HUNTINGTON BANCSHARES INC/MD
Form 10-Q
April 29, 2013
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

QUARTERLY PERIOD ENDED March 31, 2013

Commission File Number 1-34073

Huntington Bancshares Incorporated

Maryland	**31-0724920**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**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 838,757,987 shares of Registrant s common stock ($0.01 par value) outstanding on March 31, 2013.

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HUNTINGTON BANCSHARES INCORPORATED

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Glossary of Acronyms and Terms

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

2012 Form 10-K	Annual Report on Form 10-K for the year ended December 31, 2012
ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ABS	Asset-Backed Securities
AFS	Available-for-Sale
ALCO	Asset & Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
C&I	Commercial and Industrial
CapPR	Capital Plan Review
CCAR	Comprehensive Capital Analysis and Review
CDO	Collateralized Debt Obligations
CDs	Certificates of Deposit
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CRE	Commercial Real Estate
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EPS	Earnings Per Share
EVE	Economic Value of Equity
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICA	Federal Insurance Contributions Act
FICO	Fair Isaac Corporation
FNMA	Federal National Mortgage Association
FRB	Federal Reserve Bank
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HTM	Held-to-Maturities
IRS	Internal Revenue Service
ISE	Interest Sensitive Earnings
LCR	Liquidity Coverage Ratio
LIBOR	London Interbank Offered Rate

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LGD	Loss-Given-Default
LTV	Loan to Value
MBS	Mortgage-Backed Security
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MSA	Metropolitan Statistical Area
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NCO	Net Charge-off
NIM	Net interest margin
NPAs	Nonperforming Assets
NPR	Notice of Proposed Rulemaking
N.R.	Not relevant. Denominator of calculation is a gain in the current period compared with a loss in the prior period, or vice-versa.
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
Plan	Huntington Bancshares Retirement Plan
Problem Loans	Includes nonaccrual loans and leases (Table 13), troubled debt restructured loans (Table 14), accruing loans and leases past due 90 days or more (aging analysis section of Footnote 3), and Criticized commercial loans (credit quality indicators section of Footnote 3).
REIT	Real Estate Investment Trust
ROC	Risk Oversight Committee
SAD	Special Assets Division
SBA	Small Business Administration
SEC	Securities and Exchange Commission
SERP	Supplemental Executive Retirement Plan
SRIP	Supplemental Retirement Income Plan
TDR	Troubled Debt Restructured Loan
U.S. Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

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 147 years of servicing the financial needs of our customers. Through our subsidiaries, we provide full-service commercial and consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance service programs, and other financial products and services. Our over 700 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 2012 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2012 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 2013.

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

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

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

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

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

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EXECUTIVE OVERVIEW

Summary of 2013 First Quarter Results

For the quarter, we reported net income of $151.8 million, or $0.17 per common share, compared with $167.3 million, or $0.19 per common share, in the prior quarter (*see Table 1*).

Fully-taxable equivalent net interest income was $430.1 million for the quarter, down $9.4 million, or 2%, from the prior quarter. The decrease reflected the seasonal impact of a fewer number of calendar days in the quarter, as well as a 3 basis point decrease in NIM, partially offset by a $0.3 billion increase in average earnings assets. The primary items affecting the NIM were a 5 basis point negative impact from the mix and yield of earning assets and a 3 basis point lower benefit from noninterest-bearing funds, which were partially offset by a 5 basis point positive impact from the reduction in total funding costs.

The provision for credit losses decreased $9.9 million, or 25%, from the prior quarter. This reflected an $18.4 million, or 26%, decrease in NCOs to $51.7 million, or an annualized 0.51% of average total loans and leases, from $70.1 million, or an annualized 0.69%, in the prior quarter.

Noninterest income decreased $45.4 million, or 15%, from the prior quarter. Gain on sale of loans decreased $18.1 million, or 87%, primarily related to the prior quarter automobile loan securitization. Mortgage banking income decreased $16.5 million, or 27%, primarily due to lower origination and secondary marketing income. Lower than expected commercial customer transactions negatively impacted both capital markets revenue and service charges on commercial deposit accounts, more than offsetting the favorable impact from continued commercial customer relationship growth of 11.9% annualized during the quarter. The decrease in service charges on deposit accounts also reflects typical seasonality and the February 2013 implementation of a new posting order for consumer transaction accounts. The full-year impact from the new posting order, which was incorporated into previous 2013 guidance, is estimated to be between $25 million and $30 million. Consumer household checking account growth of 11.8% annualized during the quarter partially offset the unfavorable impact from the new posting order.

Noninterest expense decreased $27.8 million, or 6%, from the prior quarter. Professional services decreased $15.3 million, 68%, primarily reflecting the decline in regulatory-related expenses. Other expenses decreased $8.2 million, or 20%, due to lower litigation and travel expenses, while marketing decreased $5.5 million, or 33%, as the latest advertising campaign did not launch until late in the quarter. Personnel costs increased $4.9 million, or 2%, reflecting approximately $8 million of costs related to the annual payroll tax resets, partially offset by approximately $5 million in lower commission expense due to lower levels of capital markets and other customer-related activities.

The period-end ACL as a percentage of total loans and leases decreased to 1.91% from 1.99% in the prior quarter. The ACL as a percentage of period end NALs increased 8 percentage points to 207%. NALs declined by $27.3 million, or 7%, to $380.3 million, or 0.92% of total loans. The decreases primarily reflect continued improvement in commercial NALs.

The tangible common equity to tangible asset ratio increased to 8.92% from 8.76% in the prior quarter. Our Tier 1 common risk-based capital ratio at quarter end was 10.62%, up from 10.48% in the prior quarter. The regulatory Tier 1 risk-based capital ratio at March 31, 2013 was 12.16%, up from 12.02%, at December 31, 2012. All capital ratios were impacted by the repurchase of 4.7 million common shares over the quarter at an average price per share of $7.07.

The Federal Reserve completed its review of our January 2013 capital plan submission and did not object to our proposed capital actions. This allows us to increase our quarterly common stock dividend to $0.05 per common share and gives us the potential to repurchase up to $227.0 million of common stock through the first quarter of 2014. Reinvesting excess capital to organically grow the business remains our priority. Importantly, dividends and share repurchases provide us additional means of creating long-term shareholder value.

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 year is off to a solid start, and the first quarter results continue to demonstrate that our strategies are working. We have differentiated ourselves by investing in innovative products and customer services, including our Fair Play approach. As a result, we are continuing to see double digit household growth and recognition by national entities of our customer service execution. Our growth has occurred in a challenging economic and regulatory environment. While some companies are hesitant to invest in light of the uncertain economy, we will continue to look for areas where we can improve efficiency, continue to deliver positive operating leverage, and selectively invest in our businesses in order to drive our long-term profitability.

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Economy

The FRB of Philadelphia Coincident Economic Activity Index, a proxy for overall economic growth, indicates the recoveries in Michigan, Ohio, and Indiana have been stronger than in the overall nation since the recession ended in June 2009. Led by Indiana and Michigan, five of our six footprint states are forecasted to grow faster than the overall nation over the six months beginning in March 2013. For the 12 months ended January 31, 2013, home prices rose 13.9% in the Detroit MSA, well above the S&P Case Shiller index for the nation, which rose 8.1%. In aggregate, housing markets in our footprint states have mirrored the national recovery trend. Firming of natural gas prices and a gradual improvement in the global economy should also provide some additional support to economic growth as the year progresses.

Legislative and Regulatory

Regulatory reforms continue to be adopted which impose additional restrictions on current business practices. Recent items affecting us include the Federal Reserve s Capital Plan Review and a recently issued CFPB bulletin.

Capital Plans Rule / Supervisory and Company-Run Stress Test Requirements During 2012, we participated in the Federal Reserve s Capital Plan Review (CapPR) process and made our capital plan submission in January 2013. On March 14, 2013, we announced that the Federal Reserve had completed its review of our capital plan submission and did not object to our proposed capital actions. The capital plan review process included reviews of our internal capital planning process and our plans to make capital distributions, such as dividend payments or stock repurchases, as well as a stress test requirement designed to test our capital adequacy throughout times of economic and financial stress.

CFPB Issues Bulletin on Indirect Auto Lending and Compliance with the Equal Credit Opportunity Act On March 21, 2013, the CFPB issued a bulletin to provide guidance about compliance with requirements of the Equal Credit Opportunity Act (ECOA) for indirect auto lenders that permit auto dealers to increase consumer interest rates and that compensate dealers with a share of the increased interest revenues. The Bulletin states that indirect auto lenders may be liable for pricing disparities on a prohibited basis within the lender s portfolio arising from dealer markup and compensation policies. The Bulletin further states that indirect auto lenders should take steps to ensure they are operating in compliance with ECOA. Those steps may include, but are not limited to, eliminating dealer pricing discretion or, if dealer pricing discretion is retained, imposing controls on dealer pricing discretion, testing the lender s portfolio, monitoring dealer compliance, and when unexplained disparities on prohibited bases are found, addressing the effects of such discretion through corrective action against dealers and remuneration of affected consumers. Our indirect auto lending business is subject to this Bulletin, and we are currently evaluating this regulatory guidance to ensure it is appropriately incorporated into the operation and conduct of our business.

Expectations

We are starting to see positive signs in both our business and consumer customer bases as the economic recovery progresses. We believe the soundness of our strategy will continue to drive growth and improve our profitability. Our retail customers and our mortgage lending businesses are benefiting from recovering housing markets. Although a recent uptick among our business customers of drawing down cash balances to support working capital needs and to fund new projects has negative near-term implications on our balance sheet, we are encouraged by this activity as it suggests improving confidence among business owners and implies a more robust long-term economic outlook. Competition continues to pressure asset yields and more recently loan structure, but we will remain disciplined as we manage our aggregate moderate-to-low risk profile.

Net interest income is expected to modestly grow over the course of 2013, as we anticipate an increase in total loans, excluding the impact of any future loan securitizations. However, those benefits to net interest income are expected to be mostly offset by downward NIM pressure. 2013 NIM is not expected to fall below the mid 3.30% s due to continued deposit repricing and mix shift opportunities while maintaining a disciplined approach to loan pricing.

The C&I portfolio is expected to continue to see growth in 2013, although we expect growth will be more heavily weighted to the back half of the year as the economic recovery progresses. Our C&I sales pipeline remains robust with much of this reflecting the positive impact from our investments in specialized commercial verticals, focused OCR sales process and continued support of middle market and small business lending. While on-balance sheet loans are expected to increase, we will continue to evaluate the use of automobile loan securitizations due to our expectation of continued strong levels of originations. We currently anticipate one securitization in the second half of 2013. Residential mortgages and home equity loan balances are expected to increase modestly. CRE loans likely will experience declines from current levels but are expected to remain in the $5.0 billion range.

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

Noninterest income over the course of the year, excluding the impact of any automobile loan sales and any net MSR impact, is expected to be at similar levels as 2012. The anticipated slowdown in mortgage banking activity is expected to be offset by continued growth in new customers, increased contribution from higher cross-sell, and the continued maturation of our previous strategic investments.

Noninterest expense in the 2013 first quarter was below our expected average quarterly run rate for the year. The second quarter is expected to increase due to higher commission expense related to a more normal level of commercial customer-related activity, annual merit increases, higher marketing expense as we continue the launch our new media campaign, and equipment related to our continued in-store expansion. We remain committed to posting positive operating leverage in 2013 as growth in total revenue is expected to outpace total expense growth.

Overall credit quality is expected to experience continued improvement, and NCOs while in the normalized range this quarter, are expected to remain volatile but reach normalized levels by the end of 2013. The level of provision for credit losses was at the low end of our long-term expectation, and we expect some quarterly volatility within each of the loan categories given the absolute low level of the provision for credit losses and the uncertain and uneven nature of the economic recovery.

We anticipate an effective tax rate for the remainder of 2013 to be in the range of 25% to 28%, primarily reflecting the impact of tax-exempt income, tax advantaged investments, and general business credits.

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DISCUSSION OF RESULTS OF OPERATIONS

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

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Table 1 - Selected Quarterly Income Statement Data (1)

	2013	2012			
(dollar amounts in thousands, except per share amounts)	**First**	Fourth	Third	Second	First
Interest income	**$ 465,319**	$ 478,995	$ 483,787	$ 487,544	$ 479,937
Interest expense	**41,149**	44,940	53,489	58,582	62,728
Net interest income	**424,170**	434,055	430,298	428,962	417,209
Provision for credit losses	**29,592**	39,458	37,004	36,520	34,406
Net interest income after provision for credit losses	**394,578**	394,597	393,294	392,442	382,803
Service charges on deposit accounts	**60,883**	68,083	67,806	65,998	60,292
Mortgage banking income	**45,248**	61,711	44,614	38,349	46,418
Trust services	**31,160**	31,388	29,689	29,914	30,906
Electronic banking	**20,713**	21,011	22,135	20,514	18,630
Brokerage income	**17,995**	17,415	16,526	19,025	19,260
Insurance income	**19,252**	17,268	17,792	17,384	18,875
Gain on sale of loans	**2,616**	20,690	6,591	4,131	26,770
Bank owned life insurance income	**13,442**	13,767	14,371	13,967	13,937
Capital markets fees	**8,051**	12,918	11,805	13,455	9,982
Securities gains (losses)	**(509)**	863	4,169	350	(613)
Other income	**33,358**	32,537	25,569	30,732	40,863
Total noninterest income	**252,209**	297,651	261,067	253,819	285,320
Personnel costs	**258,895**	253,952	247,709	243,034	243,498
Outside data processing and other services	**49,265**	48,699	50,396	48,568	42,592
Net occupancy	**30,114**	29,008	27,599	25,474	29,079
Equipment	**24,880**	26,580	25,950	24,872	25,545
Deposit and other insurance expense	**15,490**	16,327	15,534	15,731	20,738
Professional services	**7,192**	22,514	17,510	15,037	10,697
Marketing	**10,971**	16,456	16,842	17,396	13,569
Amortization of intangibles	**10,320**	11,647	11,431	11,940	11,531
OREO and foreclosure expense	**2,666**	4,233	4,982	4,106	4,950
Loss (Gain) on early extinguishment of debt			1,782	(2,580)	
Other expense	**33,000**	41,212	38,568	40,691	60,477
Total noninterest expense	**442,793**	470,628	458,303	444,269	462,676
Income before income taxes	**203,994**	221,620	196,058	201,992	205,447
Provision for income taxes	**52,214**	54,341	28,291	49,286	52,177
Net income	**$ 151,780**	$ 167,279	$ 167,767	$ 152,706	$ 153,270
Dividends on preferred shares	**7,970**	7,973	7,983	7,984	8,049
Net income applicable to common shares	**$ 143,810**	$ 159,306	$ 159,784	$ 144,722	$ 145,221
Average common shares basic	**841,103**	847,220	857,871	862,261	864,499
Average common shares diluted	**848,708**	853,306	863,588	867,551	869,164
Net income per common share basic	**$ 0.17**	$ 0.19	$ 0.19	$ 0.17	$ 0.17
Net income per common share diluted	**0.17**	0.19	0.19	0.17	0.17

Cash dividends declared per common share	**0.04**	0.04	0.04	0.04	0.04
Return on average total assets	**1.10%**	1.19%	1.19%	1.10%	1.13%
Return on average common shareholders equity	**10.7**	11.6	11.9	11.1	11.4
Return on average tangible common shareholders equity (2)	**12.4**	13.5	13.9	13.1	13.5
Net interest margin (3)	**3.42**	3.45	3.38	3.42	3.40
Efficiency ratio (4)	**63.3**	62.3	64.5	62.8	63.8
Effective tax rate	**25.6**	24.5	14.4	24.4	25.4
Revenue FTE					
Net interest income	**$ 424,170**	$ 434,055	$ 430,298	$ 428,962	$ 417,209
FTE adjustment	**5,923**	5,470	5,254	5,747	3,935
Net interest income (3)	**430,093**	439,525	435,552	434,709	421,144
Noninterest income	**252,209**	297,651	261,067	253,819	285,320
Total revenue (3)	**$ 682,302**	$ 737,176	$ 696,619	$ 688,528	$ 706,464

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

(2) 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 divided by the sum of FTE net interest income and noninterest income excluding securities gains.

Significant Items

Definition of Significant Items

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

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

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

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons were impacted by the Significant Items summarized below:

1. **Litigation Reserve.** During the 2012 first quarter, a $23.5 million addition to litigation reserves was recorded in other noninterest expense. This resulted in a negative impact of $0.02 per common share.

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.

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

Table 2 - Significant Items Influencing Earnings Performance Comparison

	Three Months Ended					
	March 31, 2013		December 31, 2012		March 31, 2012	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS (2)**	After-tax	EPS (2)	After-tax	EPS (2)
Net income	**$ 151,780**		$ 167,279		$ 153,270	
Earnings per share, after-tax		**$ 0.17**		$ 0.19		$ 0.17
Change from prior quarter $		**(0.02)**				0.03
Change from prior quarter %		**(11)%**		%		21%
Change from year-ago $		**$**		$ 0.05		$ 0.03
Change from year-ago %		**%**		36%		21%
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)

(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:

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Table 3 - Consolidated Quarterly Average Balance Sheets

	Average Balances					Change	
	2013	2012				1Q13 vs. 1Q12	
(dollar amounts in millions)	**First**	Fourth	Third	Second (2)	First	Amount	Percent
Assets:							
Interest-bearing deposits in banks	**$ 72**	$ 73	$ 82	$ 124	$ 100	$ (28)	(28)%
Loans held for sale	**709**	840	1,829	410	1,265	(556)	(44)
Securities:							
Available-for-sale and other securities:							
Taxable	**6,964**	7,131	8,014	8,285	8,171	(1,207)	(15)
Tax-exempt	**549**	492	423	387	404	145	36
Total available-for-sale and other securities	**7,513**	7,623	8,437	8,672	8,575	(1,062)	(12)
Trading account securities	**85**	97	66	54	50	35	70
Held-to-maturity securities taxable	**1,717**	1,652	796	611	632	1,085	172
Total securities	**9,315**	9,372	9,299	9,337	9,257	58	1
Loans and leases: (1)							
Commercial:							
Commercial and industrial	**16,954**	16,507	16,343	16,094	14,824	2,130	14
Commercial real estate:							
Construction	**598**	576	569	584	598		
Commercial	**4,694**	4,897	5,153	5,491	5,254	(560)	(11)
Commercial real estate	**5,292**	5,473	5,722	6,075	5,852	(560)	(10)
Total commercial	**22,246**	21,980	22,065	22,169	20,676	1,570	8
Consumer:							
Automobile	**4,833**	4,486	4,065	4,985	4,576	257	6
Home equity	**8,395**	8,345	8,369	8,310	8,234	161	2
Residential mortgage	**4,978**	5,155	5,177	5,253	5,174	(196)	(4)
Other consumer	**412**	431	444	462	485	(73)	(15)
Total consumer	**18,618**	18,417	18,055	19,010	18,469	149	1
Total loans and leases	**40,864**	40,397	40,120	41,179	39,145	1,719	4
Allowance for loan and lease losses	**(772)**	(783)	(855)	(908)	(961)	189	(20)
Net loans and leases	**40,092**	39,614	39,265	40,271	38,184	1,908	5
Total earning assets	**50,960**	50,682	51,330	51,050	49,767	1,193	2
Cash and due from banks	**904**	1,459	960	928	1,012	(108)	(11)
Intangible assets	**571**	581	597	609	613	(42)	(7)
All other assets	**4,065**	4,115	4,106	4,158	4,225	(160)	(4)
Total assets	**$ 55,728**	$ 56,054	$ 56,138	$ 55,837	$ 54,656	$ 1,072	2%
Liabilities and Shareholders Equity:							
Deposits:							

Demand deposits noninterest-bearing	**$ 12,165**	$ 13,121	$ 12,329	$ 12,064	$ 11,273	$ 892	8%
Demand deposits interest-bearing	**5,977**	5,843	5,814	5,939	5,646	331	6
Total demand deposits	**18,142**	18,964	18,143	18,003	16,919	1,223	7
Money market deposits	**15,045**	14,749	14,515	13,182	13,141	1,904	14
Savings and other domestic deposits	**5,083**	4,960	4,975	4,978	4,817	266	6
Core certificates of deposit	**5,346**	5,637	6,131	6,618	6,510	(1,164)	(18)
Total core deposits	**43,616**	44,310	43,764	42,781	41,387	2,229	5
Other domestic time deposits of $250,000 or more	**360**	359	300	298	347	13	4
Brokered deposits and negotiable CDs	**1,697**	1,756	1,878	1,421	1,301	396	30
Deposits in foreign offices	**340**	342	356	357	430	(90)	(21)
Total deposits	**46,013**	46,767	46,298	44,857	43,465	2,548	6
Short-term borrowings	**762**	1,012	1,329	1,391	1,512	(750)	(50)
Federal Home Loan Bank advances	**686**	42	107	626	419	267	64
Subordinated notes and other long-term debt	**1,348**	1,374	1,638	2,251	2,652	(1,304)	(49)
Total interest-bearing liabilities	**36,644**	36,074	37,043	37,061	36,775	(131)	
All other liabilities	**1,085**	1,017	1,035	1,094	1,116	(31)	(3)
Shareholders equity	**5,834**	5,842	5,731	5,618	5,492	342	6
Total liabilities and shareholders equity	**$ 55,728**	$ 56,054	$ 56,138	$ 55,837	$ 54,656	$ 1,072	2%

(1) For purposes of this analysis, NALs are reflected in the average balances of loans.
(2) The acquisition of Fidelity Bank on March 30, 2012, contributed to the increase in average loans and deposits

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Table 4 - Consolidated Quarterly Net Interest Margin Analysis

	Average Rates (2)				
Fully-taxable equivalent basis (1)	**2013**	2012			
	First	Fourth	Third	Second	First
Assets					
Interest-bearing deposits in banks	**0.16%**	0.28%	0.21%	0.31%	0.05%
Loans held for sale	**3.22**	3.18	3.18	3.46	3.80
Securities:					
Available-for-sale and other securities:					
Taxable	**2.31**	2.32	2.29	2.33	2.39
Tax-exempt	**3.96**	4.03	4.15	4.23	4.17
Total available-for-sale and other securities	**2.43**	2.43	2.39	2.41	2.47
Trading account securities	**0.50**	1.01	1.07	1.64	1.65
Held-to-maturity securities taxable	**2.29**	2.24	2.81	2.97	2.98
Total securities	**2.39**	2.38	2.41	2.45	2.50
Loans and leases: (3)					
Commercial:					
Commercial and industrial	**3.83**	3.88	3.90	3.99	4.01
Commercial real estate:					
Construction	**4.05**	4.13	3.84	3.66	3.85
Commercial	**4.00**	4.20	3.85	3.93	3.82
Commercial real estate	**4.01**	4.19	3.85	3.89	3.82
Total commercial	**3.87**	3.96	3.89	3.97	3.96
Consumer:					
Automobile	**4.28**	4.52	4.87	4.68	4.87
Home equity	**4.20**	4.24	4.27	4.30	4.30
Residential mortgage	**3.97**	4.07	4.02	4.14	4.17
Other consumer	**7.05**	7.16	7.16	7.42	7.47
Total consumer	**4.22**	4.33	4.40	4.43	4.49
Total loans and leases	**4.03**	4.13	4.12	4.18	4.21
Total earning assets	**3.75%**	3.80%	3.79%	3.89%	3.91%
Liabilities					
Deposits:					
Demand deposits noninterest-bearing	**%**	%	%	%	%
Demand deposits interest-bearing	**0.04**	0.05	0.07	0.07	0.06
Total demand deposits	**0.01**	0.02	0.02	0.02	0.02
Money market deposits	**0.23**	0.27	0.33	0.30	0.26
Savings and other domestic deposits	**0.30**	0.33	0.37	0.39	0.45
Core certificates of deposit	**1.19**	1.21	1.25	1.38	1.60
Total core deposits	**0.37**	0.41	0.47	0.50	0.54

Other domestic time deposits of $250,000 or more	**0.52**	0.61	0.68	0.66	0.68
Brokered deposits and negotiable CDs	**0.67**	0.71	0.71	0.75	0.79
Deposits in foreign offices	**0.17**	0.18	0.18	0.19	0.18
Total deposits	**0.38**	0.42	0.48	0.51	0.55
Short-term borrowings	**0.12**	0.14	0.16	0.16	0.16
Federal Home Loan Bank advances	**0.18**	1.20	0.50	0.21	0.21
Subordinated notes and other long-term debt	**2.54**	2.55	2.91	2.83	2.74
Total interest-bearing liabilities	**0.45%**	0.50%	0.58%	0.63%	0.68%
Net interest rate spread	**3.30%**	3.30%	3.21%	3.26%	3.23%
Impact of noninterest-bearing funds on margin	**0.12**	0.15	0.17	0.16	0.17
Net interest margin	**3.42%**	3.45%	3.38%	3.42%	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.

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Table 5 - Average Loans/Leases and Deposits

	First Quarter		Fourth Quarter	1Q13 vs 1Q12		1Q13 vs 4Q12	
(dollar amounts in millions)	**2013**	2012	2012	Amount	Percent	Amount	Percent
Loans/Leases:							
Commercial and industrial	**$ 16,954**	$ 14,824	$ 16,507	$ 2,130	14%	$ 447	3%
Commercial real estate	**5,292**	5,852	5,473	(560)	(10)	(181)	(3)
Total commercial	**22,246**	20,676	21,980	1,570	8	266	1
Automobile	**4,833**	4,576	4,486	257	6	347	8
Home equity	**8,395**	8,234	8,345	161	2	50	1
Residential mortgage	**4,978**	5,174	5,155	(196)	(4)	(177)	(3)
Other loans	**412**	485	431	(73)	(15)	(19)	(4)
Total consumer	**18,618**	18,469	18,417	149	1	201	1
Total loans and leases	**$ 40,864**	$ 39,145	$ 40,397	$ 1,719	4%	$ 467	1%
Deposits:							
Demand deposits noninterest-bearing	**$ 12,165**	$ 11,273	$ 13,121	$ 892	8%	$ (956)	(7)%
Demand deposits interest-bearing	**5,977**	5,646	5,843	331	6	134	2
Total demand deposits	**18,142**	16,919	18,964	1,223	7	(822)	(4)
Money market deposits	**15,045**	13,141	14,749	1,904	14	296	2
Savings and other domestic time deposits	**5,083**	4,817	4,960	266	6	123	2
Core certificates of deposit	**5,346**	6,510	5,637	(1,164)	(18)	(291)	(5)
Total core deposits	**43,616**	41,387	44,310	2,229	5	(694)	(2)
Other deposits	**2,397**	2,078	2,457	319	15	(60)	(2)
Total deposits	**$ 46,013**	$ 43,465	$ 46,767	$ 2,548	6%	$ (754)	(2)%

2013 First Quarter versus 2012 First Quarter

Fully-taxable equivalent net interest income increased $8.9 million, or 2%, from the year-ago quarter. This reflected a $1.2 billion, or 2%, increase in average total earning assets and a 2 basis point increase in the FTE net interest margin. The primary items impacting the increase in the net interest margin were:

- 20 basis point impact from the reduction in the cost of subordinated notes and other long-term debt, reflecting the benefit of the redemption of $230 million of trust preferred securities in 2012.

- 17 basis point positive impact from the reduction in total deposit costs.

Partially offset by:

- 18 basis point negative impact from the mix and yield of loans.

11 basis point negative impact from the yield on total securities.

The $1.7 billion, or 4%, increase in average total loans and leases primarily reflected:

$2.1 billion, or 14%, increase in C&I loans. This reflected the continued growth across most business lines with particularly strong growth in equipment finance, dealer floorplan, and health care.

$0.3 billion, or 6%, increase in automobile loans. No automobile loans were transferred to held for sale during the 2013 first quarter as the only currently planned securitization is expected to be in the second half of 2013.

Partially offset by:

$0.6 billion, or 10%, decrease in CRE loans. This reflected continued runoff of the noncore and core portfolios as we balanced acceptable returns for new core origination against internal concentration limits and increased competition, particularly pricing, for high quality developers and projects.

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$0.2 billion, or 4%, decrease in residential mortgages due to payoffs and the mix of originations shifted towards more saleable loans.
The $2.2 billion, or 5%, increase in average core deposits from the year-ago quarter reflected:

$1.9 billion, or 14%, increase in money market deposits.

$1.2 billion, or 7%, increase in total demand deposits.
Partially offset by:

$1.2 billion, or 18%, decrease in core certificates of deposit.

2013 First Quarter versus 2012 Fourth Quarter

Fully-taxable equivalent net interest income decreased $9.4 million, or 2%, from the last quarter reflecting the seasonal impact of a fewer number of calendar days in the quarter, as well as a 3 basis point decrease in NIM, partially offset by a $0.3 billion increase in average earnings assets. The primary items affecting the NIM were:

5 basis point negative impact from the mix and yield of earning assets.

3 basis point lower benefit from noninterest bearing funds.
Partially offset by:

5 basis point positive impact from the reduction in total funding costs.
The $0.5 billion, or 1%, increase in average total loans and leases from the 2012 fourth quarter reflected:

$0.4 billion, or 3%, increase in commercial and industrial loans.

$0.3 billion, or 8%, increase in automobile loans.
Partially offset by:

$0.2 billion, or 3%, decrease in commercial real estate loans.

$0.2 billion, or 3%, decrease in residential mortgages.
The $0.7 billion, or 2%, decrease in average total core deposits from the 2012 fourth quarter reflected:

$1.0 billion, or 7%, decrease in noninterest-bearing deposits primarily reflecting our continued effort to reduce collateralized deposits.

Partially offset by:

$0.3 billion, or 2%, increase in money market deposits.

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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 2013 first quarter declined $9.9 million, or 25%, from the prior quarter and declined $4.8 million, or 14%, from the year-ago quarter. The current quarter s provision for credit losses was $22.1 million less than total NCOs. *(See Credit Quality discussion).* Given the absolute low level of the provision for credit losses and the uncertain and uneven nature of the economic recovery, some degree of volatility on a quarter to quarter basis is expected.

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 6 - Noninterest Income

	2013	2012				1Q13 vs 1Q12		1Q13 vs 4Q12	
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First	Amount	Percent	Amount	Percent
Service charges on deposit accounts	**$ 60,883**	$ 68,083	$ 67,806	$ 65,998	$ 60,292	$ 591	1%	$ (7,200)	(11)%
Mortgage banking income	**45,248**	61,711	44,614	38,349	46,418	(1,170)	(3)	(16,463)	(27)
Trust services	**31,160**	31,388	29,689	29,914	30,906	254	1	(228)	(1)
Electronic banking	**20,713**	21,011	22,135	20,514	18,630	2,083	11	(298)	(1)
Brokerage income	**17,995**	17,415	16,526	19,025	19,260	(1,265)	(7)	580	3
Insurance income	**19,252**	17,268	17,792	17,384	18,875	377	2	1,984	11
Gain on sale of loans	**2,616**	20,690	6,591	4,131	26,770	(24,154)	(90)	(18,074)	(87)
Bank owned life insurance income	**13,442**	13,767	14,371	13,967	13,937	(495)	(4)	(325)	(2)
Capital markets fees	**8,051**	12,918	11,805	13,455	9,982	(1,931)	(19)	(4,867)	(38)
Securities gains (losses)	**(509)**	863	4,169	350	(613)	104	(17)	(1,372)	(159)
Other income	**33,358**	32,537	25,569	30,732	40,863	(7,505)	(18)	821	3
Total noninterest income	**$ 252,209**	$ 297,651	$ 261,067	$ 253,819	$ 285,320	$ (33,111)	(12)%	$ (45,442)	(15)%

2013 First Quarter versus 2012 First Quarter

The $33.1 million, or 12%, decrease in total noninterest income from the year-ago quarter reflected:

$24.2 million, or 90%, decrease in gain on sale of loans, primarily related to the prior year s automobile loan securitization.

$7.5 million, or 18%, decrease in other income related to the prior year s $11.4 million bargain purchase gain from the FDIC-assisted Fidelity Bank acquisition and a $2.7 million decrease in operating lease income. 2013 first quarter other income included a $7.6 million gain on the sale of Low Income Housing Tax Credit investments.

2013 First Quarter versus 2012 Fourth Quarter

The $45.4 million, or 15%, decrease in total noninterest income from the prior quarter reflected:

$18.1 million, or 87%, decrease in gain on sale of loans, primarily related to prior quarter s automobile loan securitization.

$16.5 million, or 27%, decrease in mortgage banking income, primarily related to lower origination and secondary marketing income.

$7.2 million, or 11%, decrease in service charges on deposit accounts reflect typical seasonality and the February implementation of a new posting order for consumer transaction accounts.

$4.9 million, or 38%, decrease in capital market activity. Lower than expected commercial customer transactions negatively impacted both capital markets revenue and service charges on commercial deposit accounts, more than offsetting the favorable impact from continued growth in total customer relationships.

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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 7 - Noninterest Expense

	2013	2012				1Q13 vs 1Q12		1Q13 vs 4Q12	
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First	Amount	Percent	Amount	Percent
Personnel costs	**$ 258,895**	$ 253,952	$ 247,709	$ 243,034	$ 243,498	$ 15,397	6%	$ 4,943	2%
Outside data processing and other services	**49,265**	48,699	50,396	48,568	42,592	6,673	16	566	1
Net occupancy	**30,114**	29,008	27,599	25,474	29,079	1,035	4	1,106	4
Equipment	**24,880**	26,580	25,950	24,872	25,545	(665)	(3)	(1,700)	(6)
Deposit and other insurance expense	**15,490**	16,327	15,534	15,731	20,738	(5,248)	(25)	(837)	(5)
Professional services	**7,192**	22,514	17,510	15,037	10,697	(3,505)	(33)	(15,322)	(68)
Marketing	**10,971**	16,456	16,842	17,396	13,569	(2,598)	(19)	(5,485)	(33)
Amortization of intangibles	**10,320**	11,647	11,431	11,940	11,531	(1,211)	(11)	(1,327)	(11)
OREO and foreclosure expense	**2,666**	4,233	4,982	4,106	4,950	(2,284)	(46)	(1,567)	(37)
Loss (Gain) on early extinguishment of debt			1,782	(2,580)					
Other expense	**33,000**	41,212	38,568	40,691	60,477	(27,477)	(45)	(8,212)	(20)
Total noninterest expense	**$ 442,793**	$ 470,628	$ 458,303	$ 444,269	$ 462,676	$ (19,883)	(4)%	$ (27,835)	(6)%
Number of employees (full-time equivalent), at period-end	**12,052**	11,806	11,731	11,417	11,166	886	8%	246	2%

2013 First Quarter versus 2012 First Quarter

The $19.9 million, or 4%, decrease in total noninterest expense from the year-ago quarter reflected:

- $27.5 million, or 45%, decrease in other expense, reflecting a $2.1 million, or 73%, decrease to $0.7 million in operating lease expense as the automobile lease portfolio continues to run off and is expected to be essentially zero by the end of the year. The year ago quarter included a $23.5 million addition to litigation reserves.

- $5.2 million, or 25%, decrease in deposit and other insurance expense, reflecting lower insurance premiums.

- $3.5 million, or 33%, decrease in professional services, reflecting a decline in legal and outside consultant expenses.

Partially offset by:

- $15.4 million, or 6%, increase in personnel costs, reflecting an increase in the number of full-time equivalent employees as well as higher salaries and benefits.

$6.7 million, or 16%, increase in outside data processing and other services primarily related to continued IT infrastructure investments.

2013 First Quarter versus 2012 Fourth Quarter

The $27.8 million, or 6%, decrease in total noninterest expense from the prior quarter reflected:

$15.3 million, or 68%, decrease in professional costs, primarily reflecting the decline in regulatory-related expense.

$8.2 million, or 20%, decrease in other expenses due to lower litigation and travel expense.

$5.5 million, or 33%, decrease in the marketing, as the latest advertising campaign did not launch until late in the quarter.

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Partially offset by:

- $4.9 million, or 2%, increase in personnel costs, reflecting approximately $8 million related to the annual payroll tax resets, partially offset by approximately $5 million in lower commission expense due to lower levels of capital markets and other customer-related activities.

Provision for Income Taxes

The provision for income taxes in the 2013 first quarter was $52.2 million. This compared with a provision for income taxes of $54.3 million in the 2012 fourth quarter and $52.2 million in the 2012 first quarter. All three quarters included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. At March 31, 2013, we had a net federal deferred tax asset of $116.9 million and a net state deferred tax asset of $37.4 million. Based on both positive and negative evidence and our level of forecasted future taxable income, there was no impairment to the deferred tax asset at March 31, 2013. As of March 31, 2013 and December 31, 2012, there was no disallowed deferred tax asset for regulatory capital purposes.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2009. We have appealed certain proposed adjustments resulting from the IRS examination of our 2006, 2007, 2008, and 2009 tax returns. We believe the tax positions taken 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 for the 2006 and 2007 tax returns. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. Nevertheless, although no assurances can be given, we believe the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. In the current quarter, the IRS began an examination of our 2010 and 2011 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia, and Illinois.

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RISK MANAGEMENT AND CAPITAL

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

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

We believe 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 2012 Form 10-K and subsequent filings with the SEC. Additionally, the MD&A included in our 2012 Form 10-K should be read in conjunction with this MD&A as this discussion provides only material updates to the 2012 Form 10-K. Our definition, philosophy, and approach to risk management have not materially changed from the discussion presented in the 2012 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.

We continue to focus on the identification, monitoring, and managing of our credit risk. In addition to the traditional credit risk mitigation strategies of credit policies and processes, market risk management activities, and portfolio diversification, we use additional quantitative measurement capabilities utilizing external data sources, enhanced use of modeling technology, and internal stress testing processes. Our portfolio management resources demonstrate our commitment to maintaining an aggregate moderate-to-low risk profile. In our efforts to continue to identify risk mitigation techniques, we have focused on product design features, origination policies, and treatment strategies for delinquent or stressed borrowers.

Loan and Lease Credit Exposure Mix

At March 31, 2013, loans and leases totaled $41.3 billion, representing a $0.6 billion, or 1%, increase compared to $40.7 billion at December 31, 2012, primarily reflecting growth in the C&I and automobile portfolios, partially offset by a decline in the CRE portfolio. The C&I portfolio increase was spread across several segments and represented a continuation of the growth in high quality loans originated over recent quarters. The automobile portfolio increase primarily reflected a continued strong level of high quality originations.

At March 31, 2013, commercial loans and leases totaled $22.3 billion and represented 54% of our total credit exposure. Our commercial portfolio is diversified along product type, customer size, and geography, 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 expand our C&I portfolio, we have developed a vertical strategy to ensure that new products or lending types are embedded within the structured, centralized Commercial Lending area with designated experienced credit officers.

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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 developers, companies, or individuals 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, multi family, 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 $19.0 billion at March 31, 2013 and represented 46% 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 March 31, 2013.

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 or refinance existing mortgage debt. Products include closed-end loans which are generally fixed-rate with principal and interest payments, and variable-rate, interest-only lines-of-credit which do not require payment of principal during the 10-year revolving period of the line-of-credit. Applications are underwritten centrally in conjunction with an automated underwriting system. The home equity underwriting criteria is based on minimum credit scores, debt-to-income ratios, and LTV ratios, with current collateral valuations.

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. Applications are underwritten centrally and we do not originate residential mortgages that allow negative amortization or allow the borrower multiple payment options. Residential mortgage loans include a complete full appraisal for collateral valuation.

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

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

Table 8 - Loan and Lease Portfolio Composition

	2013		2012							
(dollar amounts in millions)	**March 31,**		December 31,		September 30,		June 30,		March 31,	
Commercial:[1]										
Commercial and industrial	**$ 17,267**	**42%**	$ 16,971	42%	$ 16,478	41%	$ 16,322	41%	$ 15,838	39%
Commercial real estate:										
Construction	**574**	**1**	648	2	541	1	591	1	597	1
Commercial	**4,485**	**11**	4,751	12	4,956	12	5,317	13	5,443	13
Total commercial real estate	**5,059**	**12**	5,399	14	5,497	13	5,908	14	6,040	14
Total commercial	**22,326**	**54**	22,370	56	21,975	54	22,230	55	21,878	53
Consumer:										
Automobile	**5,036**	**12**	4,634	11	4,276	11	3,808	10	4,787	12
Home equity	**8,474**	**21**	8,335	20	8,381	21	8,344	21	8,261	20

Residential mortgage	**5,051**	**12**	4,970	12	5,192	13	5,123	13	5,284	13
Other consumer	**397**	**1**	419	1	436	1	454	1	469	2
Total consumer	**18,958**	**46**	18,358	44	18,285	46	17,729	45	18,801	47
Total loans and leases	**$ 41,284**	**100%**	$ 40,728	100%	$ 40,260	100%	$ 39,959	100%	$ 40,679	100%

(1) As defined by regulatory guidance, there were no commercial loans outstanding that would be considered a concentration of lending to a particular industry or group of industries.

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

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

Table 9 - Loan and Lease Portfolio by Collateral Type (1)

	2013		2012							
(dollar amounts in millions)	**March 31,**		December 31,		September 30,		June 30,		March 31,	
Secured loans:										
Real estate commercial	**$ 9,041**	**22%**	$ 9,128	22%	$ 9,278	23%	$ 9,398	23%	$ 9,326	24%
Real estate consumer	**13,525**	**33**	13,305	33	13,573	33	13,467	33	13,470	34
Vehicles	**6,928**	**17**	6,659	16	6,096	15	5,650	14	6,623	16
Receivables/Inventory	**5,383**	**13**	5,178	13	5,046	13	5,026	13	4,749	12
Machinery/Equipment	**2,815**	**7**	2,749	7	2,639	7	2,759	7	2,536	6
Securities/Deposits	**840**	**2**	826	2	717	2	789	2	733	2
Other	**1,015**	**2**	1,090	3	1,110	3	1,043	3	983	2
Total secured loans and leases	**39,547**	**96**	38,935	96	38,459	96	38,132	95	38,420	96
Unsecured loans and leases	**1,737**	**4**	1,793	4	1,801	4	1,827	5	1,738	4
Total loans and leases	**$ 41,284**	**100%**	$ 40,728	100%	$ 40,260	100%	$ 39,959	100%	$ 40,158	100%

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

Commercial Credit

Refer to the Commercial Credit section of our 2012 Form 10-K for our commercial credit underwriting and on-going credit management processes.

C&I PORTFOLIO

While some C&I borrowers have been challenged by the continued weakness in the economy, problem loans have trended downward, reflecting a combination of proactive risk identification and effective workout strategies implemented by the SAD. Nevertheless, we continue to proactively identify borrowers that may be facing financial difficulty to assess all potential solutions.

CRE PORTFOLIO

We manage the risks inherent in this portfolio specific to CRE lending, focusing on the quality of the developer, and the specifics associated with each project. Generally, we: (1) limit our loans to 80% of the appraised value of the commercial real estate at origination, (2) require net operating cash flows to be 125% of required interest and principal payments, and (3) if the commercial real estate is nonowner occupied, require that at least 50% of the space of the project be preleased. We actively monitor both geographic and project-type concentrations and performance metrics of all CRE loan types, with a focus on loans identified as higher risk based on the risk rating methodology. 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.

In 2010, we segregated our CRE portfolio into core and noncore segments. We believe segregating noncore CRE from core CRE improved our ability to understand the nature, performance prospects, and problem resolution opportunities of these segments, thus allowing us to continue to deal proactively with any emerging credit issues. We have not subsequently originated any noncore CRE loans.

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and has either an established meaningful relationship with us that generated an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was $3.7 billion at March 31, 2013, representing 74% of total CRE loans. The performance of the core portfolio has met our expectations based on the consistency of the asset quality metrics within the portfolio. Based on our extensive project level assessment process, including forward-looking collateral valuations, we continue to believe the credit quality of the core portfolio is stable. Loans are not reclassified between the core and noncore segments based on performance.

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

Table 10 - Commercial Real Estate - Core vs. Noncore Portfolios

	March 31, 2013					
(dollar amounts in millions)	Ending Balance	Prior NCOs	ACL $	ACL%	Credit Mark (1)	Nonaccrual Loans
Total core	**$ 3,744**	**$ 30**	**$ 87**	**2.32%**	**3.10%**	**$ 48**
Noncore SAD (2)	**567**	**125**	**127**	**22.40**	**36.42**	**61**
Noncore Other	**748**	**17**	**58**	**7.75**	**9.80**	**2**
Total noncore	**1,315**	**142**	**185**	**14.07**	**22.44**	**63**
Total commercial real estate	**$ 5,059**	**$ 172**	**$ 272**	**5.38%**	**8.49%**	**$ 111**

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

(1) Calculated as (Prior NCOs + ACL $) / (Ending Balance + Prior NCOs).
(2) Noncore loans managed by SAD, the area responsible for managing loans and relationships designated as Classified Loans.

As shown in the above table, the ending balance of the CRE portfolio at March 31, 2013, declined $0.3 billion, or 6%, compared with December 31, 2012. The decline in the noncore segment primarily reflected amortization and payoffs as we actively focus on the noncore portfolio to reduce our overall CRE exposure. This reduction demonstrates our continued commitment to achieving a materially lower risk profile in the CRE portfolio, consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. The decline in the core segment primarily reflected continued payoffs, partially offset by originations. We continue to support our core developer customers as appropriate, however, new core originations are balanced against internal concentration limits and increased competition, particularly pricing, for high quality developers and projects.

Also, as shown above, substantial reserves for the noncore portfolio have been established. At March 31, 2013, the ACL related to the noncore portfolio was 14.07%. 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 36.42% credit mark associated with the SAD-managed noncore portfolio is an indicator of the proactive portfolio management strategy employed for this portfolio.

Consumer Credit

Refer to the Consumer Credit section of our 2012 Form 10-K for our consumer credit underwriting and on-going credit management processes.

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 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.

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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 expanding the portfolio. We have developed and implemented a loan securitization strategy to ensure we remain within our established portfolio concentration limits.

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 appropriate solutions for their specific circumstances.

Table 11 - Selected Home Equity and Residential Mortgage Portfolio Data

(dollar amounts in millions)

	Home Equity				Residential Mortgage	
	Secured by first-lien		Secured by junior-lien			
	03/31/13	12/31/12	**03/31/13**	12/31/12	**03/31/13**	12/31/12
Ending balance	**$ 4,645**	$ 4,380	**$ 3,829**	$ 3,955	**$ 5,051**	$ 4,970
Portfolio weighted average LTV ratio(1)	**71%**	71%	**81%**	81%	**76%**	76%
Portfolio weighted average FICO score(2)	**754**	755	**738**	741	**736**	738

	Home Equity				Residential Mortgage (3)	
	Secured by first-lien		Secured by junior-lien			
	Three Months Ended March 31,					
	2013	2012	**2013**	2012	**2013**	2012
Originations	**$ 548**	$ 427	**$ 106**	$ 147	**$ 319**	$ 202
Origination weighted average LTV ratio(1)	**66%**	71%	**81%**	81%	**75%**	78%
Origination weighted average FICO score(2)	**778**	772	**751**	757	**759**	755

(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.

Given the low interest rate environment over the past several years, many borrowers have utilized the line-of-credit home equity product as the primary source of financing their home versus residential mortgages. 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. At March 31, 2013, 55% of our total home equity portfolio was secured by first-lien mortgages. The first-lien position, combined with continued high average FICO scores, significantly reduces the PD associated with these loans.

Within the home equity line-of-credit portfolio, the standard product is a 10-year interest-only draw period with a 20-year fully amortizing term at the end of the draw period. Prior to 2007, the standard product was a 10-year draw period with a balloon payment, while subsequent originations convert to a 20-year amortizing loan structure. After the 10-year draw period, the borrower must reapply to extend the existing structure or begin repaying the debt in a traditional term structure.

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The principal and interest payment associated with the term structure will be higher than the interest-only payment, resulting in maturity risk. Our maturity risk can be segregated into two distinct segments: (1) home equity lines-of-credit underwritten with a balloon payment at maturity and (2) home equity lines-of-credit with an automatic conversion to a 20-year amortizing loan. We manage this risk based on both the actual maturity date of the line-of-credit structure and at the end of the 10-year draw period. This maturity risk is embedded in the portfolio which we address with proactive contact strategies beginning one year prior to maturity. In certain circumstances, our Home Saver group is able to provide payment and structure relief to borrowers experiencing significant financial hardship associated with the payment adjustment.

The table below summarizes our home equity line-of-credit portfolio by maturity date:

Table 12 - Maturity Schedule of Home Equity Line-of-Credit Portfolio

	March 31, 2013					
(dollar amounts in millions)	1 year or less	1 to 2 years	2 to 3 years	3 to 4 years	More than 4 years	Total
Secured by first-lien	$ 46	$ 63	$ 19	$	$ 2,204	$ 2,332
Secured by junior-lien	236	259	196	143	2,377	3,211
Total home equity line-of-credit	$ 282	$ 322	$ 215	$ 143	$ 4,581	$ 5,543

The amounts in the above table maturing in four years or less primarily consist of balloon payment structures and represent the most significant maturity risk. The amounts maturing in more than four years primarily consist of home equity lines-of-credit with a 20-year amortization period after the 10-year draw period.

Historically, less than 30% of our home equity lines-of-credit that are one year or less from maturity actually reach the maturity date as borrowers apply to re-establish the revolving period under current underwriting standards. We anticipate this percentage will decline in future periods as our proactive approach to managing maturity risk continues to evolve.

Residential Mortgages Portfolio

At March 31, 2013, 50% 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. At March 31, 2013, ARM loans that were expected to have rates reset through 2015 totaled $1.4 billion. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in underlying property value. Given the quality of our borrowers, the relatively low current interest rates, and the results of our continued analysis (including possible impacts of changes in interest rates), we believe that we have a relatively limited exposure to ARM reset risk. Nonetheless, we have taken actions to mitigate our risk exposure. We initiate borrower contact at least six months prior to the interest rate resetting, and have been successful in converting many ARMs to fixed-rate loans through this process. Given the relatively low current interest rates, many fixed-rate products currently offer a better interest rate to our ARM borrowers.

Several government programs continued to impact the residential mortgage portfolio, including various refinance programs such as HAMP and HARP, which positively affected the availability of credit for the industry. During the three-month period ended March 31, 2013, we closed $211 million in HARP residential mortgages and $1 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. 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 this repurchase risk inherent in the portfolio *(see Operational Risk discussion).*

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 2013 first quarter, reflected overall continued improvement. NALs and NCOs declined 7% and 26%, respectively, compared to the prior quarter. Commercial criticized and commercial classified loans also declined reflecting the continued improvement in the commercial portfolio. The ACL to total loans ratio declined to 1.91% and our ACL coverage ratios remained at appropriate levels. Our ACL as a percentage of NALs remained strong at 207%.

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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. Also, when a borrower with discharged non-reaffirmed debt in a Chapter 7 bankruptcy is identified and the loan is determined to be collateral dependent, the consumer loan is placed on nonaccrual status.

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 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.

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

Table 13 - Nonaccrual Loans and Leases and Nonperforming Assets

	2013	2012			
(dollar amounts in thousands)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Nonaccrual loans and leases:					
Commercial and industrial	**$ 80,928**	$ 90,705	$ 109,452	$ 133,678	$ 142,492
Commercial real estate	**110,803**	127,128	148,986	219,417	205,105
Automobile	**6,770**	7,823	11,814		
Residential mortgage	**118,405**	122,452	123,140	75,048	74,114
Home equity	**63,405**	59,525	51,654	46,023	45,847
Total nonaccrual loans and leases(1)	**380,311**	407,633	445,046	474,166	467,558
Other real estate owned, net					
Residential	**19,538**	21,378	23,640	21,499	31,850
Commercial	**5,601**	6,719	30,566	17,109	16,897
Total other real estate owned, net	**25,139**	28,097	54,206	38,608	48,747
Other nonperforming assets(2)	**10,045**	10,045	10,476	10,476	10,772
Total nonperforming assets	**$ 415,495**	$ 445,775	$ 509,728	$ 523,250	$ 527,077
Nonaccrual loans as a % of total loans and leases	**0.92%**	1.00%	1.11%	1.19%	1.15%
Nonperforming assets ratio(3)	**1.01**	1.09	1.26	1.31	1.29
(NPA+90days)/(Loan+OREO)(4)	**1.48**	1.59	1.75	1.76	1.68

(1) Nonaccrual loans and leases related to Chapter 7 bankruptcy loans were $59.9 million, $60.1 million, and $63.0 million at March 31, 2013, December 31, 2012, and September 30, 2012, respectively.
(2) Other nonperforming assets represent an investment security backed by a municipal bond.
(3) This ratio is calculated as nonperforming assets divided by the sum of loans and leases, other nonperforming assets, and net other real estate.
(4) This ratio is calculated as the sum of nonperforming assets and total accruing loans and leases past due 90 days or more divided by the sum of loans and leases and net other real estate.

The $30.3 million, or 7%, decline in NPAs compared with December 31, 2012, primarily reflected:

$16.3 million, or 13%, decline in CRE NALs, reflecting both NCO activity and problem credit resolutions, including borrower payments and payoffs partially resulting from successful workout strategies implemented by our SAD. 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.

$9.8 million, or 11%, decline in C&I NALs, reflecting problem credit resolutions, including payoffs partially resulting from successful workout strategies implemented by our SAD. The decline was associated with loans throughout our footprint, with no specific industry concentration.

$4.0 million, or 3%, decrease in residential mortgage NALs, primarily due to successful workouts of several larger problem loans as well as a lower level of inflows compared to prior quarters. The NAL balances have been written down to collateral value, less anticipated selling costs which substantially limits any significant future risk of additional loss on these loans.

Partially offset by:

$3.9 million, or 7%, increase in home equity NALs, primarily reflecting lower NCOs as we continue to work with troubled borrowers to take advantage of the current low interest-rate environment and the recent stabilization of home prices. The NAL balances have been written down to collateral value, less anticipated selling costs which substantially limits any significant future risk of additional loss on these loans, and make a modification more likely for borrowers with consistent cash flow.

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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 14 - Accruing and Nonaccruing Troubled Debt Restructured Loans

	2013	2012			
(dollar amounts in thousands)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Troubled debt restructured loans accruing:					
Commercial and industrial	**$ 90,642**	$ 76,586	$ 55,809	$ 57,008	$ 53,795
Commercial real estate	**192,167**	208,901	222,155	202,190	231,923
Automobile	**34,379**	35,784	33,719	34,460	35,521
Home equity	**162,087**	110,581	92,763	66,997	59,270
Residential mortgage	**288,041**	290,011	280,890	298,967	294,836
Other consumer	**2,514**	2,544	2,644	3,038	4,233
Total troubled debt restructured loans accruing	**769,830**	724,407	687,980	662,660	679,578
Troubled debt restructured loans nonaccruing:					
Commercial and industrial	**14,970**	19,268	28,859	35,535	26,886
Commercial real estate	**26,588**	32,548	20,284	55,022	39,606
Automobile	**6,770**	7,823	11,814		
Home equity	**11,235**	6,951	7,756	374	334
Residential mortgage	**84,317**	84,515	83,163	28,332	29,549
Other consumer		113	113	113	113
Total troubled debt restructured loans nonaccruing	**143,880**	151,218	151,989	119,376	96,488
Total troubled debt restructured loans	**$ 913,710**	$ 875,625	$ 839,969	$ 782,036	$ 776,066

The increase in the accruing TDR home equity portfolio is primarily related to the refinancing of certain maturing lines-of-credit structured as a 10-year draw period with a balloon payment to a new loan with a 20-year amortization period. Based on the borrower s financial condition, we believe the new 20-year amortizing loan would not have been available to the borrower through normal channels or other sources. As such, we view this as a concession and have designated the new loan as a TDR.

Our strategy is to structure commercial TDRs in a manner that avoids new concessions subsequent to the initial TDR terms. However, there are times when subsequent modifications are required, such as when the modified loan matures. Often the loans are performing in accordance with the TDR terms, and a new note is originated with similar modified terms. These loans are subjected to the normal underwriting standards and processes for other similar credit extensions, both new and existing. If the loan is not performing in accordance with the existing TDR terms, typically a more aggressive strategy is put in place. 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. A continuation of the prior note requires the continuation of the TDR designation, and because the refinanced note constitutes a new legal agreement, they are included in our TDR activity table (below) as a new TDR and a restructured TDR removal during the period.

The types of concessions granted are consistent with those granted on new TDRs and include interest rate reductions, amortization or maturity date changes beyond what the collateral supports, and principal forgiveness based on the borrower s specific needs at a point in time. Our policy does not limit the number of times a loan may be modified. A loan may be modified multiple times if it is considered to be in the best interest of both the borrower and us.

Loans are not automatically considered to be accruing TDRs upon the granting of a new concession. Accrual status is determined based on delinquency status and whether collection of principal and interest is in doubt. If the loan is not 90-days past due and no loss is expected based on the modified terms, the modified TDR remains in accruing status. For loans that are on nonaccrual status before the modification, collection of both principal and interest must not be in doubt, and the borrower must be able to exhibit sufficient cash flows for a six-month period of time to service the debt in order to return to accruing status. This six-month period could extend before or after the restructure date.

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The following table reflects TDR activity for each of the past five quarters:

Table 15 - Troubled Debt Restructured Loan Activity

	2013	2012			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
TDRs, beginning of period	**$ 875,625**	$ 839,968	$ 782,035	$ 776,065	$ 805,650
New TDRs	**164,407**	169,850	196,707	94,631	136,237
Payments	**(44,183)**	(61,491)	(51,125)	(38,299)	(40,120)
Charge-offs	**(5,395)**	(16,985)	(22,537)	(16,551)	(25,042)
Sales	**(4,814)**	(2,933)	(3,978)	(1,840)	(5,036)
Transfer to OREO	**(1,124)**	(3,403)	(15,974)	(860)	(1,472)
Restructured TDRs accruing[1]	**(53,936)**	(40,682)	(30,439)	(20,135)	(62,327)
Restructured TDRs nonaccruing[1]	**(10,674)**	(7,138)	(14,721)	(10,833)	(30,388)
Other	**(6,196)**	(1,561)		(143)	(1,437)
TDRs, end of period	**$ 913,710**	$ 875,625	$ 839,968	$ 782,035	$ 776,065

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

ACL

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

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 2013 first quarter was $29.6 million, compared with $39.5 million in the prior quarter and $34.4 million in the year-ago quarter. *(See Provision for Credit Losses discussion).*

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

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.

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

Table 16 - Allocation of Allowance for Credit Losses (1)

	2013		2012							
(dollar amounts in thousands)	**March 31,**		December 31,		September 30,		June 30,		March 31,	
Commercial										
Commercial and industrial	**$ 238,098**	**42%**	$ 241,051	42%	$ 257,081	41%	$ 280,548	41%	$ 246,026	39%
Commercial real estate	**267,436**	**12**	285,369	14	280,376	13	305,391	14	339,494	14
Total commercial	**505,534**	**54**	526,420	56	537,457	54	585,939	55	585,520	53
Consumer										
Automobile	**35,973**	**12**	34,979	11	33,281	11	30,217	10	36,552	12
Home equity	**115,858**	**21**	118,764	20	122,605	21	135,562	21	168,898	20
Residential mortgage	**63,062**	**12**	61,658	12	67,220	13	78,015	13	89,129	13
Other consumer	**26,342**	**1**	27,254	1	28,579	1	29,913	1	32,970	2
Total consumer	**241,235**	**46**	242,655	44	251,685	46	273,707	45	327,549	47
Total allowance for loan and lease losses	**746,769**	**100%**	769,075	100%	789,142	100%	859,646	100%	913,069	100%
Allowance for unfunded loan commitments	**40,855**		40,651		53,563		50,978		50,934	
Total allowance for credit losses	**$ 787,624**		$ 809,726		$ 842,705		$ 910,624		$ 964,003	
Total allowance for loan and leases losses as % of:										
Total loans and leases		**1.81%**		1.89%		1.96%		2.15%		2.24%
Nonaccrual loans and leases		**196**		189		177		181		195
Nonperforming assets		**180**		173		155		164		173
Total allowance for credit losses as % of:										
Total loans and leases		**1.91%**		1.99%		2.09%		2.28%		2.37%
Nonaccrual loans and leases		**207**		199		189		192		206
Nonperforming assets		**190**		182		165		174		183

(1) Percentages represent the percentage of each loan and lease category to total loans and leases.

The reduction in the ALLL compared with December 31, 2012 primarily reflected a decline in the CRE portfolio. This decline reflected significant improvements in the level of Criticized and Classified loans combined with lower CRE loan balances.

The ACL to total loans declined to 1.91% at March 31, 2013, compared to 1.99% at December 31, 2012. 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. The Federal Reserve Bank of Philadelphia Coincident Economic Activity Index, a proxy for overall economic growth, indicates the recoveries in Michigan, Ohio, and Indiana have been stronger than in the overall United States since the recession ended in June 2009. The firming of natural gas prices and a gradual improvement in the global economy should also provide some additional support to economic growth as the year progresses.

We have significant exposure to loans secured by residential real estate and continue to be an active lender in our communities. Recently, real estate values have begun to slowly rise from their 2011 levels. Industry indices, as well as our own view of our primary markets, indicate home prices continued to slowly increase across our primary markets. In aggregate, the housing markets in our footprint states have mirrored the national recovery trend.

Given the combination of these noted positive and negative factors, we believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

NCOs

Any loan in any portfolio may be charged-off prior to the policies described below if a loss confirming event has occurred. Loss confirming events include, but are not limited to, bankruptcy (unsecured), continued delinquency, foreclosure, or receipt of an asset valuation indicating a collateral deficiency and that asset is the sole source of repayment. Additionally, discharged, collateral dependent non-reaffirmed debt in Chapter 7 bankruptcy filings will result in a charge-off to estimated collateral value, less anticipated selling costs at the time of the modification.

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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.

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

Table 17 - Quarterly Net Charge-off Analysis

	2013	2012			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Net charge-offs by loan and lease type:					
Commercial:					
Commercial and industrial	**$ 3,317**	$ 7,052	$ 13,023	$ 15,678	$ 28,495
Commercial real estate:					
Construction	**(798)**	11,038	(280)	(1,531)	(1,186)
Commercial	**13,576**	10,333	17,654	30,709	11,692
Commercial real estate	**12,778**	21,371	17,374	29,178	10,506
Total commercial	**16,095**	28,423	30,397	44,856	39,001
Consumer:					
Automobile	**2,594**	1,896	4,019	449	3,078
Home equity	**19,982**	25,013	46,592	21,045	23,729
Residential mortgage	**6,148**	9,687	16,880	10,786	10,570
Other consumer	**6,868**	5,111	7,207	7,109	6,614
Total consumer	**35,592**	41,707	74,698	39,389	43,991
Total net charge-offs	**$ 51,687**	$ 70,130	$ 105,095	$ 84,245	$ 82,992
Net charge-offs annualized percentages:					
Commercial:					
Commercial and industrial	**0.08%**	0.17%	0.32%	0.39%	0.77%
Commercial real estate:					
Construction	**(0.53)**	7.67	(0.20)	(1.05)	(0.79)
Commercial	**1.16**	0.84	1.37	2.24	0.89
Commercial real estate	**0.97**	1.56	1.21	1.92	0.72
Total commercial	**0.29**	0.52	0.55	0.81	0.75
Consumer:					
Automobile	**0.21**	0.17	0.40	0.04	0.27
Home equity	**0.95**	1.20	2.23	1.01	1.15
Residential mortgage	**0.49**	0.75	1.30	0.82	0.82
Other consumer	**6.67**	4.74	6.49	6.15	5.45
Total consumer	**0.76**	0.91	1.65	0.83	0.95
Net charge-offs as a % of average loans	**0.51%**	0.69%	1.05%	0.82%	0.85%

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 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 or 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, with increasing reserve factors applied based on the risk characteristics of the loan, 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.

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.

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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.

2013 First Quarter versus 2012 Fourth Quarter

C&I NCOs decreased $3.7 million, or 53%, primarily reflecting higher recoveries from prior charge-offs. Current quarter NCOs did not represent any specific concentration in either geography or project type. Given the relatively low absolute level of NCOs in this portfolio, some degree of volatility on a quarter to quarter basis is expected.

CRE NCOs decreased $8.6 million, or 40%. As with the C&I portfolio, given the low absolute level of NCOs in the portfolio, some degree of volatility on a quarter to quarter basis is expected.

Automobile NCOs increased $0.7 million, or 37%, consistent with our expectations for the portfolio. 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 2013.

Residential mortgage NCOs decreased $3.5 million, or 37%, primarily reflecting a continuation of the improving trend for this portfolio.

Home equity NCOs decreased $5.0 million, or 20%. The current quarter reflected fewer significant dollar size losses compared to the prior quarter.

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, and credit spreads. We have identified two primary sources of market risk: interest rate risk and price risk.

Interest Rate Risk

OVERVIEW

Huntington actively manages interest rate risk, as changes in market interest rates can have a significant impact on reported earnings. The interest rate risk process is designed to compare income simulations in market scenarios designed to alter the direction, magnitude, and speed of interest rate changes, as well as the slope of the yield curve. These scenarios are designed to illustrate the embedded optionality in the balance sheet from, among other things, faster or slower mortgage prepayments and changes in deposit mix.

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 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.

Huntington uses two approaches to model interest rate risk: Interest Sensitive Earnings at Risk (ISE analysis) and Economic Value of Equity (EVE analysis). Under ISE analysis, net interest income is modeled utilizing various assumptions for assets, liabilities, and derivative positions under various interest rate scenarios over a one year time horizon. Market implied forward rates and various likely and extreme interest rate scenarios are used for ISE analysis. These likely and extreme scenarios include rapid and gradual interest rate ramps, rate shocks and yield curve twists.

The ISE analysis used in the following table reflects the analysis used monthly by management. It models gradual -25, +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 forward yield curve. Due to the current low level of interest rates, the analysis reflects a declining interest rate scenario of 25 basis points, the point at which many assets and liabilities reach zero percent.

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Huntington is within Board policy limits for the +100 and +200 basis point scenarios. There is no policy limit for the -25 basis point scenario. The table below shows the results of the scenario as of March 31, 2013:

Table 18 - Interest Sensitive Earnings at Risk

	Interest Sensitive Earnings at Risk (%)		
Basis point change scenario	-25	+100	+200
Board policy limits		-2.0%	-4.0%
March 31, 2013	**-0.6**	**1.8**	**3.1**

The ISE at risk reported at March 31, 2013, shows that Huntington is asset sensitive, meaning that earnings increase (decrease) when rates rise (fall). The primary reason for these results is that more assets (primarily LIBOR-indexed loans to customers) than liabilities (primarily non-maturity deposits) will reprice over the modeled one-year period.

The following table shows the income sensitivity of selected assets and liabilities to changes in market interest rates. The table compares the ISE analysis for selected Huntington portfolios to a portfolio that assumes 100% sensitivity to changes in interest rates. We calculate the percent change in interest income/expense as the change in the base Huntington portfolio divided by the change in the 100% sensitive portfolio.

The results for the +100 and +200 basis point ramps also confirm the asset sensitive nature of the portfolio. In both the +100 and +200 basis point ramps, interest income for total loans (37.1% and 38.5%, respectively) increases faster than interest expense for interest bearing deposits (33.5% and 35.5%, respectively). Additionally, total borrowings show changes in interest expense of 62.5% and 66.9% for +100 and +200 basis point scenarios, respectively. While these results are high, since total borrowings represent a small percentage of total interest-sensitive liabilities, the financial impact of their sensitivity to rising rates is minimal. The -25 basis point parallel ramp confirms the asset sensitive position as the interest income for total loans (-9.7%), decreases faster than the interest expense of deposits (-7.4%).

Table 19 - Interest Income/Expense Sensitivity

	Percent of Total Earning Assets (1)	Percent Change in Interest Income/Expense For a Given Change in Interest Rates Over / (Under) Base Case Parallel Ramp		
Basis point change scenario		-25	+100	+200
Total loans	81%	-9.7%	37.1%	38.5%
Total investments and other earning assets	19	-5.7	31.5	24.0
Total interest-sensitive income		-8.9	35.3	35.3
Total interest-bearing deposits	67	-7.4	33.5	35.5
Total borrowings	4	-13.5	62.5	66.9
Total interest-sensitive expense		-7.9	35.7	37.9

(1) At March 31, 2013

The EVE analysis measures the market value of assets minus the market value of liabilities, and the change in this equity value as rates change. Management focuses on the -25, +100, and +200 basis point shock scenarios.

The EVE analysis used in the following table reflects the analysis used monthly by management. It models immediate -25, +100 and +200 basis point parallel shifts in market interest rates. Due to the current low level of interest rates, the analysis reflects a declining interest rate scenario of 25 basis points, the point at which many assets and liabilities reach zero percent.

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Huntington is within Board policy limits for the +100 and +200 basis point scenarios. There is no policy limit for the -25 basis point scenario. The table below shows the results of the scenario as of March 31, 2013:

Table 20 - Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)		
Basis point change scenario	-25	+100	+200
Board policy limits		-5.0%	-12.0%
March 31, 2013	**0.6**	**-3.9**	**-9.2**

The EVE at risk reported at March 31, 2013, shows that as interest rates increase (decrease) immediately, the economic value of equity position will decrease (increase), since the amount and duration of the assets are longer than the amount and duration of liabilities. When interest rates rise, fixed rate assets generally lose economic value; the longer the duration, the greater the value lost. The opposite is true when interest rates fall.

The following table details the economic value sensitivity to changes in market interest rates at March 31, 2013 for loans, investments, deposits, and borrowings. The change in economic value for each portfolio is measured as the percent change from the base economic value for that portfolio. The analysis reflects that, in a sharply higher rate scenario, total tangible assets are more sensitive than total tangible liabilities. Investments and other earning assets contribute to this sensitivity, largely due to fixed rate securities investments.

Table 21 - Economic Value Sensitivity

	Percent of Total Net Tangible Assets (1)	Percent Change in Economic Value For a Given Change in Interest Rates Over / (Under) Base Case Parallel Shocks		
Basis point change scenario		-25	+100	+200
Total loans	74%	0.4%	-1.6%	-3.4%
Total investments and other earning assets	18	0.7	-3.3	-6.9
Total net tangible assets (2)		0.4	-1.9	-4.0
Total deposits	84	-0.4	1.7	3.2
Total borrowings	4	-0.2	0.5	1.1
Total net tangible liabilities (3)		-0.4	1.6	3.1

(1) At March 31, 2013.
(2) Tangible assets excluding ALLL.
(3) Tangible liabilities excluding AULC.

MSRs

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

At March 31, 2013, we had a total of $139.9 million of capitalized MSRs representing the right to service $15.4 billion in mortgage loans. Of this $139.9 million, $35.6 million was recorded using the fair value method, and $104.3 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.

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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 ROC 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.

Investment securities portfolio

The expected weighted average maturities of our AFS and HTM portfolios are significantly shorter than their contractual maturities as reflected in Note 4 and Note 5 of the Unaudited Notes to Condensed Consolidated Financial Statements. Particularly regarding MBS and ABS securities, prepayments of principal and interest that historically occur in advance of scheduled maturities will shorten the expected life of these portfolios. The expected weighted average maturities, which take account of the expected prepayments of principal and interest under existing interest rate conditions, are shown in the following table:

Table 22 - Expected life of investment securities

	March 31, 2013			
	Available-for-Sale & Other Securities		**Held-to-Maturity Securities**	
(dollar amounts in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Under 1 year	$ 375,415	$ 379,254	$	$
1 - 5 years	5,189,188	5,322,001	1,001,034	1,021,324
6 - 10 years	1,298,868	1,310,177	682,230	702,318
Over 10 years	256,080	164,489	9,810	9,812
Other securities	328,199	328,718		
Total	$ 7,447,750	$ 7,504,639	$ 1,693,074	$ 1,733,454

Bank Liquidity and Sources of Liquidity

Our primary sources of funding for the Bank are retail and commercial core deposits. At March 31, 2013, these core deposits funded 79% of total assets (108% of total loans). At March 31, 2013 and December 31, 2012, total core deposits represented 94% and 95%, respectively, 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.

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Core deposits may increase our need for liquidity as certificates of deposit mature or are withdrawn before maturity and as nonmaturity deposits, such as checking and savings account balances, are withdrawn. Noninterest-bearing demand deposits increased $0.2 billion from December 31, 2012, 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 $12.9 million and $17.2 million at March 31, 2013 and December 31, 2012, respectively. Other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs totaled $2.2 billion and $1.9 billion at March 31, 2013 and December 31, 2012, respectively.

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

Table 23 - Deposit Composition

	2013		2012							
(dollar amounts in millions)	**March 31,**		December 31,		September 30,		June 30,		March 31,	
By Type										
Demand deposits noninterest-bearing	**$ 12,757**	**27%**	$ 12,600	27%	$ 12,680	27%	$ 12,324	27%	$ 11,797	26%
Demand deposits interest-bearing	**6,135**	**13**	6,218	13	5,909	13	6,060	13	6,126	14
Money market deposits	**15,165**	**32**	14,691	32	14,926	32	13,756	30	13,169	29
Savings and other domestic deposits	**5,174**	**11**	5,002	11	4,949	11	4,961	11	4,954	11
Core certificates of deposit	**5,170**	**11**	5,516	12	5,817	12	6,508	14	6,920	15
Total core deposits	**44,401**	**94**	44,027	95	44,281	95	43,609	95	42,966	95
Other domestic deposits of $250,000 or more	**355**	**1**	354	1	352	1	260	1	325	1
Brokered deposits and negotiable CDs	**1,807**	**4**	1,594	3	1,795	4	1,888	4	1,276	3
Deposits in foreign offices	**304**	**1**	278	1	313		319		442	1
Total deposits	**$ 46,867**	**100%**	$ 46,253	100%	$ 46,741	100%	$ 46,076	100%	$ 45,009	100%
Total core deposits:										
Commercial	**$ 18,502**	**42%**	$ 18,358	42%	$ 19,207	43%	$ 18,324	42%	$ 17,101	40%
Consumer	**25,899**	**58**	25,669	58	25,074	57	25,285	58	25,865	60
Total core deposits	**$ 44,401**	**100%**	$ 44,027	100%	$ 44,281	100%	$ 43,609	100%	$ 42,966	100%

Table 24 - Federal Funds Purchased and Repurchase Agreements

	2013	2012			
(dollar amounts in millions)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Balance at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 725**	$ 576	$ 1,249	$ 1,191	$ 1,482
Other short-term borrowings	**8**	14	11	15	22
Weighted average interest rate at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**0.09%**	0.15%	0.14%	0.19%	0.14%
Other short-term borrowings	**2.50**	1.98	1.99	1.57	0.81
Maximum amount outstanding at month-end during the period					

Federal Funds purchased and securities sold under agreements to repurchase	**$ 781**	$ 1,166	$ 1,464	$ 1,286	$ 1,590
Other short-term borrowings	**9**	26	16	26	23
Average amount outstanding during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 752**	$ 996	$ 1,315	$ 1,365	$ 1,501
Other short-term borrowings	**10**	16	15	26	11
Weighted average interest rate during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**0.10%**	0.12%	0.15%	0.15%	0.14%
Other short-term borrowings	**2.13**	1.52	1.67	0.92	1.76

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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. Sources of wholesale funding include other domestic time deposits of $250,000 or more, brokered deposits and negotiable CDs, deposits in foreign offices, short-term borrowings, FHLB advances, other long-term debt, and subordinated notes. At March 31, 2013, total wholesale funding was $4.7 billion, a decrease from $5.2 billion at December 31, 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 25 - Federal Reserve and FHLB Borrowing Capacity

(dollar amounts in billions)	**March 31, 2013**	December 31, 2012
Loans and securities pledged:		
Federal Reserve Bank	**$ 10.9**	$ 10.2
FHLB	**8.1**	8.2
Total loans and securities pledged	**$ 19.0**	$ 18.4
Total unused borrowing capacity at Federal Reserve Bank and FHLB	**$ 11.8**	$ 10.3

At March 31, 2013, we believe the Bank had 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 securities.

At March 31, 2013 and December 31, 2012, the parent company had $1.0 billion and $0.9 billion, respectively, in cash and cash equivalents.

On April 17, 2013, we announced that the board of directors had declared a quarterly common stock cash dividend of $0.05 per common share. The dividend is payable on July 1, 2013, to shareholders of record on June 17, 2013. Based on the current quarterly dividend of $0.05 per common share, cash demands required for common stock dividends are estimated to be approximately $41.9 million per quarter. Based on the current dividend, cash demands required for Series A Preferred Stock are estimated to be approximately $7.7 million per quarter. Cash demands required for Series B Preferred Stock are expected to be approximately $0.3 million per quarter.

Based on a regulatory dividend limitation, the Bank could not have declared and paid a dividend to the parent company at March 31, 2013, without regulatory approval due to the deficit position of its undivided profits. We do not anticipate that the Bank will need 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.

Other parent company obligations due in the next 12 months include a $50 million subordinated note due in April 2013.

With the exception of the items discussed above, the parent company does not have any significant cash demands. It is our policy to keep operating cash on hand at the parent company to satisfy expected cash demands for the next 18 months.

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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. The Bank and other subsidiaries fund approximately 90% of pension contributions. Although not required, Huntington may choose to make a cash contribution to the Plan up to the maximum deductible limit in the 2013 plan year. 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.

Basel III includes short-term liquidity (Liquidity Coverage Ratio) and long-term funding (Net Stable Funding Ratio) standards. The Liquidity Coverage Ratio, or LCR, is designed to ensure that banking organizations maintain an adequate level of cash, or assets that can readily be converted to cash, to meet potential short-term liquidity needs. On January 7, 2013, the Basel Committee on Banking Supervision (BCBS) issued a final standard on the Liquidity Coverage Ratio. The final standard delays full implementation of the LCR. Partial implementation begins on January 1, 2015 with 60% of the high quality liquid assets requirement and increases ratably until full implementation of the LCR effective January 1, 2019. The Net Stable Funding Ratio, which is scheduled to take effect by January 1, 2018, is designed to promote a stable maturity structure of assets and liabilities of banking organizations over a one-year time horizon. These requirements are subject to change by our banking regulators.

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

Off-Balance Sheet Arrangements

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

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

Through our credit process, we monitor the credit risks of outstanding standby letters-of-credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At March 31, 2013, we had $478.8 million of standby letters-of-credit outstanding, of which 81% were collateralized. Included in this $478.8 million are letters-of-credit issued by the Bank that support securities that were issued by our customers and remarketed by The Huntington Investment Company, our broker-dealer subsidiary.

We enter into forward contracts relating to the mortgage banking business to hedge the exposures we have from commitments to extend new residential mortgage loans to our customers and from our mortgage loans held for sale. At March 31, 2013 and December 31, 2012, we had commitments to sell residential real estate loans of $737.3 million and $849.8 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 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 ROC, 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 currently 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 26 - Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	2013	2012			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Reserve for representations and warranties, beginning of period	**$ 28,588**	$ 27,468	$ 26,298	$ 24,802	$ 23,218
Reserve charges	**(2,470)**	(3,062)	(2,833)	(2,677)	(2,056)
Provision for representations and warranties	**2,814**	4,182	4,003	4,173	3,640
Reserve for representations and warranties, end of period	**$ 28,932**	$ 28,588	$ 27,468	$ 26,298	$ 24,802

Table 27 - Mortgage Loan Repurchase Statistics

	2013	2012			
(dollar amounts in thousands)	**First**	Fourth	Third	Second	First
Number of loans sold	**5,798**	7,696	6,093	5,935	6,621
Amount of loans sold (UPB)	**$ 846,419**	$ 1,124,286	$ 992,310	$ 890,592	$ 1,008,055
Number of loans repurchased (1)	**46**	79	44	55	41
Amount of loans repurchased (UPB) (1)	**$ 5,874**	$ 9,563	$ 5,721	$ 8,998	$ 4,841
Number of claims received	**146**	166	139	227	134
Successful dispute rate (2)	**62%**	45%	44%	48%	46%
Number of make whole payments (3)	**29**	48	39	47	33
Amount of make whole payments (3)	**$ 2,274**	$ 2,876	$ 2,815	$ 2,130	$ 1,611

(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 continuously review our processes and controls to ensure that our foreclosure processes are appropriate.

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Compliance Risk

Financial institutions are subject to several laws, rules, and regulations at both the federal and state levels. These broad-based mandates include, but are not limited to, expectations relating to anti-money laundering, lending limits, client privacy, fair lending, and community reinvestment. Additionally, the volume and complexity of recent regulatory changes have increased our overall compliance risk. As such, we utilize various resources to help ensure expectations are met, including a team of compliance experts dedicated to ensuring our conformance with all applicable laws, rules, and regulations. Our colleagues receive training for several broad-based laws and regulations including, but not limited to, anti-money laundering and customer privacy. Additionally, colleagues engaged in lending activities receive training for laws and regulations related to flood disaster protection, equal credit opportunity, fair lending, and / or 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 NPRs would establish more restrictive capital definitions, higher risk-weightings for certain asset classes, capital buffers and higher minimum capital ratios. The NPRs were in a comment period through October 22, 2012, and those comments are currently being evaluated by the Agencies. In late 2012, the Agencies announced that implementation of the BASEL III requirements would be delayed as certain aspects of the NPRs were to be enacted in 2013.

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

Capital Planning

In 2012, we participated in the FRB s CapPR process and made our capital plan submission in January 2013. On March 14, 2013, 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 $227.0 million of common stock and an increase of our common per share dividend from $0.04 to $0.05 through the 2014 first quarter.

We will be subject to the Federal Reserve s supervisory stress tests beginning in late 2013. In October 2012, the OCC issued its Annual Stress Test final rule. In that ruling, the OCC stipulated it will consult closely with the Federal Reserve to provide common stress scenarios for use at both the depository institution and holding company levels. The OCC has deferred the requirement for us to complete separate annual stress tests at the bank-level until 2013.

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 March 31, 2013, 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).

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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 28 - Capital Adequacy

	2013	2012			
(dollar amounts in millions)	**March 31,**	December 31,	September 30,	June 30,	March 31,
Consolidated capital calculations:					
Common shareholders equity	**$ 5,481**	$ 5,404	$ 5,422	$ 5,263	$ 5,164
Preferred shareholders equity	**386**	386	386	386	386
Total shareholders equity	**5,867**	5,790	5,808	5,649	5,550
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(124)**	(132)	(144)	(159)	(171)
Other intangible assets deferred tax liability (1)	**43**	46	50	56	60
Total tangible equity (2)	**5,342**	5,260	5,270	5,102	4,995
Preferred shareholders equity	**(386)**	(386)	(386)	(386)	(386)
Total tangible common equity (2)	**$ 4,956**	$ 4,874	$ 4,884	$ 4,716	$ 4,609
Total assets	**$ 56,055**	$ 56,153	$ 56,443	$ 56,623	$ 55,877
Goodwill	**(444)**	(444)	(444)	(444)	(444)
Other intangible assets	**(124)**	(132)	(144)	(159)	(171)
Other intangible assets deferred tax liability (1)	**43**	46	50	56	60
Total tangible assets (2)	**$ 55,530**	$ 55,623	$ 55,905	$ 56,076	$ 55,322
Tier 1 capital	**$ 5,829**	$ 5,741	$ 5,720	$ 5,714	$ 5,709
Preferred shareholders equity	**(386)**	(386)	(386)	(386)	(386)
Trust preferred securities	**(299)**	(299)	(335)	(449)	(532)
REIT preferred stock	**(50)**	(50)	(50)	(50)	(50)
Tier 1 common equity (2)	**$ 5,094**	$ 5,006	$ 4,949	$ 4,829	$ 4,741
Risk-weighted assets (RWA)	**$ 47,937**	$ 47,773	$ 48,147	$ 47,890	$ 46,716
Tier 1 common equity / RWA ratio (2)	**10.62%**	10.48%	10.28%	10.08%	10.15%
Tangible equity / tangible asset ratio (2)	**9.62**	9.46	9.43	9.10	9.03
Tangible common equity / tangible asset ratio (2)	**8.92**	8.76	8.74	8.41	8.33
Tangible common equity / RWA ratio (2)	**10.34**	10.20	10.14	9.85	9.86

(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 14 basis points to 10.62% at March 31, 2013, compared with 10.48% at December 31, 2012. This increase primarily reflected the combination of an increase in retained earnings, partially offset by the repurchase of 4.7 million common shares and the impacts related to the payments of dividends.

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

Table 29 - Regulatory Capital Data

		2013	2012			
(dollar amounts in millions)		**March 31,**	December 31,	September 30,	June 30,	March 31,
Total risk-weighted assets	Consolidated	**$ 47,937**	$ 47,773	$ 48,147	$ 47,890	$ 46,716
	Bank	**47,842**	47,676	48,033	47,786	46,498
Tier 1 risk-based capital	Consolidated	**5,829**	5,741	5,720	5,714	5,709
	Bank	**5,162**	5,003	4,818	4,636	4,437
Tier 2 risk-based capital	Consolidated	**1,144**	1,187	1,192	1,190	1,186
	Bank	**947**	1,091	1,196	1,294	1,372
Total risk-based capital	Consolidated	**6,973**	6,928	6,912	6,904	6,895
	Bank	**6,109**	6,094	6,014	5,930	5,809
Tier 1 leverage ratio	Consolidated	**10.57%**	10.36%	10.29%	10.34%	10.55%
	Bank	**9.38**	9.05	8.68	8.42	8.24
Tier 1 risk-based capital ratio	Consolidated	**12.16**	12.02	11.88	11.93	12.22
	Bank	**10.79**	10.49	10.03	9.70	9.54
Total risk-based capital ratio	Consolidated	**14.55**	14.50	14.36	14.42	14.76
	Bank	**12.77**	12.78	12.52	12.41	12.49

The increase in our consolidated Tier 1 risk-based capital ratios compared with December 31, 2012, primarily reflected an increase in retained earnings, partially offset by the repurchase of 4.7 million common shares and the impacts related to the payments of dividends.

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 $5.9 billion at March 31, 2013, representing a $0.1 billion, or 1%, increase compared with December 31, 2012, 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 April 17, 2013, our board of directors declared a quarterly cash dividend of $0.05 per common share, payable on July 1, 2013. Also, cash dividends of $0.04 per share were declared on January 17, 2013. Our 2013 capital plan to the FRB *(see Capital Planning section above)* included quarterly common dividends of $0.05 per common share through the 2014 first quarter.

On April 17, 2013, 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 on July 15, 2013. Also, cash dividends of $21.25 per share were declared on January 17, 2013.

On April 17, 2013, our board of directors also declared a quarterly cash dividend on our Floating Rate Series B Non-Cumulative Perpetual Preferred Stock of $7.44 per share. The dividend is payable on July 15, 2013. Also, cash dividends of $7.51 per share were declared on January 17, 2013.

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 has authorized a share repurchase program consistent with our capital plan of the potential repurchase of up to $227.0 million of common stock. During the three-month period ended March 31, 2013, we repurchased 4.7 million common shares at a weighted average share price of $7.07.

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Fair Value

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, additional discussion regarding fair value measurements, and a brief description of how fair value is determined for categories that have unobservable inputs, can be found in Note 13 of the Notes to Unaudited Condensed Consolidated Financial Statements.

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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 2013, we continue to experience strong consumer household and commercial relationship 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. We have made significant strides toward our 4+ cross-sell threshold and as we hold ourselves to a higher performance standard, we plan to increase our goals and measurement to drive 6+ products and services for our consumer customers.

The following table presents consumer checking account household OCR metrics:

Table 30 - Consumer Checking Household OCR Cross-sell Report

	2013	2012			
	First	Fourth	Third	Second	First
Number of households	**1,265,086**	1,228,812	1,203,508	1,167,413	1,134,444
Product Penetration by Number of Services (1)					
1 Service	**2.7%**	3.1%	4.3%	3.6%	3.7%

2-3 Services	**17.3**	18.6	19.8	20.4	21.2
4+ Services	**80.0**	78.3	75.9	76.0	75.1
Total revenue *(in millions)*	**$ 239.4**	$ 251.2	$ 246.0	$ 249.7	$ 236.5

(1) The definitions and measurements used in our OCR process are periodically reviewed.

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 4 or more products at the end of the 2013 first quarter was 80.0%, up from 78.3% at the end of last year. For 2013, consumer household checking accounts grew at an 11.8% annualized rate. Total consumer checking account household revenue in the 2013 first quarter was $239.4 million, down $11.8 million, or 5%, from the 2012 fourth quarter, primarily related to typical seasonality and the February 2013 implementation of a new posting order for consumer transaction accounts. Total consumer checking account household revenue was up $2.9 million, or 1%, from the year-ago.

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 31 - Commercial Relationship OCR Cross-sell Report

	2013	2012			
	First	Fourth	Third	Second	First
Commercial Relationships (1)	**155,584**	151,083	149,333	147,190	142,947
Product Penetration by Number of Services (2)					
1 Service	**23.7%**	24.6%	25.9%	26.5%	27.2%
2-3 Services	**40.2**	40.4	40.6	40.9	40.2
4+ Services	**36.1**	35.0	33.5	32.6	32.7
Total revenue *(in millions)*	**$ 175.1**	$ 189.8	$ 175.7	$ 189.2	$ 169.7

(1) Checking account required.
(2) The definitions and measurements used in our OCR process are periodically reviewed.

By focusing on targeted relationships we are able to achieve higher product service distribution among our commercial relationships, but leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships utilizing 4 or more products at the end of 2013 first quarter was 36.1%, up from 35.0% from the prior year. For the first three-month period of 2013, commercial relationships grew a 11.9% annualized rate. Total commercial relationship revenue in the 2013 first quarter was $175.1 million, down $14.7 million, 8%, from the 2012 fourth quarter. This was due to lower commercial customer transaction volumes.

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.

The $27.8 million, or 295%, year over year increase in net income for Treasury/Other was primarily the result of the FTP process described above; partially offset by an increase in personnel costs.

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Net Income by Business Segment

We reported net income of $151.8 million during the first three-month period of 2013. This compared with net income of $153.3 million during the first three-month period of 2012. The segregation of net income by business segment for the first three-month period of 2013 and 2012 is presented in the following table:

Table 32 - Net Income by Business Segment

	Three Months Ended March 31,	
(dollar amounts in thousands)	**2013**	2012
Retail and Business Banking	**$ 13,125**	$ 17,457
Regional and Commercial Banking	**35,444**	24,042
AFCRE	**43,562**	83,502
WGH	**22,450**	18,856
Treasury/Other	**37,199**	9,413
Total net income	**$ 151,780**	$ 153,270

Average Loans/Leases and Deposits by Business Segment

The segregation of total average loans and leases and total average deposits by business segment for the first three-month period of 2013 is presented in the following table:

Table 33 - Average Loans/Leases and Deposits by Business Segment

	Three Months Ended March 31, 2013					
(dollar amounts in millions)	Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury / Other	TOTAL
Average Loans/Leases						
Commercial and industrial	$ 3,420	$ 10,556	$ 2,310	$ 609	$ 59	$ 16,954
Commercial real estate	434	411	4,247	200		5,292
Total commercial	3,854	10,967	6,557	809	59	22,246
Automobile			4,834		(1)	4,833
Home equity	7,543	8	1	870	(27)	8,395
Residential mortgage	977	7		3,995	(1)	4,978
Other consumer	319	5	62	38	(12)	412
Total consumer	8,839	20	4,897	4,903	(41)	18,618
Total loans and leases	$ 12,693	$ 10,987	$ 11,454	$ 5,712	$ 18	$ 40,864
Average Deposits						
Demand deposits noninterest-bearing	$ 5,137	$ 3,267	$ 551	$ 2,903	$ 307	$ 12,165
Demand deposits interest-bearing	4,745	96	51	1,079	6	5,977
Money market deposits	8,179	2,038	246	4,573	9	15,045
Savings and other domestic deposits	4,897	13	11	163	(1)	5,083
Core certificates of deposit	5,234	24	2	81	5	5,346
Total core deposits	28,192	5,438	861	8,799	326	43,616

Other deposits	139	230	61	824	1,143	2,397
Total deposits	$ 28,331	$ 5,668	$ 922	$ 9,623	$ 1,469	$ 46,013

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Retail and Business Banking

Table 34 - Key Performance Indicators for Retail and Business Banking

(dollar amounts in thousands unless otherwise noted)	Three Months Ended March 31, **2013**	2012	Change Amount	Percent
Net interest income	**$ 205,240**	$ 221,301	$ (16,061)	(7)%
Provision for credit losses	**32,547**	48,839	(16,292)	(33)
Noninterest income	**87,266**	89,256	(1,990)	(2)
Noninterest expense	**239,766**	234,861	4,905	2
Provision for income taxes	**7,068**	9,400	(2,332)	(25)
Net income	**$ 13,125**	$ 17,457	$ (4,332)	(25)%
Number of employees (full-time equivalent)	**5,815**	5,390	425	8%
Total average assets *(in millions)*	**$ 14,400**	$ 13,957	$ 443	3
Total average loans/leases *(in millions)*	**12,693**	12,434	259	2
Total average deposits *(in millions)*	**28,331**	27,467	864	3
Net interest margin	**2.96%**	3.24%	(0.28)%	(9)
NCOs	**$ 30,250**	$ 38,615	$ (8,365)	(22)
NCOs as a % of average loans and leases	**0.95%**	1.24%	(0.29)%	(23)
Return on average common equity	**3.7**	5.0	(1.3)	(26)

2013 First Three Months vs. 2012 First Three Months

Retail and Business Banking reported net income of $13.1 million in the first three-month period of 2013. This was a decrease of $4.3 million, or 25%, when compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

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

- 28 basis points decrease in the net interest margin. This decrease was mainly due to a decrease in deposit spreads that resulted from a reduction in the FTP rates assigned to those deposits.

Partially offset by:

- 14 basis points increase in loan spreads combined with $0.3 billion, or 2%, increase in total average loans and leases, along with a $0.9 billion, or 3%, increase in total average deposits.

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

- $0.2 billion, or 6%, increase in commercial loans.

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

- $1.0 billion, or 10%, increase in demand deposits.

- $0.8 billion, or 10%, increase in money market deposits.

Partially offset by:

- $1.1 billion, or 18%, decrease in core certificate of deposits, which reflected continued focus on product mix in reducing the overall cost of deposits.

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

- A continued improvement in the credit quality of the portfolio, as evidenced by a 29 basis point reduction in NCOs and a $18 million decline in NALs.

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

- $2.2 million decline related to miscellaneous other fee income items.
- $2.0 million, or 38%, decrease in gain on sale of loans and loan servicing revenue.

Partially offset by:

- $2.5 million, or 5%, increase in deposit service charge income due to strong household and account growth in the checking portfolio that more than offset a $4.9 million decline in service charges from a change in overdraft posting order.
- $2.1 million, or 11%, increase in electronic banking income, also due to strong consumer household growth.

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

- $4.3 million, or 6%, increase in personnel costs primarily related to the expansion of our Giant Eagle and Meijer in-store branch network.
- $3.0 million, or 4%, increase in allocated overhead expense.

Partially offset by:

- $2.6 million, or 20%, lower marketing expense.

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Regional and Commercial Banking

Table 35 - Key Performance Indicators for Regional and Commercial Banking

(dollar amounts in thousands unless otherwise noted)	Three Months Ended March 31, **2013**	2012	Change Amount	Percent
Net interest income	**$ 69,399**	$ 64,202	$ 5,197	8%
Provision (reduction in allowance) for credit losses	**(7,243)**	13,280	(20,523)	(155)
Noninterest income	**30,302**	31,933	(1,631)	(5)
Noninterest expense	**52,415**	45,867	6,548	14
Provision for income taxes	**19,085**	12,946	6,139	47
Net income	**$ 35,444**	$ 24,042	$ 11,402	47%
Number of employees (full-time equivalent)	**741**	669	72	11%
Total average assets *(in millions)*	**$ 11,800**	$ 10,259	$ 1,541	15
Total average loans/leases *(in millions)*	**10,987**	9,250	1,737	19
Total average deposits *(in millions)*	**5,668**	4,680	988	21
Net interest margin	**2.66%**	2.83%	(0.17)%	(6)
NCOs	**$ (3,933)**	$ 13,642	$ (17,575)	(129)
NCOs as a % of average loans and leases	**(0.14)%**	0.59%	(0.73)%	(124)
Return on average common equity	**14.6**	12.0	2.6	22

2013 First Three Months vs. 2012 First Three Months

Regional and Commercial Banking reported net income of $35.4 million in the first three-month period of 2013. This was an increase of $11.4 million, or 47%, compared to the year-ago period. The increase in net income reflected a combination of factors described below.

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

- $1.7 billion, or 19%, increase in total average loans and leases.
- $1.0 billion, or 21%, increase in average total deposits.

Partially offset by:

- 17 basis point decrease in the net interest margin due to compressed deposit margins resulting from declining rates and reduced FTP rates, partially offset by a small increase on the commercial loan spread.

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

- $0.7 billion, or 47%, increase in the equipment finance portfolio average balance, which reflected our focus on developing vertical strategies in business aircraft, rail industry, lender finance, and syndications.
- $0.4 billion, or 18%, increase in the large corporate portfolio average balance due to establishing relationships with targeted prospects within our footprint.

$0.4 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.

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$0.3 billion, or 7%, increase in the general middle market portfolio average balance primarily in our major metro markets overcoming a $0.3 billion or 7% reduction in the funded balances of lines of credit due to a reduction in the average utilization rate.

$0.1 billion, or 180%, increase in the franchise finance portfolio average balance, reflecting a focused effort to become an approved lender for specific franchise businesses and establishing relationships with targeted prospects within our footprint.

Partially offset by:

$0.2 billion, or 43%, decrease in commercial loans managed by SAD, which reflected improved credit quality in the portfolio.

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

$1.0 billion, or 23%, increase in core deposits, which primarily reflected a $0.6 billion increase in noninterest-bearing demand 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 and healthcare, contributed $0.7 billion of the balance growth, while large corporate accounts contributed $0.3 billion.

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

A continued improvement in the credit quality of the portfolio, as evidenced by a 73 basis point reduction in NCOs and a $42 million decline in NALs.

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

$1.8 million, or 17%, decrease in capital markets related income attributed to a $2.8 million, or 54%, decrease in sales of customer interest rate protection products, partially offset by a $0.9 million or 35% increase in foreign exchange revenue and a $0.1 million or 4% increase in institutional brokerage income driven by stronger underwriting fees and fixed-income commissions compared to the prior year.

$1.8 million, or 17%, decrease in deposit service charge income and other Treasury Management related revenue reflecting the impact of earnings credits by our customers.

Partially offset by:

$2.2 million increase related to miscellaneous other fee income items.

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

$4.6 million, or 19%, increase in personnel costs, primarily reflecting an 11% increase in FTE. This increase in personnel is attributable to our strategic investments in our core footprint markets, vertical strategies, and product capabilities.

$1.8 million, or 32%, increase in allocated overhead expense.

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Automobile Finance and Commercial Real Estate

Table 36 - Key Performance Indicators for Automobile Finance and Commercial Real Estate

	Three Months Ended March 31,		Change	
(dollar amounts in thousands unless otherwise noted)	**2013**	2012	Amount	Percent
Net interest income	**$ 88,070**	$ 90,330	$ (2,260)	(3)%
Provision (reduction in allowance) for credit losses	**(7,504)**	(42,254)	(34,750)	(82)
Noninterest income	**8,355**	34,719	(26,364)	(76)
Noninterest expense	**36,911**	38,839	(1,928)	(5)
Provision for income taxes	**23,456**	44,962	(21,506)	(48)
Net income	**$ 43,562**	$ 83,502	$ (39,940)	(48)%
Number of employees (full-time equivalent)	**268**	271	(3)	(1)%
Total average assets *(in millions)*	**$ 12,140**	$ 12,656	$ (516)	(4)
Total average loans/leases *(in millions)*	**11,454**	11,468	(14)	(0)
Total average deposits *(in millions)*	**922**	811	111	14
Net interest margin	**2.92%**	2.83%	0.09%	3
NCOs	**$ 15,448**	$ 21,410	$ (5,962)	(28)
NCOs as a % of average loans and leases	**0.54%**	0.75%	(0.21)%	(28)
Return on average common equity	**32.5**	54.4	(21.9)	(40)

2013 First Three Months vs. 2012 First Three Months

AFCRE reported net income of $43.6 million in the first three-month period of 2013. This was a decrease of $39.9 million, or 48%, compared to the year-ago period. The decrease in net income reflected a combination of factors described below.

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

- $0.6 billion, or 67%, decrease in average loans held for sale related to automobile loan securitization activities in the year-ago period.

Partially offset by:

- 9 basis point increase in the net interest margin. This increase primarily reflected purchase accounting adjustments related to certain acquired commercial and commercial real estate loan portfolios, as well as the continuation of our risk-based pricing strategies in the CRE portfolio and maintaining our pricing discipline on indirect auto loan originations.

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

- A reduction in the levels of reserve releases associated with declines in non-performing loans. During the 2013 first quarter, NALs declined $12 million as compared to $34 million during the year-ago period.

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

- $23.0 million, or 100%, decrease in gain on sale of loans resulting from the $23.0 million gain on securitization and sale of $1.3 billion of indirect auto loans in the 2012 first quarter.

$2.7 million, or 72%, 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:

$2.1 million, or 73%, decrease in operating lease expense resulting from the continued runoff of that portfolio.

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Wealth Advisors, Government Finance, and Home Lending

Table 37 - Key Performance Indicators for Wealth Advisors, Government Finance, and Home Lending

	Three Months Ended March 31,		Change	
(dollar amounts in thousands unless otherwise noted)	**2013**	2012	Amount	Percent
Net interest income	**$ 43,668**	$ 46,829	$ (3,161)	(7)%
Provision for credit losses	**11,792**	14,541	(2,749)	(19)
Noninterest income	**94,654**	87,638	7,016	8
Noninterest expense	**91,992**	90,917	1,075	1
Provision for income taxes	**12,088**	10,153	1,935	19
Net income	**$ 22,450**	$ 18,856	$ 3,594	19%
Number of employees (full-time equivalent)	**2,134**	2,012	122	6%
Total average assets *(in millions)*	**$ 7,363**	$ 7,500	$ (137)	(2)
Total average loans/leases *(in millions)*	**5,712**	5,920	(208)	(4)
Total average deposits *(in millions)*	**9,623**	9,450	173	2
Net interest margin	**1.80%**	1.88%	(0.08)%	(4)
NCOs	**$ 9,639**	$ 12,261	$ (2,622)	(21)
NCOs as a % of average loans and leases	**0.68%**	0.83%	(0.15)%	(18)
Return on average common equity	**12.5**	9.9	2.6	26
Mortgage banking origination volume (in millions)	**$ 1,119**	$ 1,157	$ (38)	(3)
Noninterest income shared with other business segments[(1)]	**9,733**	11,264	(1,531)	(14)
Total assets under management *(in billions) eop*	**17.1**	15.0	2.1	14
Total trust assets *(in billions) eop*	**76.3**	62.4	13.9	22

(1) Amount is not included in noninterest income reported above.

eop End of Period.

2013 First Three Months vs. 2012 First Three Months

WGH reported net income of $22.5 million in the first three-month period of 2013. This was an increase of $3.6 million, or 19%, when compared to the year-ago period. The increase in net income reflected a combination of factors described below.

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

8 basis point decrease in the net interest margin, primarily due to compressed deposit margins resulting from declining rates and reduced FTP rates.

$0.2 billion, or 4%, decrease in average total loans and leases.

Partially offset by:

$0.2 billion, or 2%, increase in average total deposits.

The decrease in provision for credit losses reflected:

A continued improvement in the credit quality of the portfolio, as evidenced by a 15 basis point reduction in NCOs and a $19 million decline in NALs.

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

$8.2 million increase in other income, primarily due to a gain on sale of certain Low Income Housing Tax Credit investments.

Partially offset by:

- $1.7 million, or 4%, decrease in mortgage banking income due to lower in mortgage production and a higher percentage of mortgages retained on the balance sheet.

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

- $0.7 million, or 1%, increase in personnel costs, which reflected higher sales commissions and loan origination costs primarily related to the increased mortgage origination volume.

- $0.5 million, or 3%, increase in other expenses, primarily due to loan system conversion costs, increased mortgage volume, and an increase in allocated overhead expense.

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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 implementation of the Budget Control Act of 2011 as well as 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, OCC, Federal Reserve, and CFPB; 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 2012 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 proposed 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 2012 Form 10-K. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion of this report.

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 2012 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 2012 Form 10-K.

Recent Accounting Pronouncements and Developments

Note 2 to the Unaudited Condensed Consolidated Financial Statements discusses new accounting pronouncements adopted during 2013 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.

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Item 1: Financial Statements

Huntington Bancshares Incorporated

Condensed Consolidated Balance Sheets

(Unaudited)

(dollar amounts in thousands, except number of shares)	**2013 March 31,**	2012 December 31,
Assets		
Cash and due from banks	**$ 828,688**	$ 1,262,806
Interest-bearing deposits in banks	**71,317**	70,921
Trading account securities	**86,520**	91,205
Loans held for sale (includes $415,126 and $452,949 respectively, measured at fair value) (1)	**729,707**	764,309
Available-for-sale and other securities	**7,504,639**	7,566,175
Held-to-maturity securities	**1,693,074**	1,743,876
Loans and leases (includes $116,039 and $142,762 respectively, measured at fair value) (2)	**41,283,524**	40,728,425
Allowance for loan and lease losses	**(746,769)**	(769,075)
Net loans and leases	**40,536,755**	39,959,350
Bank owned life insurance	**1,609,610**	1,596,056
Premises and equipment	**620,833**	617,257
Goodwill	**444,268**	444,268
Other intangible assets	**124,236**	132,157
Accrued income and other assets	**1,805,319**	1,904,805
Total assets	**$ 56,054,966**	$ 56,153,185
Liabilities and shareholders equity		
Liabilities		
Deposits	**$ 46,867,141**	$ 46,252,683
Short-term borrowings	**732,705**	589,814
Federal Home Loan Bank advances	**183,491**	1,008,959
Other long-term debt	**156,301**	158,784
Subordinated notes	**1,188,674**	1,197,091
Accrued expenses and other liabilities	**1,059,516**	1,155,643
Total liabilities	**50,187,828**	50,362,974
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	**8,401**	8,441
Capital surplus	**7,451,287**	7,475,149
Less treasury shares, at cost	**(11,141)**	(10,921)
Accumulated other comprehensive loss	**(159,955)**	(150,817)
Retained (deficit) earnings	**(1,807,746)**	(1,917,933)
Total shareholders equity	**5,867,138**	5,790,211

Total liabilities and shareholders equity	**$ 56,054,966**	$ 56,153,185
Common shares authorized (par value of $0.01)	**1,500,000,000**	1,500,000,000
Common shares issued	**840,087,217**	844,105,349
Common shares outstanding	**838,757,987**	842,812,709
Treasury shares outstanding	**1,329,230**	1,292,640
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

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Income

(Unaudited)

(dollar amounts in thousands, except per share amounts)	**Three Months Ended March 31, 2013**	2012
Interest and fee income:		
Loans and leases	**$ 406,879**	$ 412,048
Available-for-sale and other securities		
Taxable	**40,185**	48,824
Tax-exempt	**2,615**	2,199
Held-to-maturity securities taxable	**9,838**	4,714
Other	**5,802**	12,152
Total interest income	**465,319**	479,937
Interest expense:		
Deposits	**32,035**	43,780
Short-term borrowings	**234**	583
Federal Home Loan Bank advances	**301**	222
Subordinated notes and other long-term debt	**8,579**	18,143
Total interest expense	**41,149**	62,728
Net interest income	**424,170**	417,209
Provision for credit losses	**29,592**	34,406
Net interest income after provision for credit losses	**394,578**	382,803
Service charges on deposit accounts	**60,883**	60,292
Mortgage banking	**45,248**	46,418
Trust services	**31,160**	30,906
Electronic banking	**20,713**	18,630
Brokerage	**17,995**	19,260
Insurance	**19,252**	18,875
Gain on sale of loans	**2,616**	26,770
Bank owned life insurance income	**13,442**	13,937
Capital markets fees	**8,051**	9,982
Net gains on sales of securities	**187**	624
Impairment losses recognized in earnings on available-for-sale securities	**(696)**	(1,237)
Other noninterest income	**33,358**	40,863
Total noninterest income	**252,209**	285,320
Personnel costs	**258,895**	243,498
Outside data processing and other services	**49,265**	42,592
Net occupancy	**30,114**	29,079
Equipment	**24,880**	25,545
Deposit and other insurance expense	**15,490**	20,738
Professional services	**7,192**	10,697
Marketing	**10,971**	13,569

Amortization of intangibles	**10,320**	11,531
OREO and foreclosure expense	**2,666**	4,950
Other noninterest expense	**33,000**	60,477
Total noninterest expense	**442,793**	462,676
Income before income taxes	**203,994**	205,447
Provision for income taxes	**52,214**	52,177
Net income	**151,780**	153,270
Dividends on preferred shares	**7,970**	8,049
Net income applicable to common shares	**$ 143,810**	$ 145,221
Average common shares basic	**841,103**	864,499
Average common shares diluted	**848,708**	869,164
Per common share:		
Net income basic	**$ 0.17**	$ 0.17
Net income diluted	**0.17**	0.17
Cash dividends declared	**0.04**	0.04
OTTI losses for the periods presented:		
Total OTTI losses	**$ (696)**	$ (1,237)
Noncredit-related portion of loss recognized in OCI		
Impairment losses recognized in earnings on available-for-sale securities	**$ (696)**	$ (1,237)

See Notes to Unaudited Condensed Consolidated Financial Statements

Huntington Bancshares Incorporated

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(dollar amounts in thousands)	**Three Months Ended March 31, 2013**	2012
Net income	**$ 151,780**	$ 153,270
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	**3,831**	4,527
Unrealized net gains (losses) on available-for-sale and other securities arising during the period, net of reclassification for net realized gains	**(5,347)**	17,846
Total unrealized gains on available-for-sale and other securities	**(1,516)**	22,373
Unrealized gains (losses) on cash flow hedging derivatives	**(12,970)**	(9,669)
Change in accumulated unrealized losses for pension and other post-retirement obligations	**5,348**	3,243
Other comprehensive income (loss)	**(9,138)**	15,947
Comprehensive income	**$ 142,642**	$ 169,217

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Changes in Shareholders Equity

(Unaudited)

	Preferred Stock										Accumulated		
			Series B								Other	Retained	
(All amounts in thousands,	Series A		Floating Rate		Common Stock		Capital	Treasury Stock			Comprehensive	Earnings	
except for per share amounts)	Shares	Amount	Shares	Amount	Shares	Amount	Surplus	Shares	Amount		Loss	(Deficit)	Total
Three Months Ended March 31, 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												153,270	153,270
Other comprehensive income (loss)											15,947		15,947
Cash dividends declared:													
Common ($0.04 per share)												(34,588)	(34,588)
Preferred Series A ($21.25 per share)												(7,703)	(7,703)
Preferred Series B ($9.73 per share)												(346)	(346)
Recognition of the fair value of share-based compensation							5,303						5,303
Other share-based compensation activity					288	3	122					(20)	105
Other							(170)	(21)	21			(111)	(260)
Balance, end of period	363	$ 362,507	35	$ 23,785	865,873	$ 8,659	$ 7,602,064	(1,199)	$ (10,234)		$ (157,816)	$ (2,279,137)	$ 5,549,828
Three Months Ended March 31, 2013													
Balance, beginning of period	363	$ 362,507	35	$ 23,785	844,105	$ 8,441	$ 7,475,149	(1,292)	$ (10,921)		$ (150,817)	$ (1,917,933)	$ 5,790,211
Net income												151,780	151,780
Other comprehensive income (loss)											(9,138)		(9,138)
Repurchases of common stock					(4,738)	(47)	(33,553)						(33,600)
Cash dividends declared:													
Common ($0.05 per share)												(33,569)	(33,569)
Preferred Series A ($21.25 per share)												(7,703)	(7,703)
Preferred Series B ($7.51 per share)												(267)	(267)
Recognition of the fair value of share-based compensation							8,021						8,021
Other share-based compensation activity					720	7	1,706					(83)	1,630
Other							(36)	(37)	(220)			29	(227)
Balance, end of period	363	$ 362,507	35	$ 23,785	840,087	$ 8,401	$ 7,451,287	(1,329)	$ (11,141)		$ (159,955)	$ (1,807,746)	$ 5,867,138

See Notes to Unaudited Condensed Consolidated Financial Statements

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Huntington Bancshares Incorporated

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(dollar amounts in thousands)	**Three Months Ended March 31, 2013**	2012
Operating activities		
Net income	**$ 151,780**	$ 153,270
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	**29,592**	34,406
Depreciation and amortization	**67,177**	70,723
Share-based compensation expense	**8,021**	5,303
Change in deferred income taxes	**49,939**	62,119
Originations of loans held for sale	**(798,655)**	(953,486)
Principal payments on and proceeds from loans held for sale	**865,553**	1,008,227
Gain on sale of loans held for sale	**(20,258)**	(10,417)
Bargain purchase gain		(11,409)
Net gain on sales of securities	**(187)**	(624)
Impairment losses recognized in earnings on available-for-sale securities	**696**	1,237
Net change in:		
Trading account securities	**4,685**	(13,764)
Accrued income and other assets	**(11,734)**	(44,800)
Accrued expense and other liabilities	**(134,700)**	(23,515)
Net cash provided by (used for) operating activities	**211,909**	277,270
Investing activities		
Increase (decrease) in interest bearing deposits in banks	**37,292**	171
Net cash received from acquisition		40,310
Proceeds from:		
Maturities and calls of available-for-sale and other securities	**438,838**	496,689
Maturities of held-to-maturity securities	**50,136**	18,089
Sales of available-for-sale and other securities	**230,038**	145,938
Purchases of available-for-sale and other securities	**(618,975)**	(1,416,630)
Net proceeds from sales of loans	**39,150**	1,397,343
Net loan and lease activity, excluding sales	**(660,070)**	(1,077,171)
Proceeds from sale of operating lease assets	**3,786**	8,970
Purchases of premises and equipment	**(23,942)**	(29,342)
Proceeds from sales of other real estate	**9,206**	5,545
Purchases of loans and leases	**(21,541)**	(393,191)
Other, net	**401**	
Net cash provided by (used for) investing activities	**(515,681)**	(803,279)
Financing activities		
Increase (decrease) in deposits	**616,206**	1,016,203
Increase (decrease) in short-term borrowings	**154,490**	70,606
Proceeds from Federal Home Loan Bank advances	**175,000**	
Maturity/redemption of Federal Home Loan Bank advances	**(1,000,481)**	(351,235)
Maturity/redemption of long-term debt	**(2,086)**	(171,643)
Dividends paid on preferred stock	**(7,973)**	(7,703)
Dividends paid on common stock	**(33,683)**	(34,648)

Repurchases of common stock	**(33,600)**	
Other, net	**1,781**	(322)
Net cash provided by (used for) financing activities	**(130,346)**	521,258
Increase (decrease) in cash and cash equivalents	**(434,118)**	(4,751)
Cash and cash equivalents at beginning of period	**1,262,806**	1,115,968
Cash and cash equivalents at end of period	**$ 828,688**	$ 1,111,217
Supplemental disclosures:		
Income taxes paid (refunded)	**$ 3,254**	$ 3,117
Interest paid	**38,312**	73,353
Non-cash activities		
Loans transferred to loans held for sale	**26,316**	
Dividends accrued, paid in subsequent quarter	**40,195**	48,057

See Notes to Unaudited Condensed Consolidated Financial Statements.

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 2012 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 2011-11 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 were applied retrospectively for all comparative periods presented (See Note 14). The amendments did not have a material impact on Huntington s Condensed Consolidated Financial Statements.

ASU 2013-01 Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The ASU amends Update 2011-11 to clarify that the scope applies to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions that are either offset in accordance with Section 210-20-45 or Section 815-10-45 or subject to master netting or similar arrangements. Other types of financial assets and liabilities subject to master netting or similar arrangements are not subject to the disclosure requirements in Update 2011-11. The amendments are effective for fiscal years beginning on or after January 1, 2013, and interim periods within those annual periods (See Note 14). The amendments did not have a material impact on Huntington s Condensed Consolidated Financial Statements.

ASU 2013-02 Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The ASU requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The amendments are effective prospectively for reporting periods beginning after December 15, 2012 (See Note 8). The amendments did not have a material impact on Huntington s Condensed Consolidated Financial Statements.

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, or until maturity or payoff, are classified in the Unaudited Condensed Consolidated Balance Sheets as loans and leases. Except for loans which are accounted for at fair value, 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 March 31, 2013, and December 31, 2012, the aggregate amount of these net unamortized deferred loan origination fees and costs and net unearned income was $174.3 million and $174.5 million, respectively.

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Loan and Lease Portfolio Composition

The following table provides a detailed listing of Huntington s loan and lease portfolio at March 31, 2013 and December 31, 2012:

(dollar amounts in thousands)	**March 31, 2013**	December 31, 2012
Loans and leases:		
Commercial and industrial	**$ 17,266,611**	$ 16,970,689
Commercial real estate	**5,058,876**	5,399,240
Automobile	**5,035,997**	4,633,820
Home equity	**8,473,654**	8,335,342
Residential mortgage	**5,050,884**	4,969,672
Other consumer	**397,502**	419,662
Loans and leases	**41,283,524**	40,728,425
Allowance for loan and lease losses	**(746,769)**	(769,075)
Net loans and leases	**$ 40,536,755**	$ 39,959,350

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

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

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, loans with a fair value of $523.9 million were transferred to Huntington. These loans were recorded at fair value in accordance with applicable accounting guidance, ASC 805. 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.

Purchased Credit-Impaired Loans

Purchased loans with evidence of deterioration in credit quality since origination for which it is probable at acquisition that we will be unable to collect all contractually required payments are considered to be credit impaired. Purchased credit-impaired loans are initially recorded at fair value, which is estimated by discounting the cash flows expected to be collected at the acquisition date. Because the estimate of expected cash flows reflects an estimate of future credit losses expected to be incurred over the life of the loans, an allowance for credit losses is not recorded at the acquisition date. The excess of cash flows expected at acquisition over the estimated fair value, referred to as the accretable yield, is recognized in interest income over the remaining life of the loan, or pool of loans, on a level-yield basis. The difference between the contractually required payments at acquisition and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. A subsequent decrease in the estimate of cash flows expected to be received on purchased credit-impaired loans generally results in the recognition of an allowance for credit 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 subsequently recognized. The measurement of cash flows involves assumptions and judgments for interest rates, prepayments, default rates, loss severity, 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 presents a rollforward of the accretable yield for three-month period ended March 31, 2013 and 2012:

(dollar amounts in thousands)	Three Months Ended March 31, **2013**	2012
Balance, beginning of period	**$ 23,251**	$
Impact of acquisition/purchase on March 30, 2012		27,586
Accretion	**(3,319)**	
Reclassification from nonaccretable difference	**15,228**	
Balance, end of period	**$ 35,160**	$ 27,586

At March 31, 2013, there was no allowance for loan losses recorded on the purchased impaired loan portfolio. The following table reflects the outstanding balance of all contractually required payments and carrying amounts of the acquired loans at March 31, 2013 and December 31, 2012:

	March 31, 2013		December 31, 2012	
(dollar amounts in thousands)	**Ending Balance**	**Unpaid Balance**	Ending Balance	Unpaid Balance
Commercial and industrial	**$ 53,328**	**$ 78,632**	$ 54,472	$ 80,294
Commercial real estate	**118,133**	**217,938**	126,923	226,093
Residential mortgage	**2,348**	**4,013**	2,243	4,104
Other consumer	**157**	**238**	140	245
Total	**$ 173,966**	**$ 300,821**	$ 183,778	$ 310,736

Loan and Lease Purchases and Sales

The following table summarizes significant portfolio loan and lease purchase and sale activity for the three-month periods ended March 31, 2013 and 2012:

(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 March 31, 2013	**$ 21,541**	**$**	**$**	**$**	**$**	**$**	**$ 21,541**
Three-month period ended March 31, 2012	$ 477,501	$ 378,122	$	$ 13,025	$ 62,324	$ 85	$ 931,057
Portfolio loans and leases sold or transferred to loans held for sale during the:							
Three-month period ended March 31, 2013	**$ 27,602**	**$ 3,903**	**$**	**$**	**$ 4,391**	**$**	**$ 35,896**
Three-month period ended March 31, 2012	$ 53,447	$ 21,469	$ 1,300,000	$	$	$	$ 1,374,916

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.

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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. When a borrower with debt is discharged in a Chapter 7 bankruptcy and not reaffirmed by the borrower, the loan is determined to be collateral dependent and placed on nonaccrual status.

All classes within the C&I and CRE portfolios (except for purchased credit-impaired loans) 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 at the rate guaranteed by the government agency. 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 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. However, for secured non-reaffirmed debt in a Chapter 7 bankruptcy, payments are applied to principal and interest when the borrower has demonstrated a capacity to continue payment of the debt and collection of the debt is reasonably assured. For unsecured non-reaffirmed debt in a Chapter 7 bankruptcy where the carrying value has been fully charged-off, payments are recorded as loan recoveries.

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 March 31, 2013 and December 31, 2012:

(dollar amounts in thousands)	**2013 March 31,**	2012 December 31,
Commercial and industrial:		
Owner occupied	**$ 52,730**	$ 53,009
Other commercial and industrial	**28,198**	37,696
Total commercial and industrial	**$ 80,928**	$ 90,705
Commercial real estate:		
Retail properties	**$ 39,587**	$ 31,791
Multi family	**17,077**	19,765
Office	**26,632**	30,341
Industrial and warehouse	**3,398**	6,841
Other commercial real estate	**24,109**	38,390
Total commercial real estate	**$ 110,803**	$ 127,128
Automobile	**$ 6,770**	$ 7,823
Home equity:		
Secured by first-lien	**$ 31,119**	$ 27,091
Secured by junior-lien	**32,286**	32,434
Total home equity	**$ 63,405**	$ 59,525
Residential mortgage	**$ 118,405**	$ 122,452

Other consumer	**$**	$
Total nonaccrual loans	**$ 380,311**	$ 407,633

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The following table presents an aging analysis of loans and leases, including past due loans, by loan class at March 31, 2013 and December 31, 2012: (1)

	March 31, 2013						
	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	**$ 10,278**	**$ 4,681**	**$ 35,348**	**$ 50,307**	**$ 4,348,198**	**$ 4,398,505**	**$**
Purchased credit-impaired	**2,022**	**1,264**	**26,547**	**29,833**	**23,495**	**53,328**	**26,547**
Other commercial and industrial	**19,123**	**3,468**	**15,545**	**38,136**	**12,776,642**	**12,814,778**	
Total commercial and industrial	**$ 31,423**	**$ 9,413**	**$ 77,440**	**$ 118,276**	**$ 17,148,335**	**$ 17,266,611**	**$ 26,547(2)**
Commercial real estate:							
Retail properties	**$ 3,919**	**$**	**$ 8,390**	**$ 12,309**	**$ 1,272,278**	**$ 1,284,587**	**$**
Multi family	**4,777**	**1,272**	**11,204**	**17,253**	**925,197**	**942,450**	
Office	**4,773**	**73**	**12,722**	**17,568**	**913,422**	**930,990**	
Industrial and warehouse	**2,933**		**1,909**	**4,842**	**555,747**	**560,589**	
Purchased credit-impaired	**2,538**	**1,812**	**56,007**	**60,357**	**57,776**	**118,133**	**56,007**
Other commercial real estate	**4,064**	**415**	**14,500**	**18,979**	**1,203,148**	**1,222,127**	
Total commercial real estate	**$ 23,004**	**$ 3,572**	**$ 104,732**	**$ 131,308**	**$ 4,927,568**	**$ 5,058,876**	**$ 56,007(2)**
Automobile	**$ 22,610**	**4,927**	**$ 3,534**	**$ 31,071**	**$ 5,004,926**	**$ 5,035,997**	**$ 3,531**
Home equity:							
Secured by first-lien	**$ 20,634**	**$ 9,592**	**$ 33,713**	**$ 63,939**	**$ 4,581,046**	**$ 4,644,985**	**$ 7,602**
Secured by junior-lien	**36,537**	**9,509**	**29,307**	**75,353**	**3,753,316**	**3,828,669**	**7,442**
Total home equity	**$ 57,171**	**$ 19,101**	**$ 63,020**	**$ 139,292**	**$ 8,334,362**	**$ 8,473,654**	**$ 15,044**
Residential mortgage:							
Residential mortgage	**$ 114,753**	**$ 40,632**	**$ 172,524**	**$ 327,909**	**$ 4,720,627**	**$ 5,048,536**	**$ 94,360(3)**
Purchased credit-impaired			**423**	**423**	**1,925**	**2,348**	**423**
Total residential mortgage	**$ 114,753**	**$ 40,632**	**$ 172,947**	**$ 328,332**	**$ 4,722,552**	**$ 5,050,884**	**$ 94,783**
Other consumer:							
Other consumer	**$ 4,407**	**$ 1,639**	**$ 1,107**	**$ 7,153**	**$ 390,192**	**$ 397,345**	**$ 1,107**
Purchased credit-impaired					**157**	**157**	
Total other consumer	**$ 4,407**	**$ 1,639**	**$ 1,107**	**$ 7,153**	**$ 390,349**	**$ 397,502**	**$ 1,107**
Total loans and leases	**$ 253,368**	**$ 79,284**	**$ 422,780**	**$ 755,432**	**$ 40,528,092**	**$ 41,283,524**	**$ 197,019**

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	December 31, 2012						
	Past Due						
(dollar amounts in thousands)	30-59 Days	60-89 Days	90 or more days	Total	Current	Total Loans and Leases	90 or more days past due and accruing
Commercial and industrial:							
Owner occupied	$ 11,409	$ 6,302	$ 31,997	$ 49,708	$ 4,236,211	$ 4,285,919	$
Purchased credit-impaired	986	3,533	26,648	31,167	23,305	54,472	26,648
Other commercial and industrial	20,273	4,211	14,786	39,270	12,591,028	12,630,298	
Total commercial and industrial	$ 32,668	$ 14,046	$ 73,431	$ 120,145	$ 16,850,544	$ 16,970,689	$ 26,648
Commercial real estate:							
Retail properties	$ 3,459	$ 4,203	$ 9,677	$ 17,339	$ 1,413,520	$ 1,430,859	$
Multi family	7,961	1,314	12,062	21,337	963,063	984,400	
Office	1,054	2,415	23,335	26,804	909,310	936,114	
Industrial and warehouse	6,597	118	5,433	12,148	584,754	596,902	
Purchased credit-impaired	556	1,751	56,660	58,967	67,956	126,923	56,660
Other commercial real estate	2,725	2,192	25,463	30,380	1,293,662	1,324,042	
Total commercial real estate	$ 22,352	$ 11,993	$ 132,630	$ 166,975	$ 5,232,265	$ 5,399,240	$ 56,660
Automobile	$ 36,267	$ 7,803	$ 4,438	$ 48,508	$ 4,585,312	$ 4,633,820	$ 4,418
Home equity							
Secured by first-lien	$ 26,288	$ 9,992	$ 28,322	$ 64,602	$ 4,315,985	$ 4,380,587	$ 5,202
Secured by junior-lien	34,365	16,553	35,150	86,068	3,868,687	3,954,755	12,998
Total home equity	$ 60,653	$ 26,545	$ 63,472	$ 150,670	$ 8,184,672	$ 8,335,342	$ 18,200
Residential mortgage							
Residential mortgage	$ 118,582	$ 44,747	$ 164,035	$ 327,364	$ 4,640,065	$ 4,967,429	$ 92,925(4)
Purchased credit-impaired	58		609	667	1,576	2,243	609
Total residential mortgage	$ 118,640	$ 44,747	$ 164,644	$ 328,031	$ 4,641,641	$ 4,969,672	$ 93,534
Other consumer							
Other consumer	$ 7,431	$ 2,117	$ 1,672	$ 11,220	$ 408,302	$ 419,522	$ 1,672
Purchased credit-impaired		76		76	64	140	
Total other consumer	$ 7,431	$ 2,193	$ 1,672	$ 11,296	$ 408,366	$ 419,662	$ 1,672
Total loans and leases	$ 278,011	$ 107,327	$ 440,287	$ 825,625	$ 39,902,800	$ 40,728,425	$ 201,132

(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 $88,596 thousand guaranteed by the U.S. government.
(4) Includes $90,816 thousand guaranteed by the U.S. government.

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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, ABL, 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 per ASC 310-10, specific reserves related to loans considered to be impaired, and loans involved in troubled debt restructurings allocated per 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. 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 required. Models utilized in the ALLL estimation process are subject to the Company s model validation policies.

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. 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.

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The following table presents ALLL and AULC activity by portfolio segment for the three-month periods ended March 31, 2013 and 2012:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended March 31, 2013:							
ALLL balance, beginning of period	**$ 241,051**	**$ 285,369**	**$ 34,979**	**$ 118,764**	**$ 61,658**	**$ 27,254**	**$ 769,075**
Loan charge-offs	**(13,013)**	**(22,368)**	**(5,688)**	**(26,531)**	**(7,901)**	**(8,641)**	**(84,142)**
Recoveries of loans previously charged-off	**9,696**	**9,590**	**3,094**	**6,549**	**1,753**	**1,773**	**32,455**
Provision for loan and lease losses	**364**	**(5,155)**	**3,588**	**17,076**	**7,559**	**5,956**	**29,388**
Allowance for loans sold or transferred to loans held for sale					**(7)**		**(7)**
ALLL balance, end of period	**$ 238,098**	**$ 267,436**	**$ 35,973**	**$ 115,858**	**$ 63,062**	**$ 26,342**	**$ 746,769**
AULC balance, beginning of period	**$ 33,868**	**$ 4,740**	**$**	**$ 1,356**	**$ 3**	**$ 684**	**$ 40,651**
Provision for unfunded loan commitments and letters of credit	**(33)**	**(336)**		**556**	**3**	**14**	**204**
AULC balance, end of period	**$ 33,835**	**$ 4,404**	**$**	**$ 1,912**	**$ 6**	**$ 698**	**$ 40,855**
ACL balance, end of period	**$ 271,933**	**$ 271,840**	**$ 35,973**	**$ 117,770**	**$ 63,068**	**$ 27,040**	**$ 787,624**

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
Three-month period ended March 31, 2012:							
ALLL balance, beginning of period	$ 275,367	$ 388,706	$ 38,282	$ 143,873	$ 87,194	$ 31,406	$ 964,828
Loan charge-offs	(33,506)	(21,402)	(7,610)	(25,265)	(11,745)	(8,432)	(107,960)
Recoveries of loans previously charged-off	5,011	10,896	4,532	1,536	1,175	1,818	24,968
Provision for loan and lease losses	(846)	(38,706)	2,043	48,754	12,505	8,178	31,928
Allowance for loans sold or transferred to loans held for sale			(695)				(695)
ALLL balance, end of period	$ 246,026	$ 339,494	$ 36,552	$ 168,898	$ 89,129	$ 32,970	$ 913,069
AULC balance, beginning of period	$ 39,658	$ 5,852	$	$ 2,134	$ 1	$ 811	$ 48,456
Provision for unfunded loan commitments and letters of credit	2,618	(72)		(26)		(42)	2,478
AULC balance, end of period	$ 42,276	$ 5,780	$	$ 2,108	$ 1	$ 769	$ 50,934
ACL balance, end of period	$ 288,302	$ 345,274	$ 36,552	$ 171,006	$ 89,130	$ 33,739	$ 964,003

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. Additionally, discharged, collateral dependent non-reaffirmed debt in Chapter 7 bankruptcy filings will result in a charge-off to estimated collateral value, less anticipated selling costs.

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.

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 = 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. For these reasons, Huntington considers the loans to be potential problem loans.

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 partially 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 higher credit quality.

Huntington assesses the risk in the loan portfolio by utilizing numerous risk characteristics. The classifications described above, and also presented in the table below, represent one of those characteristics that are closely monitored in the overall credit risk management processes. The table below shows an increase in FICO scores less than 650 for the automobile portfolio, and to a lesser degree, the home equity and residential mortgage portfolios. These increases do not reflect a deterioration in asset quality for the portfolios, as other risk characteristics mitigate any increased level of risk associated with the FICO score distribution.

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The following table presents each loan and lease class by credit quality indicator at March 31, 2013 and December 31, 2012:

	March 31, 2013				
	Credit Risk Profile by UCS classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial:					
Owner occupied	**$ 4,039,666**	**$ 163,029**	**$ 194,963**	**$ 847**	**$ 4,398,505**
Purchased credit-impaired	**4,143**	**4,241**	**44,944**		**53,328**
Other commercial and industrial	**12,341,169**	**103,482**	**369,186**	**941**	**12,814,778**
Total commercial and industrial	**$ 16,384,978**	**$ 270,752**	**$ 609,093**	**$ 1,788**	**$ 17,266,611**
Commercial real estate:					
Retail properties	**$ 1,108,198**	**$ 53,496**	**$ 122,893**	**$**	**$ 1,284,587**
Multi family	**862,711**	**28,545**	**51,080**	**114**	**942,450**
Office	**825,373**	**25,013**	**80,604**		**930,990**
Industrial and warehouse	**512,156**	**9,570**	**38,863**		**560,589**
Purchased credit-impaired	**15,486**	**14,223**	**88,227**	**197**	**118,133**
Other commercial real estate	**1,092,942**	**42,046**	**87,139**		**1,222,127**
Total commercial real estate	**$ 4,416,866**	**$ 172,893**	**$ 468,806**	**$ 311**	**$ 5,058,876**
	Credit Risk Profile by FICO score (1)				
	750+	650-749	<650	Other (2)	Total
Automobile	**$ 2,367,944**	**$ 2,059,788**	**$ 772,540**	**$ 135,725**	**$ 5,335,997(3)**
Home equity:					
Secured by first-lien	**$ 2,841,421**	**$ 1,394,209**	**$ 358,284**	**$ 51,071**	**$ 4,644,985**
Secured by junior-lien	**1,921,096**	**1,353,986**	**498,480**	**55,107**	**3,828,669**
Total home equity	**$ 4,762,517**	**$ 2,748,195**	**$ 856,764**	**$ 106,178**	**$ 8,473,654**
Residential mortgage:					
Residential mortgage	**$ 2,557,420**	**$ 1,687,397**	**$ 712,712**	**$ 91,007**	**$ 5,048,536**
Purchased credit-impaired	**616**	**640**	**1,092**		**2,348**
Total residential mortgage	**$ 2,558,036**	**$ 1,688,037**	**$ 713,804**	**$ 91,007**	**$ 5,050,884**
Other consumer:					
Other consumer	**$ 155,349**	**$ 156,683**	**$ 56,805**	**$ 28,508**	**$ 397,345**
Purchased credit-impaired			**157**		**157**
Total other consumer	**$ 155,349**	**$ 156,683**	**$ 56,962**	**$ 28,508**	**$ 397,502**

	December 31, 2012				
	Credit Risk Profile by UCS classification				
(dollar amounts in thousands)	Pass	OLEM	Substandard	Doubtful	Total
Commercial and industrial:					
Owner occupied	$ 3,970,597	$ 108,731	$ 205,822	$ 769	$ 4,285,919
Purchased credit-impaired	1,663	6,555	46,254		54,472
Other commercial and industrial	12,146,017	145,111	337,805	1,365	12,630,298
Total commercial and industrial	$ 16,118,277	$ 260,397	$ 589,881	$ 2,134	$ 16,970,689
Commercial real estate:					
Retail properties	$ 1,184,987	$ 63,976	$ 181,896	$	$ 1,430,859
Multi family	902,616	24,098	57,548	138	984,400
Office	826,533	26,488	83,093		936,114

Industrial and warehouse	540,484	15,132	41,286		596,902
Purchased credit-impaired	10,052	18,085	98,786		126,923
Other commercial real estate	1,177,213	43,454	103,262	113	1,324,042
Total commercial real estate	$ 4,641,885	$ 191,233	$ 565,871	$ 251	$ 5,399,240

	Credit Risk Profile by FICO score (1)				
	750+	650-749	<650	Other (2)	Total
Automobile	$ 2,233,439	$ 1,900,824	$ 682,518	$ 117,039	$ 4,933,820(3)
Home equity:					
Secured by first-lien	$ 2,618,888	$ 1,345,621	$ 357,019	$ 59,059	$ 4,380,587
Secured by junior-lien	2,046,143	1,375,636	491,226	41,750	3,954,755
Total home equity	$ 4,665,031	$ 2,721,257	$ 848,245	$ 100,809	$ 8,335,342
Residential mortgage					
Residential mortgage	$ 2,561,210	$ 1,673,485	$ 711,750	$ 20,984	$ 4,967,429
Purchased credit-impaired	373	1,303	567		2,243
Total residential mortgage	$ 2,561,583	$ 1,674,788	$ 712,317	$ 20,984	$ 4,969,672
Other consumer					
Other consumer	$ 169,792	$ 167,389	$ 59,815	$ 22,526	$ 419,522
Purchased credit-impaired		93	47		140
Total other consumer	$ 169,792	$ 167,482	$ 59,862	$ 22,526	$ 419,662

(1) Reflects currently updated customer credit scores.
(2) Reflects deferred fees and costs, loans in process, loans to legal entities, etc.
(3) Includes $0.3 billion of loans reflected as loans held for sale related to an automobile securitization expected to be completed in 2013.

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. 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, less anticipated selling costs, 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.

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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 March 31, 2013 and December 31, 2012:

(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
ALLL at March 31, 2013:							
Portion of ALLL balance:							
Attributable to purchased credit-impaired loans	$	$	$	$	$	$	$
Attributable to loans individually evaluated for impairment	**15,438**	**26,228**	**1,072**	**6,488**	**14,666**	**160**	**64,052**
Attributable to loans collectively evaluated for impairment	**222,660**	**241,208**	**34,901**	**109,370**	**48,396**	**26,182**	**682,717**
Total ALLL balance	**$ 238,098**	**$ 267,436**	**$ 35,973**	**$ 115,858**	**$ 63,062**	**$ 26,342**	**$ 746,769**
Loan and Lease Ending Balances at March 31, 2013:							
Portion of loan and lease ending balance:							
Attributable to purchased credit-impaired loans	**$ 53,328**	**$ 118,133**	**$**	**$**	**$ 2,348**	**$ 157**	**$ 173,966**
Individually evaluated for impairment	**126,201**	**274,929**	**41,149**	**173,323**	**372,357**	**2,514**	**990,473**
Collectively evaluated for impairment	**17,087,082**	**4,665,814**	**4,994,848**	**8,300,331**	**4,676,179**	**394,831**	**40,119,085**
Total loans and leases evaluated for impairment	**$ 17,266,611**	**$ 5,058,876**	**$ 5,035,997**	**$ 8,473,654**	**$ 5,050,884**	**$ 397,502**	**$ 41,283,524**

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(dollar amounts in thousands)	Commercial and Industrial	Commercial Real Estate	Automobile	Home Equity	Residential Mortgage	Other Consumer	Total
ALLL at December 31, 2012							
Portion of ALLL balance:							
Attributable to purchased credit-impaired loans	$	$	$	$	$	$	$
Attributable to loans individually evaluated for impairment	11,694	31,133	1,446	4,783	14,176	213	63,445
Attributable to loans collectively evaluated for impairment	229,357	254,236	33,533	113,981	47,482	27,041	705,630
Total ALLL balance:	$ 241,051	$ 285,369	$ 34,979	$ 118,764	$ 61,658	$ 27,254	$ 769,075
Loan and Lease Ending Balances at December 31, 2012							
Portion of loan and lease ending balances:							
Attributable to purchased credit-impaired loans	$ 54,472	$ 126,923	$	$	$ 2,243	$ 140	$ 183,778
Individually evaluated for impairment	119,535	298,891	43,607	117,532	374,526	2,657	956,748
Collectively evaluated for impairment	16,796,682	4,973,426	4,590,213	8,217,810	4,592,903	416,865	39,587,899
Total loans and leases evaluated for impairment	$ 16,970,689	$ 5,399,240	$ 4,633,820	$ 8,335,342	$ 4,969,672	$ 419,662	$ 40,728,425

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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 and purchased credit-impaired loans: (1), (2)

	March 31, 2013			Three Months Ended March 31, 2013	
(dollar amounts in thousands)	Ending Balance	Unpaid Principal Balance (5)	Related Allowance	Average Balance	Interest Income Recognized
With no related allowance recorded:					
Commercial and industrial:					
Owner occupied	**$ 4,251**	**$ 4,292**	**$**	**$ 3,741**	**$ 42**
Purchased credit-impaired	**53,328**	**78,632**		**53,900**	**1,017**
Other commercial and industrial	**1,319**	**2,340**		**16,310**	**234**
Total commercial and industrial	**$ 58,898**	**$ 85,264**	**$**	**$ 73,951**	**$ 1,293**
Commercial real estate:					
Retail properties	**$ 54,681**	**$ 67,958**	**$**	**$ 54,237**	**$ 704**
Multi family	**5,590**	**5,732**		**5,642**	**88**
Office	**14,157**	**18,926**			