 30, 2012, and 2011, respectively. For the six-month periods ending June 30, 2012, and 2011, servicing income, net of amortization of capitalized serving assets, amounted to $3.3 million and $0.7 million, respectively.

7. GOODWILL AND OTHER INTANGIBLE ASSETS

A rollforward of goodwill by business segment for the first six-month period of 2012 was as follows:

(dollar amounts in thousands)	Retail & Business Banking	Regional & Commercial Banking	AFCRE	WGH	Treasury/ Other	Huntington Consolidated
Balance, beginning of period	$ 286,824	$ 16,169	$	$ 98,951	$ 42,324	$ 444,268
Adjustments						
Balance, end of period	$ 286,824	$ 16,169	$	$ 98,951	$ 42,324	$ 444,268

Goodwill is not amortized but is evaluated for impairment on an annual basis at October 1 of each year or whenever events or changes in circumstances indicate the carrying value may not be recoverable. No events or changes in circumstances since the October 1, 2011, annual impairment test were noted that would indicate it was more likely than not a goodwill impairment existed.

At June 30, 2012, and December 31, 2011, Huntington s other intangible assets consisted of the following:

(dollar amounts in thousands)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Value
June 30, 2012			
Core deposit intangible	**$ 384,210 (1)**	**$ (282,892)**	**$ 101,318**
Customer relationship	**104,574**	**(46,999)**	**57,575**
Other	**25,164**	**(24,862)**	**302**
Total other intangible assets	**$ 513,948**	**$ (354,753)**	**$ 159,195**
December 31, 2011			
Core deposit intangible	$ 376,846	$ (263,410)	$ 113,436
Customer relationship	104,574	(43,052)	61,522
Other	25,164	(24,820)	344
Total other intangible assets	$ 506,584	$ (331,282)	$ 175,302

(1) Includes $7,364 thousand related to the FDIC-assisted acquisition of Fidelity Bank on March 30, 2012.

The estimated amortization expense of other intangible assets for the remainder of 2012 and the next five years is as follows:

(dollar amounts in thousands)	Amortization Expense
2012	$ 24,254
2013	41,994
2014	37,136
2015	20,832
2016	7,475
2017	6,851

Table of Contents

8. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the three-month and six-month periods ended June 30, 2012 and 2011, were as follows:

	Three Months Ended June 30, 2012		
(dollar amounts in thousands)	Pretax	Tax (Expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	$ (713)	$ 250	$ (463)
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	4,575	(1,661)	2,914
Less: Reclassification adjustment for net losses (gains) included in net income	(350)	123	(227)
Net change in unrealized holding gains (losses) on available-for-sale debt securities	**3,512**	**(1,288)**	**2,224**
Net change in unrealized holding gains (losses) on available-for-sale equity securities	**44**	**(15)**	**29**
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	23,211	(8,117)	15,094
Less: Reclassification adjustment for net losses (gains) losses included in net income	1,932	(683)	1,249
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	**25,143**	**(8,800)**	**16,343**
Change in pension and post-retirement benefit plan assets and liabilities	**4,990**	**(1,747)**	**3,243**
Total other comprehensive income	**$ 33,689**	**$ (11,850)**	**$ 21,839**

	Three Months Ended June 30, 2011		
(dollar amounts in thousands)	Pretax	Tax (Expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	$ 1,400	$ (490)	$ 910
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	95,468	(33,242)	62,226
Less: Reclassification adjustment for net losses (gains) included in net income	(1,507)	527	(980)
Net change in unrealized holding gains (losses) on available-for-sale debt securities	95,361	(33,205)	62,156
Net change in unrealized holding gains (losses) on available-for-sale equity securities	(18)	6	(12)
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	34,460	(12,060)	22,400
Less: Reclassification adjustment for net losses (gains) losses included in net income	(8,869)	3,103	(5,766)
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	25,591	(8,957)	16,634

Change in pension and post-retirement benefit plan assets and liabilities	4,000	(1,400)	2,600
Total other comprehensive income	$ 124,933	$ (43,555)	$ 81,378

	Six Months Ended June 30, 2012		
(dollar amounts in thousands)	Pretax	Tax (expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	$ 6,252	$ (2,188)	$ 4,064
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	31,362	(11,223)	20,139
Less: Reclassification adjustment for net losses (gains) included in net income	263	(92)	171
Net change in unrealized holding gains (losses) on available-for-sale debt securities	**37,877**	**(13,503)**	**24,374**
Net change in unrealized holding gains (losses) on available-for-sale equity securities	**387**	**(135)**	**252**
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	(16,457)	5,759	(10,698)
Less: Reclassification adjustment for net losses (gains) losses included in net income	26,725	(9,353)	17,372
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	**10,268**	**(3,594)**	**6,674**
Change in pension and post-retirement benefit plan assets and liabilities	**9,979**	**(3,493)**	**6,486**
Total other comprehensive income	**$ 58,511**	**$ (20,725)**	**$ 37,786**

Table of Contents

(dollar amounts in thousands)	Six Months Ended June 30, 2011 Pretax	Tax (expense) Benefit	After-tax
Noncredit-related impairment recoveries (losses) on debt securities not expected to be sold	15,441	(5,404)	10,037
Unrealized holding gains (losses) on available-for-sale debt securities arising during the period	89,743	(31,266)	58,477
Less: Reclassification adjustment for net losses (gains) included in net income	(1,547)	541	(1,006)
Net change in unrealized holding gains (losses) on available-for-sale debt securities	103,637	(36,129)	67,508
Net change in unrealized holding gains (losses) on available-for-sale equity securities	52	(19)	33
Unrealized gains (losses) on derivatives used in cash flow hedging relationships arising during the period	(4,236)	1,494	(2,742)
Less: Reclassification adjustment for net losses (gains) losses included in net income	7,640	(2,686)	4,954
Net change in unrealized gains (losses) on derivatives used in cash flow hedging relationships	3,404	(1,192)	2,212
Change in pension and post-retirement benefit plan assets and liabilities	8,000	(2,800)	5,200
Total other comprehensive income	$ 115,093	$ (40,140)	$ 74,953

Activity in accumulated other comprehensive income (loss), net of tax, for the six-month periods ended June 30, 2012 and 2011, were as follows:

(dollar amounts in thousands)	Unrealized gains and (losses) on debt securities (1)	Unrealized gains and (losses) on equity securities	Unrealized gains and (losses) on cash flow hedging derivatives	Unrealized gains (losses) for pension and other post-retirement obligations	Total
Balance, December 31, 2010	$ (101,290)	$ (427)	$ 35,710	$ (131,489)	$ (197,496)
Period change	67,508	33	2,212	5,200	74,953
Balance, June 30, 2011	$ (33,782)	$ (394)	$ 37,922	$ (126,289)	$ (122,543)
Balance, December 31, 2011	$ (29,267)	$ (30)	$ 40,898	$ (185,364)	$ (173,763)
Period change	24,374	252	6,674	6,486	37,786
Balance, June 30, 2012	**$ (4,893)**	**$ 222**	**$ 47,572**	**$ (178,878)**	**$ (135,977)**

(1) Amount at June 30, 2012 includes $0.2 million of net unrealized gains on securities transferred from the available-for-sale securities portfolio to the held-to-maturity securities portfolio. The net unrealized gains will be recognized in earnings over the remaining life of the security using the effective interest method.

9. SHAREHOLDERS EQUITY

Share Repurchase Program

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 of this year. 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 second quarter, Huntington repurchased a total of 6.4 million shares at a weighted average share price of $6.26. Huntington did not repurchase any shares during 2011.

10. EARNINGS PER SHARE

Basic earnings per share is the amount of earnings (adjusted for dividends declared on preferred stock) available to each share of common stock outstanding during the reporting period. Diluted earnings per share is the amount of earnings available to each share of common stock outstanding during the reporting period adjusted to include the effect of potentially dilutive common shares. Potentially dilutive common shares include incremental shares issued for stock options, restricted stock units and awards, distributions from deferred compensation plans, and the conversion of Huntington s convertible preferred stock. Potentially dilutive common shares are excluded from the computation of diluted earnings per share in periods in which the effect would be antidilutive. For diluted earnings per share, net income available to common shares can be affected by the conversion of Huntington s convertible preferred stock. Where the effect of this conversion would be dilutive, net income available to common shareholders is adjusted by the associated preferred dividends and deemed dividend. The calculation of basic and diluted earnings per share for each of the three-month and six-month periods ended June 30, 2012 and 2011, was as follows:

Table of Contents

(dollar amounts in thousands, except per share amounts)	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Basic earnings per common share:				
Net income	**$ 152,706**	$ 145,918	**$ 305,976**	$ 272,364
Preferred stock dividends	**(7,984)**	(7,704)	**(16,033)**	(15,407)
Net income available to common shareholders	**$ 144,722**	$ 138,214	**$ 289,943**	$ 256,957
Average common shares issued and outstanding	**862,261**	863,358	**863,380**	863,358
Basic earnings per common share	**$ 0.17**	$ 0.16	**$ 0.34**	$ 0.30
Diluted earnings per common share				
Net income available to common shareholders	**$ 144,722**	$ 138,214	**$ 289,943**	$ 256,957
Effect of assumed preferred stock conversion				
Net income applicable to diluted earnings per share	**$ 144,722**	$ 138,214	**$ 289,943**	$ 256,957
Average common shares issued and outstanding	**862,261**	863,358	**863,380**	863,358
Dilutive potential common shares:				
Stock options and restricted stock units and awards	**4,075**	3,171	**3,769**	3,084
Shares held in deferred compensation plans	**1,215**	940	**1,208**	911
Conversion of preferred stock				
Dilutive potential common shares:	**5,290**	4,111	**4,977**	3,995
Total diluted average common shares issued and outstanding	**867,551**	867,469	**868,357**	867,353
Diluted earnings per common share	**$ 0.17**	$ 0.16	**$ 0.33**	$ 0.30

Approximately 17.7 million and 15.3 million options to purchase shares of common stock outstanding at the end of June 30, 2012 and 2011, respectively, were not included in the computation of diluted earnings per share because the effect would be antidilutive. The weighted average exercise price for these options was $14.27 per share and $19.69 per share at the end of each respective period.

11. SHARE-BASED COMPENSATION

Huntington sponsors nonqualified and incentive share-based compensation plans. These plans provide for the granting of stock options and other awards to officers, directors, and other employees. Compensation costs are included in personnel costs on the Unaudited Condensed Consolidated Statements of Income. Stock options are granted at the closing market price on the date of the grant. Options granted typically vest ratably over three years or when other conditions are met. Options granted prior to May 2004 have a term of ten years. All options granted after May 2004 have a term of seven years.

Huntington uses the Black-Scholes option pricing model to value share-based compensation expense. Forfeitures are estimated at the date of grant based on historical rates and reduce the compensation expense recognized. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the date of grant. Expected volatility is based on the estimated volatility of Huntington s stock over the expected term of the option. The expected dividend yield is based on the dividend rate and stock price at the date of the grant.

The following table illustrates the weighted-average assumptions used in the option-pricing model for options granted for the three-month and six-month periods ended June 30, 2012 and 2011.

	Three Months Ended June 30, 2012	2011	Six Months Ended June 30, 2012	2011
Assumptions				
Risk-free interest rate	**1.10 %**	2.20 %	**1.10 %**	2.35 %
Expected dividend yield	**2.36**	0.61	**2.37**	0.59
Expected volatility of Huntington s common stock	**35.0**	30.0	**34.9**	31.3
Expected option term (years)	**6.0**	6.0	**6.0**	6.0
Weighted-average grant date fair value per share	**$ 1.80**	$ 2.05	**$ 1.79**	$ 2.20

The following table illustrates total share-based compensation expense and related tax benefit for the three-month and six-month periods ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Share-based compensation expense	**$ 7,517**	$ 3,898	**$ 12,820**	$ 7,523
Tax benefit	**2,501**	1,364	**4,261**	2,633

Huntington s stock option activity and related information for the six-month period ended June 30, 2012, was as follows:

(amounts in thousands, except years and per share amounts)	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	27,205	$ 11.47		
Granted	5,512	6.74		
Exercised	(190)	4.06		
Forfeited/expired	(1,234)	13.67		
Outstanding at June 30, 2012	**31,293**	**$ 10.59**	**4.3**	**$ 10,294**
Vested and expected to vest at June 30, 2012 (1)	**29,963**	**$ 10.70**	**4.2**	**$ 9,952**
Exercisable at June 30, 2012	**12,935**	**$ 16.72**	**1.8**	**$ 3,630**

(1) The number of options expected to vest includes an estimate of expected forfeitures.

The aggregate intrinsic value represents the amount by which the fair value of underlying stock exceeds the in-the-money option exercise price. For the six-month periods ended June 30, 2012 and June 30, 2011, cash received for the exercises of stock options was $0.8 million and $0.2 million, respectively. The tax benefit realized from stock option exercises was $0.1 million and less than $0.1 million for each respective period.

Huntington also grants restricted stock, restricted stock units, performance share awards and other stock-based awards. Restricted stock units and awards are issued at no cost to the recipient, and can be settled only in shares at the end of the vesting period. Restricted stock awards provide the holder with full voting rights and cash dividends during the vesting period. Restricted stock units do not provide the holder with voting rights or cash dividends during the vesting period, but do accrue a dividend equivalent that is paid upon vesting, and are subject to certain service restrictions. Performance share awards are payable contingent upon Huntington achieving certain predefined performance objectives over the three-year measurement period. The fair value of these awards is the closing market price of Huntington s common stock on the date of award.

The following table summarizes the status of Huntington s restricted stock units and performance share awards as of June 30, 2012, and activity for the six-month period ended June 30, 2012:

(amounts in thousands, except per share amounts)	Restricted Stock Units	Weighted-Average Grant Date Fair Value Per Share	Performance Share Awards	Weighted-Average Grant Date Fair Value Per Share
Nonvested at January 1, 2012	7,591	$ 6.09		$

Granted	2,791		6.70	694		6.77
Vested	(290)		6.86			
Forfeited	(120)		6.28			
Nonvested at June 30, 2012	**9,972**	**$**	**6.23**	**694**	**$**	**6.77**

The weighted-average grant date fair value of nonvested shares granted for the six-month periods ended June 30, 2012 and 2011, were $6.71 and $7.45, respectively. The total fair value of awards vested was $1.7 million and $2.7 million during the six-month periods ended June 30, 2012, and 2011, respectively. As of June 30, 2012, the total unrecognized compensation cost related to nonvested awards was $41.6 million with a weighted-average expense recognition period of 1.8 years.

Table of Contents

During the 2012 second quarter, shareholders approved the Huntington Bancshares Incorporated 2012 Long-Term Incentive Plan which authorized 51 million shares for future grants. Of the remaining 84 million shares of common stock authorized for issuance at June 30, 2012, 42 million were outstanding and 42 million were available for future grants. Huntington issues shares to fulfill stock option exercises and restricted stock units from available authorized shares. At June 30, 2012, Management believes there are adequate authorized shares available to satisfy anticipated stock option exercises and award releases in 2012.

12. BENEFIT PLANS

Huntington sponsors the Plan, a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The Plan provides benefits based upon length of service and compensation levels. The funding policy of Huntington is to contribute an annual amount that is at least equal to the minimum funding requirements but not more than the amount deductible under the Internal Revenue Code. There is no required minimum contribution for 2012.

In addition, Huntington has an unfunded defined benefit post-retirement plan that provides certain healthcare and life insurance benefits to retired employees who have attained the age of 55 and have at least 10 years of vesting service under this plan. For any employee retiring on or after January 1, 1993, post-retirement healthcare benefits are based upon the employee s number of months of service and are limited to the actual cost of coverage. Life insurance benefits are a percentage of the employee s base salary at the time of retirement, with a maximum of $50,000 of coverage. The employer paid portion of the post-retirement health and life insurance plan was eliminated for employees retiring on and after March 1, 2010. Eligible employees retiring on and after March 1, 2010, who elect retiree medical coverage, will pay the full cost of this coverage. Huntington will not provide any employer paid life insurance to employees retiring on and after March 1, 2010. Eligible employees will be able to convert or port their existing life insurance at their own expense under the same terms that are available to all terminated employees.

The following table shows the components of net periodic benefit expense of the Plan and the Post-Retirement Benefit Plan:

	Pension Benefits Three Months Ended June 30,		Post Retirement Benefits Three Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Service cost	**$ 6,217**	$ 5,413	**$**	$
Interest cost	**7,304**	7,518	**337**	405
Expected return on plan assets	**(11,433)**	(10,823)		
Amortization of transition asset	**(1)**	(1)		
Amortization of prior service cost	**(1,442)**	(1,442)	**(338)**	(338)
Amortization of gains (losses)	**6,740**	5,874	**(83)**	(106)
Settlements	**1,750**	1,750		
Benefit expense	**$ 9,135**	$ 8,289	**$ (84)**	$ (39)

	Pension Benefits Six Months Ended June 30,		Post Retirement Benefits Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Service cost	**$ 12,434**	$ 10,826	**$**	$
Interest cost	**14,608**	15,036	**675**	810
Expected return on plan assets	**(22,865)**	(21,646)		
Amortization of transition asset	**(2)**	(2)		
Amortization of prior service cost	**(2,884)**	(2,884)	**(676)**	(676)
Amortization of gains	**13,479**	11,748	**(166)**	(212)
Settlements	**3,500**	3,500		
Benefit expense	**$ 18,270**	$ 16,578	**$ (167)**	$ (78)

119

The Bank, as trustee, held all Plan assets at June 30, 2012, and December 31, 2011. The Plan assets consisted of investments in a variety of Huntington mutual funds and Huntington common stock as follows:

	Fair Value			
(dollar amounts in thousands)	**June 30, 2012**		December 31, 2011	
Cash	**$ 478**	**%**	$ 25	%
Cash equivalents:				
Huntington funds money market	**3,018**	**1**	39,943	7
Fixed income:				
Huntington funds fixed income funds	**203,162**	**37**	174,615	32
Equities:				
Huntington funds	**303,508**	**55**	283,963	53
Huntington common stock	**39,964**	**7**	40,424	8
Fair value of plan assets	**$ 550,130**	**100 %**	$ 538,970	100 %

Investments of the Plan are accounted for at cost on the trade date and are reported at fair value. All of the Plan s investments at June 30, 2012, are classified as Level 1 within the fair value hierarchy. In general, investments of the Plan are exposed to various risks, such as interest rate risk, credit risk, and overall market volatility. Due to the level of risk associated with certain investments, it is reasonably possible changes in the values of investments will occur in the near term and such changes could materially affect the amounts reported in the Plan assets.

The investment objective of the Plan is to maximize the return on Plan assets over a long time period, while meeting the Plan obligations. At June 30, 2012, Plan assets were invested 63% in equity investments and 37% in bonds, with an average duration of 3.4 years on bond investments. Although it may fluctuate with market conditions, Management has targeted a long-term allocation of Plan assets of 70% to 50% in equity investments and 50% to 30% in bond investments. The allocation of Plan assets between equity investments and fixed income investments will change from time to time with the allocation to fixed income investments increasing as the funding level increases.

Huntington also sponsors other nonqualified retirement plans, the most significant being the SERP and the SRIP. The SERP provides certain former officers and directors, and the SRIP provides certain current officers and directors of Huntington and its subsidiaries with defined pension benefits in excess of limits imposed by federal tax law.

Huntington has a defined contribution plan that is available to eligible employees. Huntington matches participant contributions, up to the first 3% of base pay contributed to the Plan. Half of the employee contribution is matched on the 4th and 5th percent of base pay contributed to the Plan.

The following table shows the costs of providing the SERP, SRIP, and defined contribution plans:

	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in millions)	**2012**	2011	**2012**	2011
SERP & SRIP	**$ 0.8**	$ 0.7	**$ 1.7**	$ 1.4
Defined contribution plan	**4.1**	3.8	**8.6**	7.5
Benefit cost	**$ 4.9**	$ 4.5	**$ 10.3**	$ 8.9

13. FAIR VALUES OF ASSETS AND LIABILITIES

Huntington follows the fair value accounting guidance under ASC 820 and ASC 825.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level

valuation hierarchy was established for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument s categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Transfers in and out of Level 1, 2, or 3 are recorded at fair value at the beginning of the reporting period.

Following is a description of the valuation methodologies used for instruments measured at fair value, as well as the general classification of such instruments pursuant to the valuation hierarchy.

Mortgage loans held for sale

Huntington elected to apply the fair value option for mortgage loans originated with the intent to sell which are included in loans held for sale. Mortgage loans held for sale are classified as Level 2 and are estimated using security prices for similar product types.

Available-for-sale securities and trading account securities

Securities accounted for at fair value include both the available-for-sale and trading portfolios. Huntington uses prices obtained from third party pricing services and recent trades to determine the fair value of securities. AFS and trading securities are classified as Level 1 using quoted market prices (unadjusted) in active markets for identical securities that Huntington has the ability to access at the measurement date. 1% of the positions in these portfolios are Level 1, and consist of U.S. Treasury securities and money market mutual funds. When quoted market prices are not available, fair values are classified as Level 2 using quoted prices for similar assets in active markets, quoted prices of identical or similar assets in markets that are not active, and inputs that are observable for the asset, either directly or indirectly, for substantially the full term of the financial instrument. 96% of the positions in these portfolios are Level 2, and consist of U.S. Government and agency debt securities, agency mortgage backed securities, asset-backed securities, municipal securities and other securities. For both Level 1 and Level 2 securities, management uses various methods and techniques to corroborate prices obtained from the pricing service, including reference to dealer or other market quotes, and by reviewing valuations of comparable instruments. If relevant market prices are limited or unavailable, valuations may require significant management judgment or estimation to determine fair value, in which case the fair values are classified as Level 3. 3% of our positions are Level 3, and consist of non-agency ALT-A asset-backed securities, private-label CMO securities, pooled-trust-preferred CDO securities and municipal securities. A significant change in the unobservable inputs for these securities may result in a significant change in the ending fair value measurement of these securities.

For non-agency ALT-A asset-backed securities, private-label CMO securities, and pooled-trust-preferred CDO securities the fair value methodology incorporates values obtained from proprietary discounted cash flow models provided by a third party. The modeling process for the ALT-A asset-backed securities and private-label CMO securities incorporates assumptions management believes market participants would use to value the security under current market conditions. The assumptions used include prepayment projections, credit loss assumptions, and discount rates, which include a risk premium due to liquidity and uncertainty that are based on both observable and unobservable inputs. Huntington validates the reasonableness of the assumptions by comparing the assumptions with market information. Huntington uses the discounted cash flow analysis, in conjunction with other relevant pricing information obtained from third party pricing services or broker quotes to establish the fair value that management believes is representative under current market conditions. The modeling of the fair value of the pooled-trust-preferred CDO s utilizes a similar methodology, with the probability of default (PD) of each issuer being the most critical input. Management evaluates the PD assumptions provided to the third party pricing service by comparing the current PD to the assumptions used the previous quarter, actual defaults and deferrals in the current period, and trend data on certain financial ratios of the issuers. Huntington also evaluates the assumptions related to discount rates and prepayments. Each quarter, the Company seeks to obtain information on actual trades of securities with similar characteristics to further support our fair value estimates and our underlying assumptions. For purposes of determining fair value at June 30, 2012, the discounted cash flow modeling was the predominant input.

Huntington utilizes the same processes to determine the fair value of investment securities classified as held-to-maturity for impairment evaluation purposes.

Automobile loans

Effective January 1, 2010, Huntington consolidated an automobile loan securitization that previously had been accounted for as an off-balance sheet transaction. As a result, Huntington elected to account for the automobile loan receivables and the associated notes payable at fair value per guidance supplied in ASC 825, Financial Instruments . The automobile loan receivables are classified as Level 3. The key assumptions used to determine the fair value of the automobile loan receivables included projections of expected losses and prepayment of the underlying loans in the portfolio and a market assumption of interest rate spreads. Certain interest rates are available from similarly traded securities while other interest rates are developed internally based on similar asset-backed security transactions in the market.

Table of Contents

MSRs

MSRs do not trade in an active market with readily observable prices. Accordingly, the fair value of these assets is classified as Level 3. Huntington determines the fair value of MSRs using an income approach model based upon our month-end interest rate curve and prepayment assumptions. The model, which is operated and maintained by a third party, utilizes assumptions to estimate future net servicing income cash flows, including estimates of time decay, payoffs, and changes in valuation inputs and assumptions. Servicing brokers and other sources of information (e.g. discussion with other mortgage servicers and industry surveys) are used to obtain information on market practice and assumptions. On at least a quarterly basis, third party marks are obtained from at least one service broker. Huntington reviews the valuation assumptions against this market data for reasonableness and adjusts the assumptions if deemed appropriate. Any recommended change in assumptions and / or inputs are presented for review to the Mortgage Price Risk Subcommittee for final approval.

Derivatives

Derivatives classified as Level 1 consist of exchange traded options and forward commitments to deliver mortgage-backed securities which are valued using quoted prices. Asset and liability conversion swaps and options, and interest rate caps are classified as Level 2. These derivative positions are valued using a discounted cash flow method that incorporates current market interest rates. Derivatives classified as Level 3 consist primarily of interest rate lock agreements related to mortgage loan commitments. The determination of fair value includes assumptions related to the likelihood that a commitment will ultimately result in a closed loan, which is a significant unobservable assumption. A significant increase or decrease in the external market price would result in a significantly higher or lower fair value measurement.

Securitization trust notes payable

Consists of certain securitization trust notes payable related to the automobile loan receivables measured at fair value. The notes payable are classified as Level 2 and are valued based on interest rates for similar financial instruments.

Assets and Liabilities measured at fair value on a recurring basis

Assets and liabilities measured at fair value on a recurring basis at June 30, 2012 and December 31, 2011 are summarized below:

	Fair Value Measurements at Reporting Date Using			Netting	**Balance at**
(dollar amounts in thousands)	Level 1	Level 2	Level 3	Adjustments (1)	**June 30, 2012**
Assets					
Loans held for sale	$	$ 570,189	$	$	**$ 570,189**
Trading account securities:					
U.S. Treasury securities					
Federal agencies: Mortgage-backed		3,775			**3,775**
Federal agencies: Other agencies					
Municipal securities		15,537			**15,537**
Other securities	34,007	518			**34,525**
	34,007	19,830			**53,837**
Available-for-sale and other securities:					
U.S. Treasury securities	52,718				**52,718**
Federal agencies: Mortgage-backed		5,194,017			**5,194,017**
Federal agencies: Other agencies		695,745			**695,745**
Municipal securities		301,510	78,151		**379,661**
Private-label CMO			67,145		**67,145**
Asset-backed securities		940,786	119,674		**1,060,460**
Covered bonds		287,649			**287,649**
Corporate debt		574,645			**574,645**
Other securities	54,812	3,893			**58,705**
	107,530	7,998,245	264,970		**8,370,745**

Automobile loans			210,031		**210,031**
MSRs			45,061		**45,061**
Derivative assets	4,293	496,263	12,844	(109,647)	**403,753**
Liabilities					
Securitization trust notes payable		32,794			**32,794**
Derivative liabilities	11,658	258,682	453	(80,720)	**190,073**
Other liabilities					

Table of Contents

(dollar amounts in thousands)	Fair Value Measurements at Reporting Date Using Level 1	Level 2	Level 3	Netting Adjustments (1)	Balance at December 31, 2011
Assets					
Mortgage loans held for sale	$	$ 343,588	$	$	$ 343,588
Trading account securities:					
U.S. Treasury securities					
Federal agencies: Mortgage-backed		5,541			5,541
Federal agencies: Other agencies					
Municipal securities		8,147			8,147
Other securities	32,085	126			32,211
	32,085	13,814			45,899
Available-for-sale and other securities:					
U.S. Treasury securities	53,204				53,204
Federal agencies: Mortgage-backed		4,464,892			4,464,892
Federal agencies: Other agencies		735,544			735,544
Municipal securities		312,634	95,092		407,726
Private-label CMO			72,364		72,364
Asset-backed securities		845,390	121,698		967,088
Covered bonds		504,045			504,045
Corporate debt		528,883			528,883
Other securities	53,619	4,134			57,753
	106,823	7,395,522	289,154		7,791,499
Automobile loans			296,250		296,250
MSRs			65,001		65,001
Derivative assets	4,886	485,428	6,770	(94,082)	403,002
Liabilities					
Securitization trust notes payable		123,039			123,039
Derivative liabilities	12,245	246,132	6,939		265,316
Other liabilities		751			751

(1) Amounts represent the impact of legally enforceable master netting agreements that allow the Company to settle positive and negative positions and cash collateral held or placed with the same counterparties.

The tables below present a rollforward of the balance sheet amounts for the three-month and six-month periods ended June 30, 2012 and 2011, for financial instruments measured on a recurring basis and classified as Level 3. The classification of an item as Level 3 is based on the significance of the unobservable inputs to the overall fair value measurement. However, Level 3 measurements may also include observable components of value that can be validated externally. Accordingly, the gains and losses in the table below include changes in fair value due in part to observable factors that are part of the valuation methodology.

	Level 3 Fair Value Measurements Three Months Ended June 30, 2012					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	$ 62,454	$ 7,443	$ 85,447	$ 70,231	$ 125,696	$ 250,774
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						

Included in earnings	(17,393)	5,496		(16)	40	(558)
Included in OCI				706	(2,615)	
Purchases						
Sales			(7,000)			
Repayments						(40,185)
Issues						
Settlements		(548)	(296)	(3,776)	(3,447)	
Closing balance	**$ 45,061**	**$ 12,391**	**$ 78,151**	**$ 67,145**	**$ 119,674**	**$ 210,031**
Change in unrealized gainsor losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	**$ (17,393)**	**$ 4,949**	**$**	**$ 706**	**$ (2,615)**	**$ (558)**

Table of Contents

	Level 3 Fair Value Measurements Three Months Ended June 30, 2011					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	$ 119,207	$ (832)	$ 135,276	$ 115,546	$ 165,599	$ 458,851
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	(14,210)	1,411		59	9	1,127
Included in OCI				(110)	3,293	
Purchases			1,760			
Sales				(20,958)		
Repayments						(59,043)
Issues						
Settlements		(161)	(13,236)	(5,767)	(3,159)	
Closing balance	**$ 104,997**	**$ 418**	**$ 123,800**	**$ 88,770**	**$ 165,742**	**$ 400,935**
Change in unrealized gainsor losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	**$ (14,210)**	**$ 1,250**	**$**	**$ (1,164)**	**$ 3,293**	**$ 1,127**

124

Level 3 Fair Value Measurements
Six Months Ended June 30, 2012

			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	$ 65,001	$ (169)	$ 95,092	$ 72,364	$ 121,698	$ 296,250
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	(19,940)	6,221		(1,006)	(136)	(650)
Included in OCI				4,879	5,178	
Purchases						
Sales			(7,000)			
Repayments						(85,569)
Issues						
Settlements		6,339	(9,941)	(9,092)	(7,066)	
Closing balance	**$ 45,061**	**$ 12,391**	**$ 78,151**	**$ 67,145**	**$ 119,674**	**$ 210,031**
Change in unrealized gainsor losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	**$ (19,940)**	**$ 5,508**	**$**	**$ 4,879**	**$ 5,178**	**$ (650)**

Level 3 Fair Value Measurements
Six Months Ended June 30, 2011

			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Opening balance	$ 125,679	$ 966	$ 149,806	$ 121,925	$ 162,684	$ 522,717
Transfers into Level 3						
Transfers out of Level 3						
Total gains/losses for the period:						
Included in earnings	(20,682)	(293)		(383)	(3,261)	(1,384)
Included in OCI				3,617	13,590	
Purchases			1,760			
Sales				(20,958)		
Repayments						(120,398)
Issues						
Settlements		(255)	(27,766)	(15,431)	(7,271)	
Closing balance	**$ 104,997**	**$ 418**	**$ 123,800**	**$ 88,770**	**$ 165,742**	**$ 400,935**
Change in unrealized gainsor losses for the period included in earnings (or changes in net assets) for assets held at end of the reporting date	**$ (20,682)**	**$ (548)**	**$**	**$ 1,774**	**$ 13,590**	**$ (1,384)**

Table of Contents

The table below summarizes the classification of gains and losses due to changes in fair value, recorded in earnings for Level 3 assets and liabilities for the three-month and six-month periods ended June 30, 2012 and 2011:

	Level 3 Fair Value Measurements Three Months Ended June 30, 2012					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	$ (17,393)	$ 5,496	$	$	$	$
Securities gains (losses)				(249)		
Interest and fee income				233	40	(2,265)
Noninterest income						1,707
Total	**$ (17,393)**	**$ 5,496**	**$**	**$ (16)**	**$ 40**	**$ (558)**

	Level 3 Fair Value Measurements Three Months Ended June 30, 2011					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	$ (14,210)	$ (774)	$	$	$	$
Securities gains (losses)				(124)	(59)	
Interest and fee income				183	68	(2,786)
Noninterest income		2,185				3,913
Total	$ (14,210)	$ 1,411	$	$ 59	$ 9	$ 1,127

	Level 3 Fair Value Measurements Six Months Ended June 30, 2012					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed securities	Automobile loans
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	$ (19,940)	$ 6,889	$	$	$	$
Securities gains (losses)				(1,485)		
Interest and fee income				479	(136)	(4,289)
Noninterest income		(668)				3,639
Total	**$ (19,940)**	**$ 6,221**	**$**	**$ (1,006)**	**$ (136)**	**$ (650)**

	Level 3 Fair Value Measurements Six Months Ended June 30, 2011					
			Available-for-sale securities			
(dollar amounts in thousands)	MSRs	Derivative instruments	Municipal securities	Private-label CMO	Asset-backed	Automobile loans

					securities	
Classification of gains and losses in earnings:						
Mortgage banking income (loss)	$ (20,682)	$ 662	$	$	$	$
Securities gains (losses)				(912)	(3,436)	
Interest and fee income				529	175	(5,225)
Noninterest income		(955)				3,841
Total	$ (20,682)	$ (293)	$	$ (383)	$ (3,261)	$ (1,384)

126

Table of Contents

Assets and liabilities under the fair value option

Huntington has elected the fair value option for certain loans in the held for sale portfolio. The following table presents the fair value and aggregate principal balance of loans held for sale under the fair value option.

(dollar amounts in thousands)	**June 30, 2012**	December 31, 2011
Fair value	**$ 570,189**	$ 343,588
Aggregate outstanding principal balance	**542,085**	328,641
Difference	**$ 28,104**	$ 14,947

The following tables present the net gains (losses) from fair value changes, including net gains (losses) associated with instrument specific credit risk for the three-month and six-month periods ended June 30, 2012 and 2011.

	Net gains (losses) from fair value changes			
	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Assets				
Mortgage loans held for sale	**$ 8,585**	$ 1,829	**$ 3,690**	$ 7,902
Automobile loans	**(558)**	1,127	**(651)**	(1,384)
Liabilities				
Securitization trust notes payable	**(579)**	(1,368)	**(1,922)**	(3,617)

	Gains (losses) included in fair value changes associated with instrument specific credit risk			
	Three Months Ended June 30,		Six Months Ended June 30,	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Assets				
Automobile loans	**$ 2,012**	$ 2,175	**$ 2,578**	$ 2,282

Assets and Liabilities measured at fair value on a nonrecurring basis

Certain assets and liabilities may be required to be measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition. These assets and liabilities are not measured at fair value on an on-going basis; however, they are subject to fair value adjustments in certain circumstances, such as when there is evidence of impairment. At June 30, 2012, assets measured at fair value on a nonrecurring basis were as follows:

		Fair Value Measurements Using			
(dollar amounts in thousands)	Fair Value at June 30, 2012	Quoted Prices In Active Markets for Identical Assets (Level	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Total Gains/(Losses) For the Six Months Ended June 30, 2012

			1)						
Impaired loans	**$**	**22,949**	$	$		**$**	**22,949**	**$**	**(7,638)**
Accrued income and other assets		**38,608**					**38,608**	**$**	**(1,546)**

Periodically, Huntington records nonrecurring adjustments of collateral-dependent loans measured for impairment when establishing the ACL. Such amounts are generally based on the fair value of the underlying collateral supporting the loan. Appraisals are generally obtained to support the fair value of the collateral and incorporate measures such as recent sales prices for comparable properties and cost of construction. In cases where the carrying value exceeds the fair value of the collateral less cost to sell, an impairment charge is recognized. At June 30, 2012, Huntington identified $22.9 million of impaired loans for which the fair value is recorded based upon collateral value. For the six-month period ended June 30, 2012, nonrecurring fair value impairment of $7.6 million was recorded within the provision for credit losses.

Table of Contents

Other real estate owned properties are initially valued based on appraisals and third party price opinions, less estimated selling costs. At June 30, 2012, Huntington had $38.6 million of OREO assets. For the six-month period ended June 30, 2012, fair value losses of $1.5 million were recorded within noninterest expense.

Significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis

The table below presents quantitative information about the significant unobservable inputs for assets and liabilities measured at fair value on a recurring and nonrecurring basis at June 30, 2012.

Quantitative Information about Level 3 Fair Value Measurements

(dollar amounts in thousands, except net costs to service)	Fair Value at June 30, 2012	Valuation Technique	Significant Unobservable Input	Range (Weighted Average)
MSRs	$ 45,061	Discounted cash flow	Constant prepayment rate (CPR)	9.0% -38.0% (19.0%)
			Option Adjusted Spread (OAS)	-636 -4,552 (1,229)
			Net costs to service	-$10 - $110 ($35)
Derivative assets	12,844	Consensus Pricing	Net market price	-1.8% -12.4% (2.8%)
Derivative liabilities	453		Estimated Pull thru %	38% - 93% (74%)
Municipal securities	78,151	Discounted cash flow	Discount rate	0.6% - 7.0% (2.4%)
Private-label CMO	67,145	Discounted cash flow	Discount rate	3.5% -10.4% (7.4%)
			Constant prepayment rate (CPR)	0.8% -26.7% (12.0%)
			Probability of default	0.0% - 6.9% (1.9%)
			Loss Severity	5.0% -100% (30.5%)
Asset-backed securities	119,674	Discounted cash flow	Discount rate	5.7% -17.5% (9.8%)
			Constant prepayment rate (CPR)	5.1% - 9.8% (6.2%)
			Cumulative prepayment rate	0.0% - 100% (4.4%)
			Constant default	0.3% - 4.0% (2.7%)
			Cumulative default	0.8% -100% (20.2%)
			Loss given default	85% -100% (93.4%)
			Cure given deferral	0% - 100% (44.0%)
			Loss severity	20% - 75% (63.2%)
Automobile loans	210,031	Discounted cash flow	Absolute prepayment speed (ABS)	1.3%
			Discount rate	0.8% -9.0% (3.94%)
			Life of pool cumulative losses	2.2%
Impaired loans	22,949	Appraisal value	NA	NA
Other real estate owned	38,608	Appraisal value	NA	NA

The following provides a general description of the impact of a change in an unobservable input on the fair value measurement and the interrelationship between unobservable inputs, where relevant/significant. Interrelationships may also exist between observable and unobservable inputs. Such relationships have not been included in the discussion below.

A significant change in the unobservable inputs may result in a significant change in the ending fair value measurement of Level 3 instruments. In general, prepayment rates increase when market interest rates decline and decrease when market interest rates rise, higher prepayment rates

generally result in lower fair values for MSR assets, automobile loans, and trust preferred securities. Credit loss estimates are driven by the ability of the borrowers to pay their loans and the value of the underlying collateral and are impacted by changes in macroeconomic conditions, typically increasing when economic conditions worsen and decreasing when conditions improve. An increase in the estimated prepayment rate typically results in a decrease in estimated credit losses and vice versa. Higher credit losses generally result in lower fair values. Credit spreads generally increase when liquidity risks and market volatility increase

and decrease when liquidity conditions and market volatility improve. Discount rates typically increase with market interest rates increase and/or credit and liquidity risks increase and decrease when market interest rates decline and and/or credit and liquidity conditions improve. Higher discount rates and credit spreads generally result in lower fair market values. Pull through percentages generally increase when market interest rates increase and decline when market interest rates decline. Higher pull through percentages generally result in higher fair values.

Fair values of financial instruments

The following table provides the carrying amounts and estimated fair values of Huntington s financial instruments that are carried either at fair value or cost at June 30, 2012 and December 31, 2011:

	June 30, 2012		December 31, 2011	
(dollar amounts in thousands)	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets:				
Cash and short-term assets	**$ 1,307,413**	**$ 1,307,413**	$ 1,206,911	$ 1,206,911
Trading account securities	**53,837**	**53,837**	45,899	45,899
Loans held for sale	**2,123,371**	**2,152,405**	1,618,391	1,638,276
Available-for-sale and other securities	**8,666,778**	**8,666,778**	8,078,014	8,078,014
Held-to-maturity securities	**598,385**	**623,302**	640,551	660,186
Net loans and direct financing leases	**39,099,534**	**37,726,642**	37,958,955	36,669,829
Derivatives	**403,753**	**403,753**	403,002	403,002
Financial Liabilities:				
Deposits	**(46,076,075)**	**(46,177,572)**	(43,279,625)	(43,406,125)
Short-term borrowings	**(1,205,995)**	**(1,199,021)**	(1,441,092)	(1,429,717)
Federal Home Loan Bank advances	**(835,653)**	**(835,653)**	(362,972)	(362,972)
Other long-term debt	**(310,043)**	**(313,033)**	(1,231,517)	(1,232,975)
Subordinated notes	**(1,418,216)**	**(1,358,614)**	(1,503,368)	(1,410,392)
Derivatives	**(190,073)**	**(190,073)**	(265,316)	(265,316)

The following table presents the level in the fair value hierarchy for the estimated fair values of only Huntington s financial instruments that are not already on the Unaudited Condensed Consolidated Balance Sheets at fair value at June 30, 2012 and December 31, 2011:

	Estimated Fair Value Measurements at Reporting Date Using			**Balance at**
(dollar amounts in thousands)	Level 1	Level 2	Level 3	**June 30, 2012**
Financial Assets				
Loans held for sale	$	**$**	**$ 1,580,384**	**$ 1,580,384**
Held-to-maturity securities		**623,302**		**623,302**
Net loans and direct financing leases			**38,376,257**	**38,376,257**
Financial liabilities				
Deposits		**(37,997,809)**	**(8,179,763)**	**(46,177,572)**
Short-term borrowings			**(1,199,021)**	**(1,199,021)**
Other long-term debt		**(122,329)**	**(157,910)**	**(280,239)**
Subordinated notes			**(1,358,614)**	**(1,358,614)**

	Fair Value Measurements at Reporting Date Using			Balance at
(dollar amounts in thousands)	Level 1	Level 2	Level 3	December 31, 2011
Financial Assets				
Loans held for sale	$	$	$ 1,291,755	$ 1,291,755
Held-to-maturity securities		660,186		660,186
Net loans and direct financing leases			36,373,579	36,373,579
Financial liabilities				
Deposits		(35,049,194)	(8,356,931)	(43,406,125)

Short-term borrowings		(1,429,717)	(1,429,717)
Other long-term debt	(937,959)	(171,977)	(1,109,936)
Subordinated notes		(1,410,392)	(1,410,392)

The short-term nature of certain assets and liabilities result in their carrying value approximating fair value. These include trading account securities, customers acceptance liabilities, short-term borrowings, bank acceptances outstanding, FHLB advances, and cash and short-term assets, which include cash and due from banks, interest-bearing deposits in banks, and federal funds sold and securities purchased under resale agreements. Loan commitments and letters-of-credit generally have short-term, variable-rate features and contain clauses that limit Huntington s exposure to changes in customer credit quality. Accordingly, their carrying values, which are immaterial at the respective balance sheet dates, are reasonable estimates of fair value. Not all the financial instruments listed in the table above are subject to the disclosure provisions of ASC Topic 820.

Certain assets, the most significant being operating lease assets, bank owned life insurance, and premises and equipment, do not meet the definition of a financial instrument and are excluded from this disclosure. Similarly, mortgage and nonmortgage servicing rights, deposit base, and other customer relationship intangibles are not considered financial instruments and are not included above. Accordingly, this fair value information is not intended to, and does not, represent Huntington s underlying value. Many of the assets and liabilities subject to the disclosure requirements are not actively traded, requiring fair values to be estimated by Management. These estimations necessarily involve the use of judgment about a wide variety of factors, including but not limited to, relevancy of market prices of comparable instruments, expected future cash flows, and appropriate discount rates.

The following methods and assumptions were used by Huntington to estimate the fair value of the remaining classes of financial instruments:

Held-to-maturity securities

Fair values are determined by using models that are based on security-specific details, as well as relevant industry and economic factors. The most significant of these inputs are quoted market prices, and interest rate spreads on relevant benchmark securities.

Loans and direct financing leases

Variable-rate loans that reprice frequently are based on carrying amounts, as adjusted for estimated credit losses. The fair values for other loans and leases are estimated using discounted cash flow analyses and employ interest rates currently being offered for loans and leases with similar terms. The rates take into account the position of the yield curve, as well as an adjustment for prepayment risk, operating costs, and profit. This value is also reduced by an estimate of expected losses and the credit risk associated in the loan and lease portfolio. The valuation of the loan portfolio reflected discounts that Huntington believed are consistent with transactions occurring in the marketplace.

Deposits

Demand deposits, savings accounts, and money market deposits are, by definition, equal to the amount payable on demand. The fair values of fixed-rate time deposits are estimated by discounting cash flows using interest rates currently being offered on certificates with similar maturities.

Debt

Fixed-rate, long-term debt is based upon quoted market prices, which are inclusive of Huntington s credit risk. In the absence of quoted market prices, discounted cash flows using market rates for similar debt with the same maturities are used in the determination of fair value.

14. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are recorded in the Unaudited Condensed Consolidated Balance Sheet as either an asset or a liability (in accrued income and other assets or accrued expenses and other liabilities, respectively) and measured at fair value.

Derivatives used in Asset and Liability Management Activities

A variety of derivative financial instruments, principally interest rate swaps, caps, floors, and collars are used in asset and liability management activities to protect against the risk of adverse price or interest rate movements. These instruments provide flexibility in adjusting Huntington s sensitivity to changes in interest rates without exposure to loss of principal and higher funding requirements. Huntington records derivatives at fair value, as further described in Note 13. Collateral agreements are regularly entered into as part of the underlying derivative agreements with Huntington s counterparties to mitigate counterparty credit risk. At June 30, 2012 and December 31, 2011, aggregate credit risk associated with these derivatives, net of collateral that has been pledged by the counterparty, was $9.6 million and $36.4 million, respectively. The credit risk

associated with interest rate swaps is calculated after considering master netting agreements.

Table of Contents

At June 30, 2012, Huntington pledged $203.0 million of investment securities and cash collateral to counterparties, while other counterparties pledged $157.0 million of investment securities and cash collateral to Huntington to satisfy collateral netting agreements. In the event of credit downgrades, Huntington could be required to provide $1.0 million of additional collateral.

The following table presents the gross notional values of derivatives used in Huntington s asset and liability management activities at June 30, 2012, identified by the underlying interest rate-sensitive instruments:

(dollar amounts in thousands)	Fair Value Hedges	Cash Flow Hedges	Total
Instruments associated with:			
Loans	$	$ 8,513,000	$ 8,513,000
Deposits	988,912		988,912
Subordinated notes	598,000		598,000
Other long-term debt	35,000		35,000
Total notional value at June 30, 2012	**$ 1,621,912**	**$ 8,513,000**	**$ 10,134,912**

The following table presents additional information about the interest rate swaps used in Huntington s asset and liability management activities at June 30, 2012:

		Average		Weighted-Average Rate	
(dollar amounts in thousands)	Notional Value	Maturity (years)	Fair Value	Receive	Pay
Asset conversion swaps					
Receive fixed - generic	$ 7,988,000	2.7	$ 48,422	1.11 %	0.53 %
Pay fixed forward - starting	525,000	3.0	(675)	N/A	N/A
Total asset conversion swaps	8,513,000	2.7	47,747	1.11	0.53
Liability conversion swaps					
Receive fixed - generic	1,591,912	3.1	117,024	2.53	0.53
Receive fixed - callable	30,000	8.3	107	2.98	0.19
Total liability conversion swaps	1,621,912	3.2	117,131	2.54	0.52
Total swap portfolio	**$ 10,134,912**	**2.8**	**$ 164,878**	**1.34 %**	**0.53 %**

These derivative financial instruments were entered into for the purpose of managing the interest rate risk of assets and liabilities. Consequently, net amounts receivable or payable on contracts hedging either interest earning assets or interest bearing liabilities were accrued as an adjustment to either interest income or interest expense. The net amounts resulted in an increase to net interest income of $27.7 million and $28.1 million for the three-month periods ended June 30, 2012, and 2011, respectively. For the six-month periods ended June 30, 2012 and 2011, the net amounts resulted in an increase to net interest income of $52.4 million and $62.0 million, respectively.

In connection with securitization activities, Huntington purchased interest rate caps with a notional value totaling $0.7 billion. These purchased caps were assigned to the securitization trust for the benefit of the security holders. Interest rate caps were also sold totaling $0.7 billion outside the securitization structure. Both the purchased and sold caps are marked to market through income.

In connection with the sale of Huntington s Class B Visa® shares, Huntington entered into a swap agreement with the purchaser of the shares. The swap agreement adjusts for dilution in the conversion ratio of Class B shares resulting from the Visa® litigation. At June 30, 2012, the fair value of the swap liability of $0.4 million is an estimate of the exposure liability based upon Huntington s assessment of the probability-weighted potential Visa® litigation losses and certain fixed payments required to be made through the term of the swap.

The following table presents the fair values at June 30, 2012 and December 31, 2011 of Huntington s derivatives that are designated and not designated as hedging instruments. Amounts in the table below are presented gross without the impact of any net collateral arrangements.

131

Table of Contents

Asset derivatives included in accrued income and other assets:

(dollar amounts in thousands)	**June 30, 2012**	December 31, 2011
Interest rate contracts designated as hedging instruments	**$ 164,878**	$ 175,932
Interest rate contracts not designated as hedging instruments	**331,385**	309,496
Foreign exchange contracts not designated as hedging instruments	**4,113**	4,885
Total contracts	**$ 500,376**	$ 490,313

Liability derivatives included in accrued expenses and other liabilities

(dollar amounts in thousands)	**June 30, 2012**	December 31, 2011
Interest rate contracts designated as hedging instruments	**$**	$
Interest rate contracts not designated as hedging instruments	**259,127**	252,962
Foreign exchange contracts not designated as hedging instruments	**4,016**	4,318
Total contracts	**$ 263,143**	$ 257,280

Fair value hedges are purchased to convert deposits and subordinated and other long-term debt from fixed-rate obligations to floating rate. The changes in fair value of the derivative are, to the extent that the hedging relationship is effective, recorded through earnings and offset against changes in the fair value of the hedged item.

The following table presents the change in fair value for derivatives designated as fair value hedges as well as the offsetting change in fair value on the hedged item for the three-month and six-month periods ended June 30, 2012 and 2011:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Interest rate contracts				
Change in fair value of interest rate swaps hedging deposits (1)	**$ (968)**	$ 7,185	**$ (436)**	$ 909
Change in fair value of hedged deposits (1)	**1,006**	(7,117)	**413**	(1,080)
Change in fair value of interest rate swaps hedging subordinated notes (2)	**14,516**	14,392	**5,759**	5,237
Change in fair value of hedged subordinated notes (2)	**(14,516)**	(14,392)	**(5,759)**	(5,237)
Change in fair value of interest rate swaps hedging other long-term debt (2)	**631**	969	**284**	389
Change in fair value of hedged other long-term debt (2)	**(631)**	(969)	**(284)**	(389)

(1) Effective portion of the hedging relationship is recognized in Interest expense deposits in the Unaudited Condensed Consolidated Statements of Income. Any resulting ineffective portion of the hedging relationship is recognized in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

(2) Effective portion of the hedging relationship is recognized in Interest expense subordinated notes and other long-term debt in the Unaudited Condensed Consolidated Statements of Income. Any resulting ineffective portion of the hedging relationship is recognized in noninterest income in the Unaudited Condensed Consolidated Statements of Income.

For cash flow hedges, interest rate swap contracts were entered into that pay fixed-rate interest in exchange for the receipt of variable-rate interest without the exchange of the contract s underlying notional amount, which effectively converts a portion of its floating-rate debt to a fixed-rate debt. This reduces the potentially adverse impact of increases in interest rates on future interest expense. Other LIBOR-based commercial and industrial loans as well as investment securities were effectively converted to fixed-rate by entering into contracts that swap certain variable-rate interest payments for fixed-rate interest payments at designated times.

To the extent these derivatives are effective in offsetting the variability of the hedged cash flows, changes in the derivatives fair value will not be included in current earnings but are reported as a component of OCI in the Unaudited Condensed Consolidated Statements of Shareholders Equity. These changes in fair value will be included in earnings of future periods when earnings are also affected by the changes in the hedged cash flows. To the extent these derivatives are not effective, changes in their fair values are immediately included in noninterest income.

Table of Contents

The following table presents the gains and (losses) recognized in OCI and the location in the Unaudited Condensed Consolidated Statements of Income of gains and (losses) reclassified from OCI into earnings for the three-month and six-month periods ended June 30, 2012 and 2011 for derivatives designated as effective cash flow hedges:

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (effective portion)		Location of gain or (loss) reclassified from accumulated OCI into earnings (effective portion)	Amount of (gain) or loss reclassified from accumulated OCI into earnings (effective portion)	
	Three Months Ended June 30,			**Three Months Ended June 30,**	
(dollar amounts in thousands)	**2012**	2011		**2012**	2011
Interest rate contracts					
Loans	$ 15,832	$ 21,933	Interest and fee income - loans and leases	$ 1,926	$ (8,877)
Investment Securities	(738)	468	Interest and fee income - investment securities		
FHLB Advances			Interest expense - federal home loan bank advances		
Deposits			Interest expense - deposits		
Subordinated notes			Interest expense - subordinated notes and other long-term debt	6	6
Other long term debt			Interest expense - subordinated notes and other long-term debt		
Total	**$ 15,094**	$ 22,401		**$ 1,932**	$ (8,871)

Derivatives in cash flow hedging relationships	Amount of gain or (loss) recognized in OCI on derivatives (effective portion)		Location of gain or (loss) reclassified from accumulated OCI into earnings (effective portion)	Amount of (gain) or loss reclassified from accumulated OCI into earnings (effective portion)	
	Six Months Ended June 30,			**Six Months Ended June 30,**	
(dollar amounts in thousands)	**2012**	2011		**2012**	2011
Interest rate contracts					
Loans	$ (9,995)	$ (3,210)	Interest and fee income - loans and leases	$ 26,712	$ 7,627
Investment Securities	(703)	468	Interest and fee income - investment securities		
FHLB Advances			Interest expense - federal home loan bank advances		
Deposits			Interest expense - deposits		
Subordinated notes			Interest expense - subordinated notes and other long-term debt	13	13
Other long term debt			Interest expense - subordinated notes and other long-term debt		
Total	**$ (10,698)**	$ (2,742)		**$ 26,725**	$ 7,640

During the next twelve months, Huntington expects to reclassify to earnings $42.3 million of after-tax unrealized gains on cash flow hedging derivatives currently in OCI.

The following table details the gains and (losses) recognized in noninterest income on the ineffective portion on interest rate contracts for derivatives designated as cash flow hedges for the three-month and six-month periods ended June 30, 2012 and 2011.

	Three Months Ended June 30,	**Six Months Ended June 30,**

(dollar amounts in thousands)	**2012**	2011	**2012**	2011
Derivatives in cash flow hedging relationships				
Interest rate contracts				
Loans	**$ 31**	$ (350)	**$ 45**	$ 114
FHLB Advances				

Derivatives used in trading activities

Various derivative financial instruments are offered to enable customers to meet their financing and investing objectives and for their risk management purposes. Derivative financial instruments used in trading activities consisted predominantly of interest rate swaps, but also included interest rate caps, floors, and futures, as well as foreign exchange options. Interest rate options grant the option holder the right to buy or sell an underlying financial instrument for a predetermined price before the contract expires. Interest rate futures are commitments to either purchase or sell a financial instrument at a future date for a specified price or yield and may be settled in cash or through delivery of the underlying financial instrument. Interest rate caps and floors are option-based contracts that entitle the buyer to receive cash payments based on the difference between a designated reference rate and a strike price, applied to a notional amount. Written options, primarily caps, expose Huntington to market risk but not credit risk. Purchased options contain both credit and market risk. The interest rate risk of these customer derivatives is mitigated by entering into similar derivatives having offsetting terms with other counterparties. The credit risk to these customers is evaluated and included in the calculation of fair value.

The net fair values of these derivative financial instruments, for which the gross amounts are included in accrued income and other assets or accrued expenses and other liabilities at June 30, 2012 and December 31, 2011, were $59.6 million and $53.2 million, respectively. The total notional values of derivative financial instruments used by Huntington on behalf of customers, including offsetting derivatives, were $11.7 billion and $10.6 billion at June 30, 2012 and December 31, 2011, respectively. Huntington s credit risks from interest rate swaps used for trading purposes were $331.4 million and $309.5 million at the same dates, respectively.

Table of Contents

Derivatives used in mortgage banking activities

Huntington also uses certain derivative financial instruments to offset changes in value of its MSRs. These derivatives consist primarily of forward interest rate agreements and forward mortgage securities. The derivative instruments used are not designated as hedges. Accordingly, such derivatives are recorded at fair value with changes in fair value reflected in mortgage banking income. The following table summarizes the derivative assets and liabilities used in mortgage banking activities:

(dollar amounts in thousands)	**June 30, 2012**	December 31, 2011
Derivative assets:		
Interest rate lock agreements	**$ 12,844**	$ 6,770
Forward trades and options	**180**	1
Total derivative assets	**13,024**	6,771
Derivative liabilities:		
Interest rate lock agreements	**(8)**	(109)
Forward trades and options	**(7,642)**	(7,927)
Total derivative liabilities	**(7,650)**	(8,036)
Net derivative asset (liability)	**$ 5,374**	$ (1,265)

The total notional value of these derivative financial instruments at June 30, 2012 and December 31, 2011, was $1.7 billion and $1.7 billion, respectively. The total notional amount at June 30, 2012, corresponds to trading assets with a fair value of $13.2 million. Total MSR hedging gains and (losses) for the three-month periods ended June 30, 2012 and 2011, were $19.8 million and $13.1 million, respectively and $17.6 million and $8.8 million for the six-month periods ended June 30, 2012 and 2011, respectively. Included in total MSR hedging gains and losses for the three-month periods ended June 30, 2012 and 2011 were net gains and (losses) related to derivative instruments of $19.8 million and $12.6 million, respectively, and $17.6 million and $9.0 million for the six-month periods ended June 30, 2012 and 2011, respectively. These amounts are included in mortgage banking income in the Unaudited Condensed Consolidated Statements of Income.

15. VIEs

Consolidated VIEs

Consolidated VIEs at June 30, 2012, consisted of certain loan securitization trusts. These securitizations included automobile loan and lease securitization trusts formed in 2009 and 2006. Huntington has determined the trusts are VIEs. Huntington has concluded that it is the primary beneficiary of these trusts because it has the power to direct the activities of the entity that most significantly affect the entity s economic performance and it has either the obligation to absorb losses of the entity that could potentially be significant to the VIE or the right to receive benefits from the entity that could potentially be significant to the VIE.

The following tables present the carrying amount and classification of the consolidated trusts assets and liabilities that were included in the Unaudited Condensed Consolidated Balance Sheets at June 30, 2012, and December 31, 2011:

	June 30, 2012			
(dollar amounts in thousands)	**2009 Automobile Trust**	**2006 Automobile Trust**	**Other Consolidated Trusts**	**Total**
Assets:				
Cash	**$ 15,927**	**$ 54,521**	**$**	**$ 70,448**
Loans and leases	**210,031**	**601,737**		**811,768**

Allowance for loan and lease losses		(4,754)		(4,754)
Net loans and leases	210,031	596,983		807,014
Accrued income and other assets	852	2,334	350	3,536
Total assets	$ 226,810	$ 653,838	$ 350	$ 880,998
Liabilities:				
Other long-term debt	$ 32,794	$ 225,236	$	$ 258,030
Accrued interest and other liabilities	82	56	350	488
Total liabilities	$ 32,876	$ 225,292	$ 350	$ 258,518

Table of Contents

	December 31, 2011				
(dollar amounts in thousands)	2008 Automobile Trust	2009 Automobile Trust	2006 Automobile Trust	Other Consolidated Trusts	Total
Assets:					
Cash	$ 12,722	$ 18,212	$ 52,325	$	$ 83,259
Loans and leases	131,563	296,250	704,345		1,132,158
Allowance for loan and lease losses	(1,118)		(5,987)		(7,105)
Net loans and leases	130,445	296,250	698,358		1,125,053
Accrued income and other assets	610	1,692	2,959	1,117	6,378
Total assets	$ 143,777	$ 316,154	$ 753,642	$ 1,117	$ 1,214,690
Liabilities:					
Other long-term debt	$ 18,230	$ 123,039	$ 333,644	$	$ 474,913
Accrued interest and other liabilities	40	298	88	419	845
Total liabilities	$ 18,270	$ 123,337	$ 333,732	$ 419	$ 475,758

The automobile loans and leases were designated to repay the securitized notes. Huntington services the loans and leases and uses the proceeds from principal and interest payments to pay the securitized notes during the amortization period. Huntington has not provided financial or other support that was not previously contractually required.

Unconsolidated VIEs

The following tables provide a summary of the assets and liabilities included in Huntington s Unaudited Condensed Consolidated Financial Statements, as well as the maximum exposure to losses, associated with its interests related to unconsolidated VIEs for which Huntington holds an interest, but is not the primary beneficiary, to the VIE at June 30, 2012, and December 31, 2011:

	June 30, 2012		
(dollar amounts in thousands)	**Total Assets**	**Total Liabilities**	**Maximum Exposure to Loss**
2012 Automobile Trust	**$ 16,804**	**$**	**$ 16,804**
2011 Automobile Trust	**9,933**		**9,933**
Tower Hill Securities, Inc.	**89,100**	**65,000**	**89,100**
Trust Preferred Securities	**14,889**	**464,125**	
Low Income Housing Tax Credit Partnerships	**358,017**	**130,143**	**358,017**
Total	**$ 488,743**	**$ 659,268**	**$ 473,854**

	December 31, 2011		
(dollar amounts in thousands)	Total Assets	Total Liabilities	Maximum Exposure to Loss
2011 Automobile Trust	$ 13,377	$	$ 13,377
Tower Hill Securities, Inc.	90,514	65,000	90,514
Trust Preferred Securities	17,364	554,496	
Low Income Housing Tax Credit Partnerships	376,098	157,754	376,098
Total	$ 497,353	$ 777,250	$ 479,989

Table of Contents

2012 AUTOMOBILE TRUST and 2011 AUTOMOBILE TRUST

During the 2012 first quarter and 2011 third quarter, we transferred automobile loans totaling $1.3 billion and $1.0 billion, respectively, to trusts in securitization transactions. The securitizations and the resulting sale of all underlying securities qualified for sale accounting. Huntington has concluded that it is not the primary beneficiary of these trusts because it has neither the obligation to absorb losses of the entities that could potentially be significant to the VIEs nor the right to receive benefits from the entities that could potentially be significant to the VIEs. Huntington is not required and does not currently intend to provide any additional financial support to the trusts. Investors and creditors only have recourse to the assets held by the trusts. The interest Huntington holds in the VIEs relates to servicing rights which are included within accrued income and other assets of Huntington s Unaudited Condensed Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the servicing asset.

TOWER HILL SECURITIES, INC.

In 2010, we transferred approximately $92.1 million of municipal securities, $86.0 million in Huntington Preferred Capital, Inc. (Real Estate Investment Trust) Class E Preferred Stock and cash of $6.1 million to Tower Hill Securities, Inc. in exchange for $184.1 million of Common and Preferred Stock of Tower Hill Securities, Inc. The municipal securities and the REIT Shares will be used to satisfy $65.0 million of mandatorily redeemable securities issued by Tower Hill Securities, Inc. and are not available to satisfy the general debts and obligations of Huntington or any consolidated affiliates. The transfer was recorded as a secured financing. Interests held by Huntington consist of municipal securities within available for sale and other securities and Series B preferred securities within other long term debt of Huntington s Unaudited Condensed Consolidated Balance Sheets. The maximum exposure to loss is equal to the carrying value of the municipal securities.

TRUST PREFERRED SECURITIES

Huntington has certain wholly-owned trusts whose assets, liabilities, equity, income, and expenses are not included within Huntington s Unaudited Condensed Consolidated Financial Statements. These trusts have been formed for the sole purpose of issuing trust-preferred securities, from which the proceeds are then invested in Huntington junior subordinated debentures, which are reflected in Huntington s Unaudited Condensed Consolidated Balance Sheet as subordinated notes. The trust securities are the obligations of the trusts, and as such, are not consolidated within Huntington s Unaudited Condensed Consolidated Financial Statements. A list of trust preferred securities outstanding at June 30, 2012, follows:

(dollar amounts in thousands)	Rate	Principal amount of subordinated note/ debenture issued to trust (1)	Investment in unconsolidated subsidiary
Huntington Capital I	1.45 % (2)	$ 111,816	$ 6,186
Huntington Capital II	1.09 (3)	54,593	3,093
Huntington Capital III	6.85	114,116	10
Sky Financial Capital Trust II	3.42 (4)	30,929	929
Sky Financial Capital Trust III	1.87 (5)	72,165	2,165
Sky Financial Capital Trust IV	1.87 (5)	74,320	2,320
Prospect Trust I	3.72 (6)	6,186	186
Total		$ 464,125	$ 14,889

(1) Represents the principal amount of debentures issued to each trust, including unamortized original issue discount
(2) Variable effective rate at June 30, 2012, based on three month LIBOR + 0.70
(3) Variable effective rate at June 30, 2012, based on three month LIBOR + 0.625.
(4) Variable effective rate at June 30, 2012, based on three month LIBOR + 2.95.
(5) Variable effective rate at June 30, 2012, based on three month LIBOR + 1.40.
(6) Variable effective rate at June 30, 2012, based on three month LIBOR + 3.25.

Each issue of the junior subordinated debentures has an interest rate equal to the corresponding trust securities distribution rate. Huntington has the right to defer payment of interest on the debentures at any time, or from time-to-time for a period not exceeding five years, provided that no

extension period may extend beyond the stated maturity of the related debentures. During any such extension period, distributions to the trust securities will also be deferred and Huntington s ability to pay dividends on its common stock will be restricted. Periodic cash payments and payments upon liquidation or redemption with respect to trust securities are guaranteed by Huntington to the extent of funds held by the trusts. The guarantee ranks subordinate and junior in right of payment to all indebtedness of the Company to the same extent as the junior subordinated debt. The guarantee does not place a limitation on the amount of additional indebtedness that may be incurred by Huntington.

During the 2012 second quarter, Huntington redeemed $80.0 million of trust preferred securities. The trust preferred securities were redeemed at the redemption price (as a percentage of the liquidation amount) plus accrued and unpaid distributions to the redemption date. These redemptions were consistent with the capital plan we submitted to the Federal Reserve, will be funded from our existing cash and resulted in a gain of $1.7 million.

LOW INCOME HOUSING TAX CREDIT PARTNERSHIPS

Huntington makes certain equity investments in various limited partnerships that sponsor affordable housing projects utilizing the Low Income Housing Tax Credit (LIHTC) pursuant to Section 42 of the Internal Revenue Code. The purpose of these investments is to achieve a satisfactory return on capital, to facilitate the sale of additional affordable housing product offerings, and to assist in achieving goals associated with the Community Reinvestment Act. The primary activities of the limited partnerships include the identification, development, and operation of multi family housing that is leased to qualifying residential tenants. Generally, these types of investments are funded through a combination of debt and equity.

Huntington is a limited partner in each Low Income Housing Tax Credit Partnership. A separate unrelated third party is the general partner. Each limited partnership is managed by the general partner, who exercises full and exclusive control over the affairs of the limited partnership. The general partner has all the rights, powers and authority granted or permitted to be granted to a general partner of a limited partnership under the Ohio Revised Uniform Limited Partnership Act. Duties entrusted to the general partner of each limited partnership include, but are not limited to: investment in operating companies, company expenditures, investment of excess funds, borrowing funds, employment of agents, disposition of fund property, prepayment and refinancing of liabilities, votes and consents, contract authority, disbursement of funds, accounting methods, tax elections, bank accounts, insurance, litigation, cash reserve, and use of working capital reserve funds. Except for limited rights granted to consent to certain transactions, the limited partner(s) may not participate in the operation, management, or control of the limited partnership s business, transact any business in the limited partnership s name or have any power to sign documents for or otherwise bind the limited partnership. In addition, the general partner may only be removed by the limited partner(s) in the event the general partner fails to comply with the terms of the agreement and/or is negligent in performing its duties.

Huntington believes the general partner of each limited partnership has the power to direct the activities which most significantly affect the performance of each partnership, therefore, Huntington has determined that it is not the primary beneficiary of any LIHTC partnership. Huntington uses the equity or effective yield method to account for its investments in these entities. These investments are included in accrued income and other assets. At June 30, 2012, and December 31, 2011, Huntington had net investment commitments of $358.0 million and $376.1 million, respectively, of which $345.8 million and $322.5 million, respectively, were funded. The unfunded portion is included in accrued expenses and other liabilities.

16. COMMITMENTS AND CONTINGENT LIABILITIES

Commitments to extend credit

In the ordinary course of business, Huntington makes various commitments to extend credit that are not reflected in the Unaudited Condensed Consolidated Financial Statements. The contractual amounts of these financial agreements at June 30, 2012, and December 31, 2011, were as follows:

(dollar amounts in millions)	**June 30, 2012**	December 31, 2011
Contract amount represents credit risk:		
Commitments to extend credit		
Commercial	**$ 8,762**	$ 8,006
Consumer	**6,119**	5,904
Commercial real estate	**551**	610
Standby letters-of-credit	**531**	586

Commitments to extend credit generally have fixed expiration dates, are variable-rate, and contain clauses that permit Huntington to terminate or otherwise renegotiate the contracts in the event of a significant deterioration in the customer s credit quality. These arrangements normally require the payment of a fee by the customer, the pricing of which is based on prevailing market conditions, credit quality, probability of funding, and other relevant factors. Since many of these commitments are expected to expire without being drawn upon, the contract amounts are not necessarily indicative of future cash requirements. The interest rate risk arising from these financial instruments is insignificant as a result of their predominantly short-term, variable-rate nature.

Standby letters-of-credit are conditional commitments issued to guarantee the performance of a customer to a third party. These guarantees are primarily issued to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. Most of these arrangements mature within two years. The carrying amount of deferred revenue associated with these guarantees was $1.4

million and $1.6 million at June 30, 2012, and December 31, 2011, respectively.

Through the Company s credit process, Huntington monitors the credit risks of outstanding standby letters-of-credit. When it is probable that a standby letter-of-credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At June 30, 2012, Huntington had $531 million of standby letters-of-credit outstanding, of which 82% were collateralized. Included in this $531 million total are letters-of-credit issued by the Bank that support securities that were issued by customers and remarketed by The Huntington Investment Company, the Company s broker-dealer subsidiary.

137

Huntington uses an internal grading system to assess an estimate of loss on its loan and lease portfolio. This same loan grading system is used to monitor credit risk associated with standby letters-of-credit. Under this grading system as of June 30, 2012, approximately $69 million of the standby letters-of-credit were rated strong with sufficient asset quality, liquidity, and good debt capacity and coverage; approximately $407 million were rated average with acceptable asset quality, liquidity, and modest debt capacity; and approximately $55 million were rated substandard with negative financial trends, structural weaknesses, operating difficulties, and higher leverage.

Commercial letters-of-credit represent short-term, self-liquidating instruments that facilitate customer trade transactions and generally have maturities of no longer than 90 days. The goods or cargo being traded normally secures these instruments.

Commitments to sell loans

Huntington enters into forward contracts relating to its mortgage banking business to hedge the exposures from commitments to make new residential mortgage loans with existing customers and from mortgage loans classified as loans held for sale. At June 30, 2012, and December 31, 2011, Huntington had commitments to sell residential real estate loans of $938.9 million and $629.0 million, respectively. These contracts mature in less than one year.

Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal jurisdiction and various state, city, and foreign jurisdictions. Federal income tax audits have been completed through 2007. The Company has appealed certain proposed adjustments resulting from the IRS examination of the 2006 and 2007 tax returns. Management believes the tax positions taken related to such proposed adjustments were correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. In 2011, Management entered into discussions with the Appeals Division of the IRS. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. However, although no assurance can be given, Management believes the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. In the 2011 third quarter, the IRS began its examination of our 2008 and 2009 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination for tax years 2005 and forward.

Huntington accounts for uncertainties in income taxes in accordance with ASC 740, Income Taxes. At June 30, 2012, Huntington had gross unrecognized tax benefits of $11.9 million in income tax liability related to tax positions. Total interest accrued on the unrecognized tax benefits was $2.6 million as of June 30, 2012. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. However, any ultimate settlement is not expected to be material to the Unaudited Condensed Consolidated Financial Statements as a whole. Huntington recognizes interest and penalties on income tax assessments or income tax refunds in the financial statements as a component of its provision for income taxes. Huntington does not anticipate the total amount of gross unrecognized tax benefits to significantly change within the next 12 months.

Litigation

The nature of Huntington s business ordinarily results in a certain amount of claims, litigation, investigations, and legal and administrative cases and proceedings, all of which are considered incidental to the normal conduct of business. When the Company determines it has meritorious defenses to the claims asserted, it vigorously defends itself. The Company will consider settlement of cases when, in Management s judgment, it is in the best interests of both the Company and its shareholders to do so.

On at least a quarterly basis, Huntington assesses its liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For matters where it is probable the Company will incur a loss and the amount can be reasonably estimated, Huntington establishes an accrual for the loss. Once established, the accrual is adjusted as appropriate to reflect any relevant developments. For matters where a loss is not probable or the amount of the loss cannot be estimated, no accrual is established.

In certain cases, exposure to loss exists in excess of the accrual to the extent such loss is reasonably possible, but not probable. Management believes an estimate of the aggregate range of reasonably possible losses, in excess of amounts accrued, for current legal proceedings is from $0 to approximately $150.0 million at June 30, 2012. For certain other cases, Management cannot reasonably estimate the possible loss at this time. Any estimate involves significant judgment, given the varying stages of the proceedings (including the fact that many of them are currently in preliminary stages), the existence of multiple defendants in several of the current proceedings whose share of liability has yet to be determined, the numerous unresolved issues in many of the proceedings, and the inherent uncertainty of the various potential outcomes of such proceedings. Accordingly, Management s estimate will change from time-to-time, and actual losses may be more or less than the current estimate.

While the final outcome of legal proceedings is inherently uncertain, based on information currently available, advice of counsel, and available insurance coverage, Management believes that the amount it has already accrued is adequate and any incremental liability arising from the Company s legal proceedings will not have a material negative adverse effect on the Company s consolidated financial position as a whole. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Company s consolidated financial position in a particular period.

The following supplements the discussion of certain matters previously reported in Item 3 (Legal Proceedings) of the 2011 Form 10-K for events occurring through the date of this filing:

The Bank is a defendant in three lawsuits, which collectively may be material, arising from its commercial lending, depository, and equipment leasing relationships with Cyberco Holdings, Inc. (Cyberco), formerly based in Grand Rapids, Michigan. In November 2004, the Federal Bureau of Investigation and the IRS raided the Cyberco facilities and Cyberco s operations ceased. An equipment leasing fraud was uncovered, whereby Cyberco sought financing from equipment lessors and financial institutions, including the Bank, allegedly to purchase computer equipment from Teleservices Group, Inc. (Teleservices). Cyberco created fraudulent documentation to close the financing transactions while, in fact, no computer equipment was ever purchased or leased from Teleservices which proved to be a shell corporation.

On June 22, 2007, a complaint was filed in the United States District Court for the Western District of Michigan (District Court) by El Camino Resources, Ltd, ePlus Group, Inc., and Bank Midwest, N.A., all of whom had lending relationships with Cyberco, against the Bank, alleging that Cyberco defrauded plaintiffs and converted plaintiffs property through various means in connection with the equipment leasing scheme and alleges that the Bank aided and abetted Cyberco in committing the alleged fraud and conversion. The complaint further alleges that the Bank s actions entitle one of the plaintiffs to recover $1.9 million from the Bank as a form of unjust enrichment. In addition, plaintiffs claimed direct damages of approximately $32.0 million and additional consequential damages in excess of $20.0 million. On July 1, 2010, the District Court issued an Opinion and Order adopting in full a federal magistrate s recommendation for summary judgment in favor of the Bank on all claims except the unjust enrichment claim, and a partial summary judgment was entered on July 1, 2010. The Bank requested an opportunity to file a motion for summary judgment on the remaining unjust enrichment claim against it. A motion for reconsideration filed by the plaintiffs regarding the partial summary judgment was denied. Subsequently, in connection with a pre-motion conference, the District Court, in lieu of allowing the Bank to file a summary judgment motion, ordered the case to be tried in April 2012, in a one day bench trial, and entered a scheduling order governing all pretrial conduct. On February 6, 2012, the District Court dismissed the remaining count for unjust enrichment following a finding by the bankruptcy court that the plaintiff must pursue its rights, if any, with respect to that count in a bankruptcy court. The plaintiffs filed a notice of appeal on March 2, 2012, appealing the District Court s judgment against them on the aiding and abetting and conversion claims. The plaintiffs appellants brief was filed in the Sixth Circuit Court of Appeals on May 17, 2012, and the Bank s appellee s brief was filed on July 16, 2012.

The Bank is also involved with the Chapter 7 bankruptcy proceedings of both Cyberco, filed on December 9, 2004, and Teleservices, filed on January 21, 2005. The Cyberco bankruptcy trustee commenced an adversary proceeding against the Bank on December 8, 2006, seeking over $70.0 million he alleges was transferred to the Bank. The Bank responded with a motion to dismiss and all but the preference claims were dismissed on January 29, 2008. The Cyberco bankruptcy trustee alleges preferential transfers in the amount of approximately $1.2 million. The Bankruptcy Court ordered the case to be tried in July 2012, and entered a pretrial order governing all pretrial conduct. The Bank filed a motion for summary judgment based on the Cyberco trustee seeking recovery in connection with the same alleged transfers as the Teleservices trustee in the case described below. The Court granted the motion in principal part and the parties stipulated to a full dismissal which was entered on June 19, 2012.

The Teleservices bankruptcy trustee filed an adversary proceeding against the Bank on January 19, 2007, seeking to avoid and recover alleged transfers that occurred in two ways: (1) checks made payable to the Bank to be applied to Cyberco s indebtedness to the Bank, and (2) deposits into Cyberco s bank accounts with the Bank. A trial was held as to only the Bank s defenses in the 2010 fourth quarter. Subsequently, the trustee filed a summary judgment motion on her affirmative case, alleging the fraudulent transfers to the Bank totaled approximately $73.0 million and seeking judgment in that amount (which includes the $1.2 million alleged to be preferential transfers by the Cyberco bankruptcy trustee). On March 17, 2011, the Bankruptcy Court issued an Opinion determining the alleged transfers made to the Bank were not received in good faith from the time period of April 30, 2004, through November 2004, and that the Bank failed to show a lack of knowledge of the avoidability of the alleged transfers from September 2003, through April 30, 2004. The trustee then filed an amended motion for summary judgment on her affirmative case and a hearing was held on July 1, 2011.

On March 30, 2012, the Bankruptcy Court issued an Opinion on the trustee s motion determining the Bank was the initial transferee of the checks made payable to it and was a subsequent transferee of all deposits into Cyberco s accounts. The Bankruptcy Court ruled Cyberco s deposits were themselves transfers to the Bank under the Bankruptcy Code, and the Bank was liable for both the checks and the deposits, totaling approximately $73.0 million. The Bankruptcy Court ruled the Bank may be entitled to a credit of approximately $4.0 million for the Cyberco trustee s recoveries in preference actions filed against third parties that received payments from Cyberco within 90 days preceding Cyberco s bankruptcy. Lastly, the Bankruptcy Court ruled that it will award prejudgment interest to the Teleservices trustee at a rate to be determined. A trial was held on these remaining issued on April 30, 2012, and the Bankruptcy Court issued a bench opinion on July 23, 2012. In that opinion, the Bankruptcy Court denied the Bank the $4.0 million credit, but ruled that approximately $0.9 million of deposits were either double-counted or were outside of the timeframe in which the Teleservices trustee can recover. The Bankruptcy Court s recommended award will therefore be reduced by this $0.9 million. The Bankruptcy Court also ruled the interest rate specified in the federal statute governing post-judgment interest, which is based on treasury bill rates, will be the rate of interest for determining prejudgment interest. The rulings of the Bankruptcy Court in its March 2011 and March 2012 opinions, as well as its July 23, 2012, bench opinion, will not be reduced to judgment by the Bankruptcy Court. Rather, the Bankruptcy Court will deliver a report and recommendation to the District Court for the Western District of Michigan. The District Court will subsequently conduct a *de novo* review of the fact findings and legal conclusions in the Bankruptcy Court s opinions and issue its decision thereafter.

In the pending bankruptcy cases of Cyberco and Teleservices, the Bank moved to substantively consolidate the two bankruptcy estates, principally on the ground that Teleservices was the alter ego and a mere instrumentality of Cyberco at all times. On July 2, 2010, the Bankruptcy Court issued an Opinion denying the Bank s motions for substantive consolidation of the two bankruptcy estates. The Bank has appealed this ruling and the appeal is pending.

On January 17, 2012, the Company was named a defendant in a putative class action filed on behalf of all 88 counties in Ohio against MERSCORP, Inc. and numerous other financial institutions that participate in the mortgage electronic registration system (MERS). The complaint alleges that recording of mortgages and assignments thereof is mandatory under Ohio law and seeks a declaratory judgment that the defendants are required to record every mortgage and assignment on real property located in Ohio and pay the attendant statutory recording fees. The complaint also seeks damages, attorneys fees and costs. Although Huntington has not been named as a defendant in the other cases, similar litigation has been initiated against MERSCORP, Inc. and other financial institutions in other jurisdictions throughout the country.

17. PARENT COMPANY FINANCIAL STATEMENTS

The parent company condensed financial statements, which include transactions with subsidiaries, are as follows.

Balance Sheets *(dollar amounts in thousands)*	**June 30, 2012**	December 31, 2011
Assets		
Cash and cash equivalents (1)	**$ 983,005**	$ 917,954
Due from The Huntington National Bank	**408,955**	616,565
Due from non-bank subsidiaries	**187,556**	188,732
Investment in The Huntington National Bank	**4,412,411**	4,073,722
Investment in non-bank subsidiaries	**785,411**	759,532
Accrued interest receivable and other assets	**118,273**	139,076
Total assets	**$ 6,895,611**	$ 6,695,581
Liabilities and Shareholders Equity		
Short-term borrowings	**$**	$
Long-term borrowings	**814,304**	899,779
Dividends payable, accrued expenses, and other liabilities	**432,076**	377,702
Total liabilities	**1,246,380**	1,277,481
Shareholders equity (2)	**5,649,231**	5,418,100
Total liabilities and shareholders equity	**$ 6,895,611**	$ 6,695,581

(1) Includes restricted cash of $125,000.
(2) See Huntington s Condensed Consolidated Statements of Changes in Shareholders Equity.

Statements of Income *(dollar amounts in thousands)*	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2012	2011	**2012**	2011
Income				
Dividends from				
The Huntington National Bank	**$**	$	**$**	$
Non-bank subsidiaries		25,000	**8,450**	31,000
Interest from				
The Huntington National Bank	**10,703**	20,211	**23,589**	40,396
Non-bank subsidiaries	**1,592**	2,259	**3,225**	4,955
Other	**404**	439	**817**	1,040
Total income	**12,699**	47,909	**36,081**	77,391
Expense				
Personnel costs	**10,488**	9,575	**20,201**	14,330
Interest on borrowings	**8,294**	8,728	**17,473**	17,422
Other	**7,269**	10,465	**14,848**	20,030
Total expense	**26,051**	28,768	**52,522**	51,782
Income (loss) before income taxes and equity in undistributed net income of subsidiaries	**(13,352)**	19,141	**(16,441)**	25,609
Provision (benefit) for income taxes	**(148)**	(3,051)	**(11,240)**	(1,015)
Income (loss) before equity in undistributed net income of subsidiaries	**(13,204)**	22,192	**(5,201)**	26,624
Increase (decrease) in undistributed net income of:				
The Huntington National Bank	**158,536**	140,784	**300,960**	258,900
Non-bank subsidiaries	**7,374**	(17,058)	**10,217**	(13,160)
Net income	**$ 152,706**	$ 145,918	**$ 305,976**	$ 272,364
Other comprehensive income (loss) (1)	**21,839**	81,378	**37,786**	74,953
Comprehensive income	**$ 174,545**	$ 227,296	**$ 343,762**	$ 347,317

(1) See Condensed Consolidated Statements of Comprehensive Income for other comprehensive income (loss) detail.

Table of Contents

Statements of Cash Flows *(dollar amounts in thousands)*	**Six Months Ended June 30,** **2012**	 2011
Operating activities		
Net income	**$ 305,976**	$ 272,364
Adjustments to reconcile net income to net cash provided by operating activities		
Equity in undistributed net income of subsidiaries	**(327,875)**	(284,538)
Depreciation and amortization	**129**	369
Other, net	**83,764**	87,922
Net cash provided by (used for) operating activities	**61,994**	76,117
Investing activities		
Repayments from subsidiaries	**233,648**	63,198
Advances to subsidiaries	**(20,103)**	(23,535)
Net cash provided by (used for) investing activities	**213,545**	39,663
Financing activities		
Payment of borrowings	**(85,475)**	(5,000)
Dividends paid on stock	**(84,869)**	(32,651)
Repurchases of common stock	**(40,230)**	
Redemption of Warrant to the Treasury		(49,100)
Other, net	**86**	(13)
Net cash provided by (used for) financing activities	**(210,488)**	(86,764)
Change in cash and cash equivalents	**65,051**	29,016
Cash and cash equivalents at beginning of period	**917,954**	615,167
Cash and cash equivalents at end of period	**$ 983,005**	$ 644,183
Supplemental disclosure:		
Interest paid	**$ 17,473**	$ 17,422

18. SEGMENT REPORTING

We have four major business segments: Retail and Business Banking, Regional and Commercial Banking, Automobile Finance and Commercial Real Estate, and Wealth Advisors, Government Finance, and Home Lending. A Treasury / Other function includes our insurance business and other unallocated assets, liabilities, revenue, and expense.

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

Retail and Business Banking: The Retail and Business Banking 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. Huntington serves customers primarily through our traditional banking network of over 680 branches as well as our convenience branches located in grocery stores in Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. In addition to our extensive branch network, customers can access Huntington through online banking, mobile banking, telephone banking, and over 1,300 ATMs.

Huntington has established a Fair Play banking philosophy and is building a reputation for meeting the banking needs of consumers in a manner which makes them feel supported and appreciated. In 2010, Huntington brought innovation to the checking account by providing consumers

with a 24-hour grace period to correct a shortfall in an account and avoid the associated overdraft fees. Huntington believes 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 Huntington s 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 less than $15 million and consists of approximately 130,000 businesses. Huntington continues to develop products and services that are designed specifically to meet the needs of small business. Huntington continues to look for ways to help companies find solutions to their capital needs, from our program helping businesses that had struggled in the economic downturn but are now showing several quarters of profitability, to our participation in the Small Business Administration programs.

Regional and Commercial Banking: This segment provides a wide array of products and services to the middle market and large corporate client base located primarily within our core geographic banking markets. Huntington products in this segment include commercial lending, as well as depository and liquidity management products. Dedicated teams collaborate with our primary 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 government entities, not-for-profit organizations, health-care entities, and large, publicly traded companies. Commercial bankers personally deliver these products and services directly and with cross-segment product partners. Huntington consistently strives to develop extensive relationships with clients creating defined relationship plans which identify needs and offer solutions.

The primary focus for Regional and Commercial Banking is our ability to gain a deeper relationship with our existing customers and to increase our market share through our unique customer solution strategy. This includes a comprehensive cross-sell approach to capture the untapped opportunities within our customer and prospect community. This strategy embodies a shift from credit-only focus, to a total customer solution approach with an increasing share-of-wallet.

The Regional and Commercial Banking business model includes eleven regional markets driven by local execution. These markets are supported by expertise in large corporate and middle market segments, by capabilities in treasury management and equipment finance, and by vertical strategies within the healthcare and not-for-profit industries.

The commercial portfolio includes a distribution across industries and segments which resembles the market demographics of our footprint. A strategic focus of Regional and Commercial Banking is to target underpenetrated markets within our footprint and capitalize on opportunities in industries such as not-for-profit and healthcare.

In addition, Regional and Commercial Banking expanded the leadership, investment, and capabilities for treasury management and equipment finance. With our investments in treasury management, Huntington differentiated itself through our implementation experience and the speed at which products and services are delivered to our customers. In equipment finance, Huntington distinguished itself through aggressive business development and local service delivery and by strategically aligning with our bank partners to drive market share.

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 of automotive dealerships; financing for the purchase of new and used vehicle inventory by 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 our cross segment 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 professional real estate developers, REITs, and other customers with lending needs that are secured by commercial properties. Huntington has a clear focus on experienced, well-managed, well-capitalized top tier real estate developers who are capable of operating in all economic phases of the real estate industry. 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 former private bankers, trust officers, and investment advisors; Huntington Asset Advisors, which provides investment management services; Huntington Asset Services, which offers administrative and operational support to fund complexes; and retirement plan services. 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 public finance, brokerage, 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, and 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 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.

Listed below is certain operating basis financial information reconciled to Huntington s June 30, 2012, December 31, 2011, and June 30, 2011, reported results by business segment:

Table of Contents

Income Statements *(dollar amounts in thousands)*	Three Months Ended June 30, Retail & Business Banking	Regional & Commercial Banking	AFCRE	WGH	Treasury/ Other	Huntington Consolidated
2012						
Net interest income	**$ 221,645**	**67,919**	**86,862**	**48,386**	**4,150**	**$ 428,962**
Provision for credit losses	**16,047**	**24,329**	**(4,828)**	**972**		**36,520**
Noninterest income	**97,739**	**35,433**	**10,299**	**80,593**	**29,755**	**253,819**
Noninterest expense	**240,385**	**51,681**	**38,526**	**94,022**	**19,655**	**444,269**
Income taxes	**22,033**	**9,570**	**22,212**	**11,895**	**(16,424)**	**49,286**
Operating/reported net income	**$ 40,919**	**$ 17,772**	**$ 41,251**	**$ 22,090**	**$ 30,674**	**$ 152,706**
2011						
Net interest income	$ 237,208	60,029	89,281	47,175	(30,356)	$ 403,337
Provision for credit losses	34,664	1,458	(14,855)	14,530		35,797
Noninterest income	106,414	31,389	16,146	66,794	35,024	255,767
Noninterest expense	236,638	48,488	42,177	87,146	13,960	428,409
Income taxes	25,312	14,515	27,337	4,303	(22,487)	48,980
Operating/reported net income	$ 47,008	$ 26,957	$ 50,768	$ 7,990	$ 13,195	$ 145,918

Income Statements *(dollar amounts in thousands)*	Six Months Ended June 30, Retail & Business Banking	Regional & Commercial Banking	AFCRE	WGH	Treasury/ Other	Huntington Consolidated
2012						
Net interest income	**$ 442,946**	**132,121**	**177,192**	**95,215**	**(1,303)**	**$ 846,171**
Provision for credit losses	**64,886**	**37,609**	**(47,082)**	**15,513**		**70,926**
Noninterest income	**186,995**	**67,357**	**45,018**	**168,231**	**71,538**	**539,139**
Noninterest expense	**475,246**	**97,538**	**77,365**	**184,939**	**71,857**	**906,945**
Income taxes	**31,433**	**22,516**	**67,174**	**22,048**	**(41,708)**	**101,463**
Operating/reported net income	**$ 58,376**	**$ 41,815**	**$ 124,753**	**$ 40,946**	**$ 40,086**	**$ 305,976**
2011						
Net interest income	$ 473,053	117,467	177,130	96,233	(56,216)	$ 807,667
Provision for credit losses	58,358	7,427	(10,071)	29,468		85,182
Noninterest income	200,842	60,627	29,525	132,878	68,840	492,712
Noninterest expense	458,746	92,416	85,304	172,745	49,897	859,108
Income taxes	54,877	27,388	45,997	9,414	(53,951)	83,725
Operating/reported net income	$ 101,914	$ 50,863	$ 85,425	$ 17,484	$ 16,678	$ 272,364

(dollar amounts in millions)	Assets at June 30, 2012	Assets at December 31, 2011	Deposits at June 30, 2012	Deposits at December 31, 2011
Retail & Business Banking	**$ 14,336**	$ 13,889	**$ 28,348**	$ 27,536
Regional & Commercial Banking	**11,252**	10,186	**5,333**	4,683
AFCRE	**12,759**	12,873	**907**	881
WGH	**7,760**	7,474	**9,782**	9,115
Treasury / Other	**10,516**	10,029	**1,706**	1,065
Total	**$ 56,623**	$ 54,451	**$ 46,076**	$ 43,280

Table of Contents

19. BUSINESS COMBINATIONS

On March 30, 2012, Huntington acquired the loans, deposits and certain other assets and liabilities of Fidelity Bank located in Dearborn, Michigan from the FDIC. Under the agreement, approximately $520.6 million of loans, a receivable of $95.9 million from the FDIC, and $155.0 million of other assets (primarily cash and due from banks and investment securities) were transferred to Huntington. Assets acquired and liabilities assumed were recorded at fair value in accordance with ASC 805, Business Combinations . The fair values for loans were estimated using discounted cash flow analyses using interest rates currently being offered for loans with similar terms (Level 3). This value was reduced by an estimate of probable losses and the credit risk associated with the loans. The fair values of deposits were estimated by discounting cash flows using interest rates currently being offered on deposits with similar maturities (Level 3). Additionally, approximately $712.5 million of deposits and $45.2 million of other borrowings were assumed. Huntington recognized an $11.4 million bargain purchase gain during the 2012 first quarter, which is included in other noninterest income.

Table of Contents

Item 3: Quantitative and Qualitative Disclosures about Market Risk

Quantitative and qualitative disclosures for the current period can be found in the Market Risk section of this report, which includes changes in market risk exposures from disclosures presented in Huntington s 2011 Form 10-K.

Item 4: Controls and Procedures

Disclosure Controls and Procedures

Huntington maintains disclosure controls and procedures designed to ensure that the information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934, as amended, are recorded, processed, summarized, and reported within the time periods specified in the SEC s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Huntington s Management, with the participation of its Chief Executive Officer and the Chief Financial Officer, evaluated the effectiveness of Huntington s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon such evaluation, Huntington s Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of such period, Huntington s disclosure controls and procedures were effective.

There have not been any significant changes in Huntington s internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, Huntington s internal controls over financial reporting.

PART II. OTHER INFORMATION

In accordance with the instructions to Part II, the other specified items in this part have been omitted because they are not applicable or the information has been previously reported.

Item 1: Legal Proceedings

Information required by this item is set forth in Note 16 of the Notes to Unaudited Condensed Consolidated Financial Statements included in Item 1 of this report and incorporated herein by reference.

Item 1A: Risk Factors

Information required by this item is set forth in Part 1 Item 2- Management s Discussion and Analysis of Financial Condition and Results of Operations of this report and incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(a) and (b)

Not Applicable

(c)

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)

April 1, 2012 to April 30, 2012	3,530,802	$	6.51	3,530,802	$	159,014,479
May 1, 2012 to May 31, 2012	2,587,915		5.95	6,118,717		156,426,564
June 1, 2012 to June 30, 2012	307,300		6.00	6,426,017		156,119,264
Total	6,426,017	$	6.26	6,426,017	$	156,119,264

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

Table of Contents

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 of this year. 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 second quarter, Huntington repurchased a total of 6.4 million shares at a weighted average share price of $6.26.

Item 6. Exhibits

Exhibit Index

This report incorporates by reference the documents listed below that we have previously filed with the SEC. The SEC allows us to incorporate by reference information in this document. The information incorporated by reference is considered to be a part of this document, except for any information that is superseded by information that is included directly in this document.

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. 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 Quarterly Report on Form 10-Q, 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.

Exhibit Number	Document Description	Report or Registration Statement	SEC File or Registration Number	Exhibit Reference
3.1	Articles of Restatement of Charter.	Annual Report on Form 10-K for the year ended December 31, 1993.	000-02525	3(i)
3.2	Articles of Amendment to Articles of Restatement of Charter.	Current Report on Form 8-K dated May 31, 2007	000-02525	3.1
3.3	Articles of Amendment to Articles of Restatement of Charter.	Current Report on Form 8-K dated May 7, 2008	000-02525	3.1
3.4	Articles of Amendment to Articles of Restatement of Charter.	Current Report on Form 8-K dated April 27, 2010	001-34073	3.1
3.5	Articles Supplementary of Huntington Bancshares Incorporated, as of April 22, 2008.	Current Report on Form 8-K dated April 22, 2008	000-02525	3.1
3.6	Articles Supplementary of Huntington Bancshares Incorporated, as of April 22. 2008.	Current Report on Form 8-K dated April 22, 2008	000-02525	3.2
3.7	Articles Supplementary of Huntington Bancshares Incorporated, as of November 12, 2008.	Current Report on Form 8-K dated November 12, 2008	001-34073	3.1

3.8	Articles Supplementary of Huntington Bancshares Incorporated, as of December 31, 2006.	Annual Report on Form 10-K for the year ended December 31, 2006	000-02525	3.4
3.9	Articles Supplementary of Huntington Bancshares Incorporated, as of December 28, 2011.	Current Report on Form 8-K dated December 28, 2011.	001-34073	3.1
3.10	Bylaws of Huntington Bancshares Incorporated, as amended and restated, as of July 18, 2012.	Current Report on Form 8-K dated July 24, 2012.	001-34073	3.1
4.1	Instruments defining the Rights of Security Holders -- reference is made to Articles Fifth, Eighth, and Tenth of Articles of Restatement of Charter, as amended and supplemented. Instruments defining the rights of holders of long-term debt will be furnished to the Securities and Exchange Commission upon request.			
10.1*	Huntington Bancshares Incorporated 2012 Long-Term Incentive Plan.	Definitive Proxy Statement for the 2012 Annual Meeting of Shareholders.	001-34073	A
10.2*	Form of Consolidated 2012 Stock Grant Agreement for Executive Officers Pursuant to Huntington s 2012 Long-Term Incentive Plan.			
12.1	Ratio of Earnings to Fixed Charges.			
12.2	Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.			

Table of Contents

31.1	Rule 13a-14(a) Certification Chief Executive Officer.
31.2	Rule 13a-14(a) Certification Chief Financial Officer.
32.1	Section 1350 Certification Chief Executive Officer.
32.2	Section 1350 Certification Chief Financial Officer.
101 **	The following material from Huntington s Form 10-Q Report for the quarterly period ended June 30, 2012, formatted in XBRL: (1) Unaudited Condensed Consolidated Balance Sheets, (2) Unaudited Condensed Consolidated Statements of Income, (3) Unaudited Condensed Consolidated Statements of Comprehensive Income (4) Unaudited Condensed Consolidated Statement of Changes in Shareholders Equity, (5) Unaudited Condensed Consolidated Statements of Cash Flows, and (6) the Notes to Unaudited Condensed Consolidated Financial Statements.

* Denotes management contract or compensatory plan or arrangement.

** Furnished, not filed.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	Huntington Bancshares Incorporated
	(Registrant)
Date: July 30, 2012	/s/ Stephen D. Steinour Stephen D. Steinour Chairman, Chief Executive Officer and President
Date: July 30, 2012	/s/ Donald R. Kimble Donald R. Kimble Sr. Executive Vice President and Chief Financial Officer