HUNTINGTON BANCSHARES INC/MD
Form 10-K
February 17, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

x **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2011

or

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

Huntington Bancshares Incorporated

(Exact name of registrant as specified in its charter)

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

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

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

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

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

Title of class

Floating Rate Series B Non-Cumulative Perpetual Preferred Stock

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

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

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

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2011, determined by using a per share closing price of $6.56, as quoted by NASDAQ on that date, was $5,533,232,959. As of January 31, 2012, there were 864,378,203 shares of common stock with a par value of $0.01 outstanding.

Documents Incorporated By Reference

Part III of this Form 10-K incorporates by reference certain information from the registrant s definitive Proxy Statement for the 2012 Annual Shareholders Meeting.

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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:

ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
ARRA	American Recovery and Reinvestment Act of 2009
ASC	Accounting Standards Codification
ATM	Automated Teller Machine
AULC	Allowance for Unfunded Loan Commitments
AVM	Automated Valuation Methodology
C&I	Commercial and Industrial
CapPR	Federal Reserve Board s Capital Plan Review
CDARS	Certificate of Deposit Account Registry Service
CDO	Collateralized Debt Obligations
CFPB	Bureau of Consumer Financial Protection
CMO	Collateralized Mortgage Obligations
CPP	Capital Purchase Program
CRE	Commercial Real Estate
DDA	Demand Deposit Account
DIF	Deposit Insurance Fund
Dodd-Frank Act	Dodd-Frank Wall Street Reform and Consumer Protection Act
EESA	Emergency Economic Stabilization Act of 2008
ERISA	Employee Retirement Income Security Act
EVE	Economic Value of Equity
Fannie Mae	(see FNMA)
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FDICIA	Federal Deposit Insurance Corporation Improvement Act of 1991
FHA	Federal Housing Administration
FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation
FICO	Fair Isaac Corporation
FNMA	Federal National Mortgage Association
Franklin	Franklin Credit Management Corporation
FRB	Federal Reserve Bank
Freddie Mac	(see FHLMC)
FSP	Financial Stability Plan

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FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
GSIFI	Globally Systemically Important Financial Institution
GSE	Government Sponsored Enterprise
HAMP	Home Affordable Modification Program
HARP	Home Affordable Refinance Program
HASP	Homeowner Affordability and Stability Plan
HCER Act	Health Care and Education Reconciliation Act of 2010
IPO	Initial Public Offering
IRS	Internal Revenue Service
ISE	Interest Sensitive Earnings
LIBOR	London Interbank Offered Rate
LGD	Loss-Given-Default
LTV	Loan to Value
MD&A	Management s Discussion and Analysis of Financial Condition and Results of Operations
MRC	Market Risk Committee
MSR	Mortgage Servicing Rights
NALs	Nonaccrual Loans
NAV	Net Asset Value
NCO	Net Charge-off
NPAs	Nonperforming Assets
NSF / OD	Nonsufficient Funds and Overdraft
OCC	Office of the Comptroller of the Currency
OCI	Other Comprehensive Income (Loss)
OCR	Optimal Customer Relationship
OLEM	Other Loans Especially Mentioned
OREO	Other Real Estate Owned
OTTI	Other-Than-Temporary Impairment
PD	Probability-Of-Default
PFG	Private Financial, Capital Markets, and Insurance Group
Reg E	Regulation E, of the Electronic Fund Transfer Act
SAD	Special Assets Division
SEC	Securities and Exchange Commission
SIFI	Systemically Important Financial Institution
Sky Financial	Sky Financial Group, Inc.
Sky Trust	Sky Bank and Sky Trust, National Association
TAGP	Transaction Account Guarantee Program
TARP	Troubled Asset Relief Program
TARP Capital	Series B Preferred Stock, repurchased in 2010
TCE	Tangible Common Equity

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TDR	Troubled Debt Restructured loan
TLGP	Temporary Liquidity Guarantee Program
Treasury	U.S. Department of the Treasury
UCS	Uniform Classification System
UPB	Unpaid Principal Balance
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

Huntington Bancshares Incorporated

PART I

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

Item 1: *Business*

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. We have 11,245 full-time equivalent employees. Through the Bank, we have 146 years of serving the financial needs of our customers. We provide full-service commercial, small business, consumer banking services, mortgage banking services, automobile financing, equipment leasing, investment management, trust services, brokerage services, customized insurance programs, and other financial products and services. The Bank, organized in 1866, is our only bank subsidiary. At December 31, 2011, the Bank had 652 branches as follows:

- 376 branches in Ohio
- 123 branches in Michigan
- 58 branches in Pennsylvania
- 51 branches in Indiana
- 31 branches in West Virginia
- 13 branches in Kentucky

Select financial services and other activities are also conducted in various other states. International banking services are available through the headquarters office in Columbus, Ohio, 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.

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

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

1. Provide a consultative sales approach to provide solutions that are specific to each customer.

2. Leverage each business segment in terms of its products and expertise to benefit the customer.

3. Target prospects who may want to have their full relationship with us.

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

Retail and Business Banking   This segment provides financial products and services to consumer and small business customers located within our primary banking markets consisting of five areas covering the six states of Ohio, Michigan, Pennsylvania, Indiana, West Virginia, and Kentucky. Its products include individual and small business checking accounts, savings accounts, money market accounts, certificates of deposit, consumer loans, and small business loans and leases. Other financial services available to consumers and small business customers include investments, insurance services, interest rate risk protection products, foreign exchange hedging, and treasury management services. Retail and Business Banking provides these services through a banking network of over 600 traditional branches and convenience branches located in grocery stores. In addition, alternative distribution channels are available to customers including internet and mobile banking, telephone banking, and over 1,300 ATMs.

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

Automobile Finance and Commercial Real Estate This segment provides lending and other banking products and services to customers outside of our normal retail or commercial channels. More specifically, we serve automotive dealerships, retail customers who obtain financing at the dealerships, professional real estate developers, REITs, and other customers with lending needs that are secured by commercial properties. Most of our customers are located in our primary banking markets. Our products and services include financing for the purchase of automobiles by customers of automotive dealerships; financing for the purchase of new and used vehicle inventory by automotive dealerships; and financing for land, buildings, and other commercial real estate owned or constructed by real estate developers, automobile dealerships, or other customers with real estate project financing needs. We also provide other banking products and services to our customers as well as their owners or principals. These products and services are delivered through: (1) relationships with established automobile dealerships, (2) relationships with developers in our primary banking markets believed to be experienced, well-managed, and well-capitalized and are capable of operating in all phases of the real estate cycle (top-tier developers), (3) leads through community involvement, and (4) referrals from other professionals.

Wealth Advisors, Government Finance, and Home Lending This segment provides wealth management banking services to high net worth customers in our primary banking markets and in Florida by utilizing a cohesive model that employs a unified sales force to deliver products and services directly and through the other segments. We provide these products and services through a unified sales team, which consists of former private bankers, trust officers, and investment advisors; Huntington Asset Advisors, which provides investment management services; Huntington Asset Services, which offers administrative and operational support to fund complexes; and retirement plan services. We also provide banking products and services to government entities across our primary banking markets by utilizing a team of relationship managers providing public finance, brokerage, trust, lending, and treasury management services. We originate and service consumer loans to customers who are generally located in our primary banking markets. Consumer lending products are distributed to these customers primarily through the Retail and Business Banking segment and commissioned loan originators.

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

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

Competition

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

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

We compete for deposits similarly on a basis of a combination of value and service and by providing convenience through a banking network of over 600 branches and over 1,300 ATMs within our markets and our award-winning website at www.huntington.com. We have also instituted new and more customer friendly practices, such as our 24-Hour Grace® account feature, which gives customers an additional business day to cover overdrafts to their consumer account without being charged overdraft fees.

The table below shows our competitive ranking and market share based on deposits of FDIC-insured institutions as of June 30, 2011, in the top 12 metropolitan statistical areas (MSA) in which we compete:

MSA	Rank	Deposits (in millions)	Market Share
Columbus, OH	1	$ 10,318	24%
Cleveland, OH	5	4,056	8
Detroit, MI	8	3,239	4
Toledo, OH	1	2,350	24
Pittsburgh, PA	8	2,342	3
Cincinnati, OH	5	2,101	3
Indianapolis, IN	4	2,061	7
Youngstown, OH	1	1,915	21
Canton, OH	1	1,557	28
Grand Rapids, MI	3	1,353	11
Akron, OH	5	896	8
Charleston, WV	4	594	10

Source: FDIC.gov, based on June 30, 2011 survey.

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

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Regulatory Matters

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

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

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

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

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

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

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

In July 2010, the Dodd-Frank Act was enacted. The Dodd-Frank Act, which is complex and broad in scope, established the CFPB, which has extensive regulatory and enforcement powers over consumer financial products and services, and the Financial Stability Oversight Council, which has oversight authority for monitoring and regulating systemic risk. In addition, the Dodd-Frank Act alters the authority and duties of the federal banking and securities regulatory agencies, implements certain corporate governance requirements for all public companies including financial institutions with regard to executive compensation, proxy access by shareholders, and certain whistleblower provisions, and restricts certain proprietary trading and hedge fund and private equity activities of banks and their affiliates. The Dodd-Frank Act also requires the issuance of many implementing regulations which will take effect over several years, making it difficult to anticipate the overall impact to us, our customers, or the financial industry more generally. With the appointment of a director for the CFPB in January 2012, the CFPB began to exercise its full authority under the Dodd-Frank Act. While the overall impact cannot be predicted with any degree of certainty, we are impacted by the Dodd-Frank Act primarily in the area of capital requirements.

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In addition to the impact of federal and state regulation, the Bank and our nonbank subsidiaries are affected significantly by the actions of the Federal Reserve as it attempts to control the money supply and credit availability in order to influence the economy.

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

The Collins Amendment provision of the Dodd-Frank Act imposes increased capital requirements in the future. The Collins Amendment also requires federal banking regulators to establish minimum leverage and risk-based capital requirements to apply to insured depository institutions, bank and thrift holding companies, and systemically important nonbank financial companies. These capital requirements must not be less than the Generally Applicable Risk Based Capital Requirements and the Generally Applicable Leverage Capital Requirements as of July 21, 2010, and must not be quantitatively lower than the requirements that were in effect for insured depository institution as of July 21, 2010. The Collins Amendment defines Generally Applicable Risk Based Capital Requirements and Generally Applicable Leverage Capital Requirements to mean the risk-based capital requirements and minimum ratios of Tier 1 risk-based capital to average total assets, respectively, established by the appropriate federal banking agencies to apply to insured depository institutions under the Prompt Corrective Action provisions, regardless of total consolidated asset size or foreign financial exposure. Over a three year phase-out period beginning on January 1, 2013, trust preferred securities will no longer qualify as Tier 1 risk-based capital for certain bank holding companies, including us. We have plans in place, including the fourth quarter 2011 trust preferred securities redemption, to minimize the impact of this amendment on us.

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

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

The Federal Reserve, FDIC, and OCC banking regulators issued proposed rules to implement section 165 of the Dodd-Frank Act which requires financial institutions with total consolidated assets of more than $10 billion (covered banks) to conduct certain stress tests on an annual basis. The Federal Reserve issued their final capital plan rule in late 2011 and recently released proposed rules for the enhanced prudential standards requirements for bank holding companies having assets of $50 billion or more. The OCC and FDIC have separately released their proposed rules regarding annual stress tests. The Dodd-Frank Act requires these regulations to define the term stress test ; establish methodologies for the conduct of the stress tests that measure the Tier 1 common risk-based capital ratio under at least three different sets of conditions, including baseline, adverse, and severely adverse conditions; establish the form and content of a required regulatory report on the stress tests; and require covered banks to publish a summary of the results of their stress tests. We submitted our capital plan to the Federal Reserve in January 2012. We are currently evaluating the impacts to us under the OCC and FDIC proposals and may need to file additional capital plans with these regulators.

The regulatory capital rules indicate that common stockholders equity should be the dominant element within Tier 1 capital and that banking organizations should avoid overreliance on non-common equity elements. Under the Dodd-Frank Act, the ratio of Tier 1 common equity to risk-weighted assets became significant as a measurement of the predominance of common equity in Tier 1 capital and an indication of the quality of capital. There is currently no mandated minimum for the Tier 1 common risk-based capital ratio.

We are required to submit a resolution plan to the Federal Reserve and the FDIC.

The Federal Reserve and FDIC have issued final regulations as required by section 165 of the Dodd-Frank Act regarding resolution plans, also referred to as living wills. The Federal Reserve and FDIC issued final rules applicable to bank holding companies with assets of $50 billion or more, which became effective November 30, 2011. The FDIC issued final rules applicable to insured depository institutions with assets of $50 billion or more, which will become effective April 1, 2012. Insured depository institutions with $50 billion or more in total assets, like us, must submit to the FDIC a plan whereby the institution can be resolved by the FDIC, in the event of failure, in a manner that ensures depositors will receive access to insured funds within the required timeframes and generally ensures an orderly liquidation of the institution. Additionally, bank holding companies, like us, with assets of $50 billion or more are required to submit to the Federal Reserve and the FDIC a plan that, in the event of material financial distress or failure, establishes the rapid and orderly liquidation of the company under the bankruptcy code and in a way that would not pose systemic risk to the financial system of the United States. The regulations allow for a tiered approach for complying with the requirements based on materiality of the institution. Currently, we are required to submit resolution plans as prescribed by December 31, 2013.

Rules have been proposed to implement the Volcker Rule.

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

Compliance with Regulation E has reduced our revenues.

In November 2009, the Federal Reserve Board amended Regulation E under the Electronic Fund Transfer Act to prohibit banks from charging overdraft fees for ATM or point-of-sale debit card transactions that overdrew the account unless customers opt-in to the discretionary overdraft service and to require banks to explain the terms of their overdraft services and their fees for the services (Regulation E Amendment). Compliance with the Regulation E Amendment was required by July 1, 2010. We complied with the Regulation E Amendment by alerting our customers that we no longer cover such overdrafts unless they opt-in to our overdraft service and disclosed the terms of our service and our fees for the service.

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

The Durbin Amendment required the Federal Reserve to establish a cap on the rate merchants pay banks for electronic clearing of debit transactions (i.e. the interchange rate). The Federal Reserve issued final rules, effective October 1, 2011, for establishing standards, including a cap, for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. The final rule established standards for assessing whether debit card interchange fees received by debit card issuers were reasonable and proportional to the costs incurred by issuers for electronic debit transactions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. As a result of implementing this lower debit card interchange fee structure, our 2011 fourth quarter electronic banking income declined $17.3 million from the 2011 third quarter.

The FDIC Deposit Insurance assessment changes have not had a material impact on our consolidated financial statements.

With the enactment of the Dodd-Frank Act, major changes were introduced to the FDIC deposit insurance system. Under the Dodd-Frank Act, the FDIC has until the end of September 2020 to bring its reserve ratio to the new statutory minimum of 1.35%. New rules amending the deposit insurance assessment regulations under the requirements of the Dodd-Frank Act have been adopted, including a final rule designating 2% as the designated reserve ratio and a final rule extending temporary unlimited deposit insurance to noninterest bearing transaction accounts. On February 7, 2011, the FDIC adopted regulations that were effective for the 2011 second quarter assessment and payable in September 2011, which outlined significant changes in the risk-based premiums approach for banks with over $10 billion of assets and created a scorecard system. The scorecard system uses a performance score and loss severity score, which aggregate to an initial base assessment rate. The assessment base also changed from deposits to an institution s average total assets minus its average tangible equity. The 2011 FDIC assessment impact on our Consolidated Financial Statements from these assessment changes was not materially different than the prior period.

There are restrictions on our ability to pay dividends.

Dividends from the Bank to the parent company are the primary source of funds for payment of dividends to our shareholders. However, there are statutory limits on the amount of dividends that the Bank can pay to the holding company. Regulatory approval is required prior to the declaration of any dividends in an amount greater than its undivided profits or if the total of all dividends declared in a calendar year would exceed the total of its net income for the year combined with its retained net income for the two preceding years, less any required transfers to surplus or common stock. As a result, for the year ended December 31, 2011, the Bank could not have declared and paid any cash dividends to the parent company.

Since the first quarter of 2008, the Bank has requested and received OCC approval each quarter for a capital reduction to enable payment of periodic dividends to shareholders outside the Bank s consolidated group on preferred and common stock of its REIT and capital financing subsidiaries. A wholly-owned nonbank subsidiary of the parent company owns a portion of the preferred shares of the REIT and capital financing subsidiaries. With the exception of the REIT and capital financing subsidiary dividends, we do not anticipate that the Bank will declare dividends to the holding company during 2012.

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

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

The Federal Reserve sets risk-based capital ratio and leverage ratio guidelines for bank holding companies. Under the guidelines and related policies, bank holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and a leverage ratio test on a consolidated basis. The risk-based ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher weighting

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assigned to categories perceived as representing greater risk. The risk-based ratio represents total capital divided by total risk-weighted assets. The leverage ratio is core capital divided by total assets adjusted as specified in the guidelines. The Bank is subject to substantially similar capital requirements. Banking regulators are finalizing changes to capital requirements that are expected to incorporate many of the Basel III capital requirements.

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

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

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

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

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

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

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

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

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

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

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Throughout 2011, our regulatory capital ratios and those of the Bank were in excess of the levels established for well-capitalized institutions. An institution is deemed to be well-capitalized if it has a total risk-based capital ratio of 10% or greater, a Tier 1 risk-based capital ratio of 6% or greater, and a Tier 1 leverage ratio of 5% or greater and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.

(dollar amounts in billions)		Well-capitalized minimums	At December 31, 2011 Actual	Excess Capital(1)
Ratios:				
Tier 1 leverage ratio	Consolidated	5.00%	**10.28%**	**$ 2.9**
	Bank	5.00	**7.89**	**1.6**
Tier 1 risk-based capital ratio	Consolidated	6.00	**12.11**	**2.8**
	Bank	6.00	**9.30**	**1.5**
Total risk-based capital ratio	Consolidated	10.00	**14.77**	**2.2**
	Bank	10.00	**12.60**	**1.2**

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

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

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

Under FDICIA, a depository institution that is not well-capitalized is generally prohibited from accepting brokered deposits and offering interest rates on deposits higher than the prevailing rate in its market. Since the Bank is well-capitalized, the FDICIA brokered deposit rule did not adversely affect its ability to accept brokered deposits. The Bank had $1.3 billion of such brokered deposits at December 31, 2011.

Under the Dodd-Frank Act, important changes will be implemented beginning January 1, 2013, concerning the capital requirements for financial institutions.

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

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

Any loans by a holding company to a subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a bank holding company s bankruptcy, an

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appointed bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, the bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the institution s general unsecured creditors, including the holders of its note obligations.

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

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

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

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

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

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

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

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

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

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

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

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

Under the Fair and Accurate Credit Transactions Act of 2003, our customers may also opt-out of certain information sharing between and among us and our affiliates. We are also subject, in connection with our lending and deposit-taking activities, to numerous federal and state laws aimed at protecting consumers, including the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Truth in Lending Act, the Fair Credit Reporting Act, the Truth in Savings Act, the Electronic Funds Transfer Act, and the Expedited Funds Availability Act.

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

In 2008, we sold TARP Capital and a warrant to purchase shares of common stock to the Treasury pursuant to the CPP under TARP. We repurchased the TARP Capital in the 2010 fourth quarter and our warrant in the 2011 first quarter.

On December 19, 2010, we sold $920.0 million of our common stock and $300.0 million of subordinated debt in public offerings. On December 22, 2010, these proceeds, along with other available funds, were used to complete the repurchase of $1.4 billion of our TARP Capital. On January 19, 2011, we repurchased the warrant for our common stock associated with our participation in the TARP CPP for $49.1 million, or $2.08 for each of the 23.6 million common shares to which the Treasury was entitled. Prior to this repurchase, we were in compliance with all TARP standards, restrictions, and dividend payment limitations. Because of the repurchase of our TARP Capital, we are no longer subject to the TARP-related restrictions on dividends, stock repurchases, or executive compensation.

Available Information

This information may be read and copied at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet web site that contains reports, proxy statements, and other information about issuers, like us, who file electronically with the SEC. The address of the site is *http://www.sec.gov*. The reports and other information filed by us with the SEC are also available at our Internet web site. The address of the site is *http://www.huntington.com*. Except as specifically incorporated by reference

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into this Annual Report on Form 10-K, information on those web sites is not part of this report. You also should be able to inspect reports, proxy statements, and other information about us at the offices of the NASDAQ National Market at 33 Whitehall Street, New York, New York.

Item 1A: ***Risk Factors***

Risk Governance

We use a multi-faceted approach to risk governance. It begins with the board of directors defining our risk appetite in aggregate as moderate-to-low. This does not preclude engagement in higher risk activities when we have the demonstrated expertise and control mechanisms to selectively manage higher risk. Rather, the definition is intended to represent a directional average of where we want our overall risk to be managed.

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

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

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

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

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

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

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

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

Management also utilizes a wide series of metrics (key risk indicators) to monitor risk positions throughout the Company. In general, a range for each metric is established that identifies a moderate-to-low position. Deviations from the range will indicate if the risk being measured is moving into a high position, which may then necessitate corrective action.

In 2010, we enhanced our process of risk-based capital attribution. Our economic capital model was upgraded and integrated into a more robust system of stress testing in 2011. We believe this tool has further enhanced our ability to manage to the defined risk appetite. Our board level Capital Planning Committee will monitor and react to output from the integrated modeling process.

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

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

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

Risk Overview

We, like other financial companies, are subject to a number of risks that may adversely affect our financial condition or results of operation, many of which are outside of our direct control, though efforts are made to manage those risks while optimizing returns. Among the risks assumed are: (1) credit risk, which is the risk of loss due to loan and lease customers or other counterparties not being able to meet their financial obligations under agreed upon terms, (2) market risk, which is the risk of loss due to changes in the market value of assets and liabilities due to changes in market interest rates, foreign exchange rates, equity prices, and credit spreads, (3) liquidity risk, which is (a) the risk of loss due to the possibility that funds may not be available to satisfy current or future commitments based on external macro market issues, investor and customer perception of financial strength, and events unrelated to us such as war, terrorism, or financial institution market specific issues, and (b) the risk of loss based on our ability to satisfy current or future funding commitments due to the mix and maturity structure of our balance sheet, amount of on-hand cash and unencumbered securities and the availability of contingent sources of funding, (4) operational risk, which is the risk of loss due to human error, inadequate or failed internal systems and controls, violations of, or noncompliance with, laws, rules, regulations, prescribed practices, or ethical standards, and external influences such as market conditions, fraudulent activities, disasters, and security risks, and (5) compliance risk, which exposes us to money penalties, enforcement actions or other sanctions as a result of nonconformance with laws, rules, and regulations that apply to the financial services industry.

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

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

Credit Risks:

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

Our business depends on the creditworthiness of our customers. Our ACL of $1.0 billion at December 31, 2011, represented Management s estimate of probable losses inherent in our loan and lease portfolio as well as our unfunded loan commitments and letters of credit. We periodically review our ACL for appropriateness. In doing so, we consider economic conditions and trends, collateral values, and credit quality indicators, such as past charge-off experience, levels of past due loans, and NPAs. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially decreases, if the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected which, in turn, could have a material adverse effect on our financial condition and results of operations.

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

2. A sustained weakness or further weakening in economic conditions could materially adversely affect our business.

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

- A decrease in the demand for loans and other products and services offered by us;
- A decrease in customer savings generally and in the demand for savings and investment products offered by us; and
- An increase in the number of customers and counterparties who become delinquent, file for protection under bankruptcy laws, or default on their loans or other obligations to us.

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

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

Like all financial institutions, we are subject to the effects of any economic downturn. There has been a slowdown in the housing market across our geographic footprint, reflecting declining prices and excess inventories of houses to be sold. These developments have had, and further declines may continue to have, a negative effect on our financial conditions and results of operations. At December 31, 2011, we had:

$8.2 billion of home equity loans and lines, representing 21% of total loans and leases.

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$5.2 billion in residential real estate loans, representing 13% of total loans and leases.

$4.4 billion of Federal Agency mortgage-backed securities, $0.1 billion of private label CMOs, and less than $0.1 billion of Alt-A mortgage-backed securities that could be negatively affected by a decline in home values.

$0.3 billion of bank owned life insurance investments primarily in mortgage-backed securities.

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

Market Risks:

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

Our results of operations depend substantially on net interest income, which is the difference between interest earned on interest earning assets (such as investments and loans) and interest paid on interest bearing liabilities (such as deposits and borrowings). Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. Conditions such as inflation, deflation, recession, unemployment, money supply, and other factors beyond our control may also affect interest rates. If our interest earning assets mature or reprice faster than interest bearing liabilities in a declining interest rate environment, net interest income could be materially adversely impacted. Likewise, if interest bearing liabilities mature or reprice more quickly than interest earning assets in a rising interest rate environment, net interest income could be adversely impacted.

At December 31, 2011, $2.8 billion, or 14%, of our commercial loan portfolio, and $2.6 billion, or 50%, of our residential mortgage portfolio, as measured by the aggregate outstanding principal balances, was fixed-rate loans and the remainder was adjustable-rate loans. As interest rates rise, the payment by the borrower on adjustable-rate loans increases to the extent permitted by the terms of the loan, and the higher payment increases the potential for default. At the same time, the marketability of the underlying property may be adversely affected by higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on fixed-rate loans, as borrowers refinance their mortgages at lower interest rates.

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

Rising interest rates reduces the value of our fixed-rate debt securities and cash flow hedging derivatives portfolio. The unrealized losses resulting from holding such securities and financial instruments are recognized in OCI and reduce total shareholders equity. Unrealized losses do not negatively impact our regulatory capital ratios; however Tangible Common Equity and the associated ratios are reduced. If debt securities in an unrealized loss position are sold, such losses become realized and reduce Tier I and Total Risk-based Capital regulatory ratios. If cash flow hedging derivatives are terminated, the impact is reflected in earnings over the life

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of the instrument and reduces Tier I and Total Risk-based Capital regulatory ratios. Somewhat offsetting these negative impacts to OCI in a rising interest rate environment, is a decrease in pension and other post-retirement obligations.

If short-term interest rates remain at their historically low levels for a prolonged period, and assuming longer term interest rates fall further, we could experience net interest margin compression as our interest earning assets would continue to reprice downward while our interest bearing liability rates could fail to decline in tandem. This could have a material adverse effect on our net interest income and our results of operations.

Liquidity Risks:

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

Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. The liquidity of the Bank is used to make loans and leases and to repay deposit liabilities as they become due or are demanded by customers. Liquidity policies and limits are established by our board of directors, with operating limits set by Management. Wholesale funding sources include federal funds purchased; securities sold under repurchase agreements, noncore deposits, and medium- and long-term debt, which includes a domestic bank note program and a Euronote program. The Bank is also a member of the FHLB, which provides funding through advances to members that are collateralized with mortgage-related assets.

We maintain a portfolio of securities that can be used as a secondary source of liquidity. There are other sources of liquidity available to us should they be needed. These sources include the sale or securitization of loans, the ability to acquire additional national market noncore deposits, issuance of additional collateralized borrowings such as FHLB advances, the issuance of debt securities, and the issuance of preferred or common securities in public or private transactions. The Bank also can borrow from the Federal Reserve s discount window.

Starting in mid-2007, significant turmoil and volatility in worldwide financial markets increased, though current volatility has declined. Such disruptions in the liquidity of financial markets directly impact us to the extent we need to access capital markets to raise funds to support our business and overall liquidity position. This situation could adversely affect the cost of such funds or our ability to raise such funds. If we were unable to access any of these funding sources when needed, we might be unable to meet customers needs, which could adversely impact our financial condition, results of operations, cash flows, and level of regulatory-qualifying capital. We may, from time to time, consider opportunistically retiring our outstanding securities in privately negotiated or open market transactions for cash or common shares. This could adversely affect our liquidity position.

2. **Due to the losses that the Bank incurred in 2008 and 2009, at December 31, 2011, the Bank and its subsidiaries could not declare and pay dividends to the holding company, any subsidiary of the holding company outside the Bank s consolidated group, or any security holder outside the Bank s consolidated group, without regulatory approval. Also, the Bank may not pay a dividend in an amount greater than its undivided profits.**

Dividends from the Bank to the parent company are the primary source of funds for the payment of dividends to our shareholders. Under applicable statutes and regulations, a national bank may not declare and pay dividends in any year greater than its undivided profits or in excess of an amount equal to the sum of the total of the net income of the bank for that year and the retained net income of the bank for the preceding two years, minus the sum of any transfers required by the OCC and any transfers required to be made to a fund for the retirement of any preferred stock, unless the OCC approves the declaration and payment of dividends in excess of such amount. Due to the losses that the Bank incurred in 2008 and 2009, at December 31, 2011, the Bank and its subsidiaries could not declare and pay dividends to the parent company, any subsidiary of the parent company outside the Bank s consolidated group, or any security holder outside the Bank s consolidated group, without regulatory approval. Since the first quarter of 2008, the Bank has requested and received OCC approval each quarter to pay periodic dividends to shareholders outside the Bank s consolidated group on the preferred and common stock of its REIT and capital financing subsidiaries to the extent necessary to maintain their REIT status. A wholly-owned nonbank subsidiary of the parent company owns a portion of the preferred shares of the REIT and capital financing subsidiaries. Outside of the REIT and capital financing subsidiary dividends, we do not anticipate that the Bank will declare dividends during 2012.

3. **The failure of the European Union to stabilize the fiscal condition and creditworthiness of its weaker member economies, such as Greece, Portugal, Spain, Ireland, and Italy, could have international implications potentially impacting global financial institutions, the financial markets, and the economic recovery underway in the United States.**

Certain European Union member countries have fiscal obligations greater than their fiscal revenue, which has caused investor concern over such country s ability to continue to service their debt and foster economic growth. Currently, the European debt crisis has caused credit spreads to widen in the fixed income debt markets, and liquidity to be less abundant. A weaker European economy may transcend Europe, cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies, and likewise negatively affect U.S.-based financial institutions, the stability of the global financial markets, and the economic recovery underway in the United States.

Should the U.S. economic recovery be adversely impacted by these factors, loan and asset growth at U.S. financial institutions could be negatively affected. A return of the volatile economic conditions experienced in the U.S. during 2008-2009, including the adverse conditions in the fixed income debt markets, for an extended period of time, particularly if left unmitigated by European Union monetary policy measures, may have a material adverse indirect effect on us. *(For further discussion, see the European Sovereign Debt and Counterparty Exposure section within Credit Risk.)*

Operational Risks:

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

We face legal risks in our businesses, and the volume of claims and amount of damages and penalties claimed in litigation and regulatory proceedings against financial institutions remain high. Substantial legal liability against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. It is possible that the ultimate resolution of these matters, if unfavorable, may be material to the results of operations for a particular reporting period. *(For further discussion, see Note 22 of the Notes to Consolidated Financial Statements.)*

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

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

Moreover, negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and retain customers and can also expose us to litigation and regulatory action. Relative to acquisitions, we cannot predict if, or when, we will be able to identify and attract acquisition

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

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

3. **We are subject to routine on-going tax examinations by the IRS and by various other jurisdictions, including the states of Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois. The IRS has proposed various adjustments to our previously filed tax returns. It is possible that the ultimate resolution of all proposed and future adjustments, if unfavorable, may be materially adverse to the results of operations in the period it occurs.**

The calculation of our provision for federal income taxes is complex and requires the use of estimates and judgments. In the ordinary course of business, we operate in various taxing jurisdictions and are subject to income and nonincome taxes. The effective tax rate is based in part on our interpretation of the relevant current tax laws. From time-to-time, we engage in business transactions that may have an effect on our tax liabilities.

During 2011, we entered into discussions with the Appeals Division of the IRS. It is possible that the ultimate resolution of the proposed adjustments, if unfavorable, may result in penalties and interest. Such adjustments, including any penalties and interest, may be material to our results of operations in the period such adjustments occur and increase our effective tax rate. In the third quarter 2011, the IRS began its examination of our 2008 and 2009 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois. *(For further discussion, see Note 17 of the Notes to Consolidated Financial Statements.)*

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

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

Compliance Risks:

1. **Bank regulators and other regulations, including proposed Basel capital standards and Federal Reserve guidelines, may require higher capital levels, impacting our ability to pay common stock dividends or repurchase our common stock.**

Federal banking regulators continually monitor the capital position of banks and bank holding companies. In July 2009, the Basel Committee on Bank Supervision published a set of international guidelines for determining

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regulatory capital known as Basel III. These guidelines, finalized in December 2010, followed earlier guidelines by the Basel Committee and are designed to address many of the weaknesses identified in the banking sector as contributing to the financial crisis of 2008 2010 by, among other things, increasing minimum capital requirements, increasing the quality of capital, increasing the risk coverage of the capital framework, and increasing standards for the supervisory review process and public disclosure.

In 2011, the Federal Reserve issued guidelines for evaluating proposals by certain bank holding companies, including Huntington, to undertake capital actions in 2012, such as increasing dividend payments or repurchasing or redeeming stock. This process is known as the Federal Reserve s Capital Plan Review. Pursuant to those Federal Reserve guidelines, Huntington submitted its proposed capital plan to the Federal Reserve in January 2012. The Federal Reserve is expected to undertake these capital plan reviews on a regular basis in the future. There can be no assurance that the Federal Reserve will respond favorably to our capital plan as part of their current Capital Plan Review, or future capital plan reviews, and the Federal Reserve or other regulatory capital requirements may limit or otherwise restrict how we utilize our capital, including common stock dividends and stock repurchases. Although not currently anticipated, our regulators may require us to raise additional capital in the future. Issuing additional common stock may dilute existing stockholders.

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

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

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

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

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

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

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In addition, international banking industry regulators have largely agreed upon significant changes in the regulation of capital required to be held by banks and their holding companies to support their businesses. The new capital rules have yet to be finalized by the banking regulators, but generally are expected to increase the capital required to be held, narrow the types of instruments which will qualify as providing appropriate capital, and impose a new liquidity measurement. The capital requirements are complex and will be phased in over many years. Any permanent significant increase in our cost of capital could have significant adverse impacts on the profitability of many of our products, the types of products we could offer profitably, our overall profitability, and our overall growth opportunities, among other things. Other potential effects could include impacting our ability to pay cash dividends and repurchase our common shares, higher dilution of common shareholders, and a higher risk that we might fall below regulatory capital thresholds in an adverse economic cycle.

Item 1B: ***Unresolved Staff Comments***

None.

Item 2: ***Properties***

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

Our other major properties consist of the following:

Description	Location	Own	Lease
13 story office building, located adjacent to the Huntington Center	Columbus, Ohio	ü	
12 story office building, located adjacent to the Huntington Center	Columbus, Ohio	ü	
3 story office building the Crosswoods building	Columbus, Ohio		ü
A portion of 200 Public Square Building	Cleveland, Ohio		ü
12 story office building	Youngstown, Ohio	ü	
10 story office building	Warren, Ohio		ü
10 story office building	Toledo, Ohio		ü
A portion of the Grant Building	Pittsburgh, PA		ü
18 story office building	Charleston, West Virginia		ü
3 story office building	Holland, Michigan		ü
2 Building office complex	Troy, Michigan		ü
Data processing and operations center (Easton)	Columbus, Ohio	ü	
Data processing and operations center (Northland)	Columbus, Ohio		ü
Data processing and operations center (Parma)	Cleveland, Ohio		ü
8 story office building	Indianapolis, Indiana	ü	

In 1998, we entered into a sale/leaseback agreement that included the sale of 59 of our locations. The transaction included a mix of branch banking offices, regional offices, and operational facilities, including certain properties described above, which we will continue to operate under a long-term lease.

Item 3: ***Legal Proceedings***

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

Item 4: ***Mine Safety Disclosures***

Not applicable.

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PART II

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

The common stock of Huntington Bancshares Incorporated is traded on the NASDAQ Stock Market under the symbol HBAN . The stock is listed as HuntgBcshr or HuntBanc in most newspapers. As of January 31, 2012, we had 37,109 shareholders of record.

Information regarding the high and low sale prices of our common stock and cash dividends declared on such shares, as required by this item, is set forth in Table 51 entitled Selected Quarterly Income Statement Data and incorporated into this Item by reference. Information regarding restrictions on dividends, as required by this Item, is set forth in Item 1 Business-Regulatory Matters and in Note 23 of the Notes to Consolidated Financial Statements and incorporated into this Item by reference.

Huntington did not repurchase any common shares for the year ended December 31, 2011.

The line graph below compares the yearly percentage change in cumulative total shareholder return on Huntington common stock and the cumulative total return of the S&P 500 Index and the KBW Bank Index for the period December 31, 2006, through December 31, 2011. The KBW Bank Index is a market capitalization-weighted bank stock index published by Keefe, Bruyette & Woods. The index is composed of the largest banking companies and includes all money center banks and regional banks, including Huntington. An investment of $100 on December 31, 2006, and the reinvestment of all dividends are assumed.

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Item 6: ***Selected Financial Data***

Table 1 Selected Financial Data (1), (9)

	Year Ended December 31,				
	2011	**2010**	**2009**	**2008**	**2007**
(dollar amounts in thousands, except per share amounts)					
Interest income	**$ 1,970,226**	$ 2,145,392	$ 2,238,142	$ 2,798,322	$ 2,742,963
Interest expense	**341,056**	526,587	813,855	1,266,631	1,441,451
Net interest income	**1,629,170**	1,618,805	1,424,287	1,531,691	1,301,512
Provision for credit losses	**174,059**	634,547	2,074,671	1,057,463	643,628
Net interest income after provision for credit losses	**1,455,111**	984,258	(650,384)	474,228	657,884
Noninterest income	**980,623**	1,041,858	1,005,644	707,138	676,603
Noninterest expense:					
Goodwill impairment			2,606,944		
Other noninterest expense	**1,728,500**	1,673,805	1,426,499	1,477,374	1,311,844
Total noninterest expense	**1,728,500**	1,673,805	4,033,443	1,477,374	1,311,844
Income (loss) before income taxes	**707,234**	352,311	(3,678,183)	(296,008)	22,643
Provision (benefit) for income taxes	**164,621**	39,964	(584,004)	(182,202)	(52,526)
Net income (loss)	**$ 542,613**	$ 312,347	$ (3,094,179)	$ (113,806)	$ 75,169
Dividends on preferred shares	**30,813**	172,032	174,756	46,400	
Net income (loss) applicable to common shares	**$ 511,800**	$ 140,315	$ (3,268,935)	$ (160,206)	$ 75,169
Net income (loss) per common share basic	**$ 0.59**	$ 0.19	$ (6.14)	$ (0.44)	$ 0.25
Net income (loss) per common share diluted	**0.59**	0.19	(6.14)	(0.44)	0.25
Cash dividends declared per common share	**0.1000**	0.0400	0.0400	0.6625	1.0600
Balance sheet highlights					
Total assets (period end)	**$ 54,450,652**	$ 53,819,642	$ 51,554,665	$ 54,352,859	$ 54,697,468
Total long-term debt (period end)(2)	**3,097,857**	3,813,827	3,802,670	6,870,705	6,954,909
Total shareholders equity (period end)	**5,418,100**	4,980,542	5,336,002	7,228,906	5,951,091
Average long-term debt(2)	**3,275,913**	3,953,177	5,558,001	7,374,681	5,714,572
Average shareholders equity	**5,237,541**	5,482,502	5,787,401	6,395,690	4,633,465
Average total assets	**53,750,054**	52,574,231	52,440,268	54,921,419	44,711,676
Key ratios and statistics					
Margin analysis as a % of average earnings assets					
Interest income(3)	**4.09%**	4.55%	4.88%	5.90%	7.02%
Interest expense	**0.70**	1.11	1.77	2.65	3.66
Net interest margin(3)	**3.38%**	3.44%	3.11%	3.25%	3.36%
Return on average total assets	**1.01%**	0.59%	(5.90)%	(0.21)%	0.17%
Return on average common shareholders equity	**10.5**	3.7	(80.8)	(2.8)	1.6
Return on average tangible common shareholders equity(4)	**12.7**	5.6	(22.4)	(4.4)	3.9
Efficiency ratio(5)	**63.7**	60.4	55.4	57.0	62.5
Dividend payout ratio	**16.9**	21.1	N.R.	N.R.	424.0
Average shareholders equity to average assets	**9.74**	10.43	11.04	11.65	10.36
Effective tax rate (benefit)	**23.3**	11.3	(15.9)	(61.6)	N.R.
Tier 1 common risk-based capital ratio (period end)(8)	**10.00**	9.29	6.69	5.05	5.70
Tangible common equity to tangible assets (period end)(6), (8)	**8.30**	7.56	5.92	4.04	5.09
Tangible equity to tangible assets (period end)(7), (8)	**9.02**	8.24	9.24	7.72	5.09

Tier 1 leverage ratio (period end)	**10.28**	9.41	10.09	9.82	6.77
Tier 1 risk-based capital ratio (period end)	**12.11**	11.55	12.50	10.72	7.51
Total risk-based capital ratio (period end)	**14.77**	14.46	14.55	13.91	10.85
Other data					
Full-time equivalent employees (period end)	**11,245**	11,341	10,272	10,951	11,925
Domestic banking offices (period end)	**668**	620	611	613	625

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

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

(2) Includes FHLB advances, subordinated notes, and other long-term debt.

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

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

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

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

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

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

(9) Comparisons are affected by the Sky Financial acquisition in 2007.

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Item 7: ***Management s Discussion and Analysis of Financial Condition and Results of Operations***
INTRODUCTION

We are a multi-state diversified regional bank holding company organized under Maryland law in 1966 and headquartered in Columbus, Ohio. Through the Bank, we have 146 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 600 banking offices are located in Indiana, Kentucky, Michigan, Ohio, Pennsylvania, and West Virginia. Selected financial service and other activities are also conducted in various states throughout the United 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.

The following MD&A provides information we believe necessary for understanding our financial condition, changes in financial condition, results of operations, and cash flows. The MD&A should be read in conjunction with the Consolidated Financial Statements, Notes to Consolidated Financial Statements, and other information contained in this report.

Our discussion is divided into key segments:

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

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

Risk Management and Capital Discusses credit, market, liquidity, and operational 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.

Results for the Fourth Quarter Provides a discussion of results for the 2011 fourth quarter compared with the 2010 fourth quarter.

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

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

EXECUTIVE OVERVIEW

2011 Financial Performance Review

In 2011, we reported net income of $542.6 million, or $0.59 per common share, up $230.3 million from 2010 *(see Table 2)*. The primary driver of the increase was improved credit quality during 2011, which resulted in a decline in provision for credit losses by $460.5 million, or 73%, when compared to 2010. This benefit to net income was offset somewhat by a decline in noninterest income of 6% and an increase in noninterest expense of 3%. Despite the challenging economic and extended low interest rate environment coupled with impacts of government-mandated reductions in fee income during 2011, and a slower mortgage market, we were able to produce a return on average total assets of 1.01%, up from 0.59% in 2010. We also saw continuing results from our strategic business investments and Optimal Customer Relationship (OCR) sales approach. *(Also, see Significant Items Influencing Financial Performance Comparisons within the Discussion of Results of Operations.)*

Fully-taxable equivalent net interest income was $1.6 billion in 2011, up slightly from 2010. Average earning assets increased $1.2 billion, or 2%, including a $1.6 billion, or 4% increase in total loans and leases. This reflected benefits from our strategic C&I initiatives focusing on large corporate, asset based lending, and equipment finance. It also reflected growth in the automobile portfolio. These increases were partially offset by a decline in our CRE portfolio, reflecting the continued execution of our plan to reduce total CRE exposure, primarily in the noncore portfolio. Average core deposits grew $1.9 billion, or 5%, reflecting our consumer household and commercial relationship growth. This growth continued even as we continued to focus on fundamentally changing our deposit mix and driving down the overall cost of funds. The net interest margin declined 6 basis points to 3.38% from 3.44%. The decline reflected lower loan and securities yields due to the extended low interest rate environment, partially offset by the positive impacts of growth in low cost deposits and lower deposit pricing.

Noninterest income was $1.0 billion in 2011, a 6% decrease compared with 2010. We experienced growth in certain fee businesses during the year including capital markets fees and brokerage income. We also had a gain on sale of loans from our 2011 third quarter automobile securitization. These increases were offset by declines in mortgage banking income, as originations decreased 28% from the prior year. Additionally, we experienced declines in service charges on deposit accounts, reflecting our implementation of changes to Regulation E and our Fair Play banking philosophy which were somewhat offset by activity growth due to a 10% increase in consumer households during 2011.

Noninterest expense was $1.7 billion in 2011, a 3% increase compared with 2010. This reflected increases in personnel costs, expenses associated with the conversion to a new debit card processor, and the costs related to implementation of strategic initiatives. These increases were partially offset by declines in OREO and foreclosure expenses, as credit quality continued to improve, as well as lower professional services costs.

Credit quality performance continued to show strong improvement as our NALs and NCOs declined and reserve coverage increased. Compared with the prior year, NALs declined 30%. NCOs were $437.1 million, or an annualized 1.12% of average total loans and leases, down from $874.5 million, or an annualized 2.35% in 2010. While the ACL as a percentage of loans and leases was 2.60%, down from 3.39% at December 31, 2010, it is near peer averages and our ACL as a percentage of total NALs increased to 187% from 166%. The level of Criticized commercial loans also declined $0.9 billion, or 30%, from last year. The provision for credit losses declined $460.5 million, or 73%, from 2010.

At December 31, 2011, our regulatory Tier 1 and Total risk-based capital were $2.8 billion and $2.2 billion, respectively, above the well-capitalized regulatory thresholds. Our tangible common equity ratio improved 74 basis points to 8.30% and our Tier 1 common risk-based capital ratio improved 71 basis points to 10.00% from December 31, 2010. During the 2011 fourth quarter, we replaced a portion of our trust preferred securities with preferred stock, which we believe will qualify as additional Tier 1 risk-based capital under regulations arising from the Dodd-Frank Act.

Business Overview

General

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

The main challenges to accomplishing our primary objectives in 2011 resulted from: (1) an economy that, while more stable than a year earlier, remained fragile, (2) a prolonged low interest rate environment, which put pressure on our net interest margin, (3) lost fee income due to new regulations, and (4) more overhead and expenses related to increased risk management as a consequence of the Dodd-Frank Act. As is the nature of a mature industry with arguably overcapacity, we faced strong competition from other banks and financial service firms in our markets. This is expected to continue. To address these challenges, beginning in the second half of 2009 and continuing today, we place strategic emphasis on developing and expanding resources to improve cross-sell performance within our consumer and business customer bases. In this regard, our OCR methodology continued to deliver strong success in 2011. On the consumer side, consumer checking account households grew 10.3%, which was more than 50% higher than in 2010, and nearly four times the rate of growth in 2009. Our cross-sell performance also continued to improve. At the end of the year, 73.5% of our consumer checking account households utilized over four products. This compared with 69.4% a year earlier. Growth in commercial relationships was 8.4% in 2011. At the end of the year, 31.4% of our commercial relationships used over four products or services, up from 24.2% a year earlier. Our Fair Play philosophy, coupled with an increasingly effective OCR focus, while positively impacting 2011 results, also positions us for better long-term performance.

Economy

During 2011, there continued to be a high level of uncertainty and volatility surrounding the economy, though late in the year we saw more encouraging signs. Unemployment rates as of December 2011 for Ohio, Pennsylvania, and West Virginia were below the national unemployment average. Indiana, Michigan, and Kentucky were slightly above the national average, but they also declined, and the rate in Michigan was the lowest since September 2008. Midwest housing prices generally did not rise as much during the housing boom years, and have therefore not gone down as much during the housing crisis. Midwest housing markets are expected to continue to reflect the general state of the labor markets, which are expected to continue to improve.

Manufacturing exports are a regional strength. Michigan and Ohio are two of the top 10 states for manufacturing exports, and Indiana is number 11. For Michigan in particular, the future success of export growth will likely hold a key to long-term economic growth.

Both office and industrial vacancy rates have been easing downward, but have remained generally high relative to the national average. Therefore, stresses in these loan classes will likely persist. However, vacancy rates should continue to ease downward assuming an economic recovery and expansionary phase in 2012. However, issues may exist in markets with especially high vacancy rates.

Legislative and Regulatory

Regulatory reforms continued to be adopted which impose additional restrictions on business practices. Recent actions affecting us included the Federal Reserve s capital plan review and maturity extension program, and other rules and regulations that have been issued pursuant to the Dodd-Frank Act.

Capital Plan Review We are participating in the Federal Reserve s Capital Plan Review (CapPR) stress test process and made our capital plan submission in January 2012. The Federal Reserve will evaluate our capital plan based on our risk profile and the strength of our internal capital assessment process under regulatory capital standards currently applicable and in accordance with our plans to address proposed revisions to the regulatory capital framework as set forth in Basel III and relevant provisions of the Dodd-Frank Act. The Federal Reserve s evaluation will take into consideration any capital distribution plans, such as plans to increase common stock

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dividends or to reinstate common stock repurchase programs. We expect to receive the results of their evaluation by the end of the 2012 first quarter. While we can give no assurances as to the outcome or specific interactions with the regulators, we believe we have a strong capital position.

Federal Reserve Maturity Extension Program Under the maturity extension program (Operation Twist) announced on September 21, 2011, the Federal Reserve noted its intention to sell $400 billion of shorter-term Treasury securities by the end of 2012 and use the proceeds to buy longer-term securities. This will extend the average maturity of the securities in the Federal Reserve s portfolio. By reducing the supply of longer-term securities in the market, it is the FOMC s intention to put downward pressure on longer-term interest rates, including rates on financial assets that investors consider to be close substitutes for longer-term Treasury securities. Further, it is their objective that the reduction in longer-term interest rates, in turn, will contribute to a broad easing in financial market conditions that will provide additional stimulus to support the economic recovery. We do not anticipate that this program will have a material impact on our current securities portfolio or future investment strategy. However, it could cause our net interest margin to decline modestly. For further discussion, see the Market Risk section of our MD&A.

Durbin Amendment The Durbin Amendment to the Dodd-Frank Act instructed the Federal Reserve to review and establish the rate merchants pay banks for electronic clearing of debit card transactions (i.e., the interchange rate). As part of its review, the Federal Reserve s objective was to establish standards for assessing debit card interchange fees receivable by debit card issuers that are reasonable and proportional to the costs incurred by the issuers for electronic debit transactions. During 2011, the Federal Reserve issued its final rule establishing standards for debit card interchange fees and prohibiting network exclusivity arrangements and routing restrictions. Under the final rule, the maximum permissible interchange fee that an issuer may receive for an electronic debit transaction is the sum of 21 cents per transaction, a 1 cent fraud prevention adjustment, and 5 basis points multiplied by the value of the transaction. This provision regarding debit card interchange fees became effective on October 1, 2011. As a result of implementing this lower debit card interchange fee structure, our 2011 fourth quarter electronic banking income declined $17.3 million from the 2011 third quarter.

Resolution Plan The Federal Reserve and FDIC issued final regulations as required by section 165 of the Dodd-Frank Act regarding resolution plans, also referred to as living wills. Insured depository institutions with $50 billion or more in total assets must submit to the FDIC a plan whereby the institution can be resolved by the FDIC, in the event of failure, in a manner that ensures depositors will receive access to insured funds within the required timeframes and generally ensures an orderly liquidation of the institution. Additionally, bank holding companies with assets of $50 billion or more are required to submit to the Federal Reserve and the FDIC a plan that, in the event of material financial distress or failure, establishes the rapid and orderly liquidation of the company under the bankruptcy code and in a way that would not pose systemic risk to the financial system of the United States. The regulations allow for a tiered approach for complying with the requirements based on materiality of the institution. Currently, we are required to submit resolution plans as prescribed by December 31, 2013.

Recent Industry Developments

Recent industry events and related supervisory guidance brought about by the continued weak housing market have caused us to evaluate certain aspects of our mortgage operations, including a review of our MSR valuation.

Mortgage Servicing Rights MSR fair values are estimated based on residential mortgage servicing revenue in excess of estimated market costs to service the underlying loans. Historically, the estimated market cost to service has been stable. Due to changes in the regulatory environment related to loan servicing and foreclosure activities since 2008 in reaction to the housing crises, costs to service mortgages are likely to increase, though the potential impact on the market costs to service remains uncertain. Certain large residential mortgage loan servicers entered into consent orders with banking regulators in April 2011, which require the servicers to remedy deficiencies and unsafe or unsound practices and to enhance residential mortgage servicing and foreclosure processes. It is unclear what impact this may ultimately have on market costs to service.

2012 Expectations

As we have done since early 2010, we will continue to execute our core strategy, making selective investments in initiatives to grow long-term profitability. We will remain disciplined in our growth and pricing of loans and deposits and are encouraged by the net interest margin expansion during the 2011 fourth quarter. We continue to expect credit quality to improve. We will stay focused on increasing customer cross-sell, and work to improve operating efficiency. While there continues to be a high level of uncertainty and volatility surrounding the economy, late in the year we saw more encouraging signs.

Over the course of 2012, net interest income is expected to show modest improvement from the 2011 fourth quarter level. The momentum we are seeing in total loan and low-cost deposit growth is expected to continue. Earlier in 2012, those benefits are expected to be mostly offset by downward pressure on the net interest margin due to the anticipated continued mix shift to lower-rate, higher quality loans and lower securities reinvestment rates given the low absolute level of interest rates and shape of the yield curve. Our C&I portfolio is expected to continue to show meaningful growth with much of this reflecting the positive impact from strategic initiatives to expand our commercial lending expertise into areas like specialty banking, asset based lending, and equipment financing, in addition to our long-standing continued support of middle market and small business lending. For automobile loans, we will continue to evaluate the use of automobile loan securitizations to limit total on-balance sheet exposure as we expect to see continued strong levels of originations. On December 31, 2011, we transferred $1.3 billion of automobile loans to loans held for sale, as we plan to complete another securitization during the first half of 2012. Residential mortgages and home equity loans are expected to show modest growth, with CRE likely to experience slowing declines.

We anticipate the increase in total loans to modestly outpace growth in total deposits, reflecting a heightened focus on our overall cost of funding and the continued shift towards low- and no-cost demand deposits and money market deposit accounts.

Noninterest income is expected to show a modest increase throughout 2012 from 2011 fourth quarter levels. This is primarily due to anticipated growth in new customers and increased contribution from key fee income activities including capital markets, treasury management services, and brokerage, reflecting the impact of our cross-sell and product penetration initiatives throughout the company.

We anticipate making progress on improving our operating efficiency ratio; though this will likely reflect the benefit of revenue growth as we expect expenses could increase. While we will continue our focus on improving operating efficiencies, improvement could be offset by additional regulatory costs and expenses associated with strategic actions, such as in-store branch partnerships and the consolidation of certain traditional branches.

Nonaccrual loans and net charge-offs are expected to continue to decline. The level of provision for credit losses is currently in line with our long-term expectations. However, there could be some quarterly volatility given the absolute low level and the uncertain and uneven nature of the economic recovery.

We anticipate the effective 2012 tax rate to approximate 35% of income before income taxes, less approximately $65-$75 million of permanent tax differences primarily related to tax-exempt income, tax-advantaged investments, and general business credits.

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Table 2 Selected Annual Income Statements (1)

(dollar amounts in thousands, except per share amounts)	2011	Change from 2010 Amount	Change from 2010 Percent	2010	Change from 2009 Amount	Change from 2009 Percent	2009
Interest income	**$ 1,970,226**	$ (175,166)	(8)%	$ 2,145,392	$ (92,750)	(4)%	$ 2,238,142
Interest expense	**341,056**	(185,531)	(35)	526,587	(287,268)	(35)	813,855
Net interest income	**1,629,170**	10,365	1	1,618,805	194,518	14	1,424,287
Provision for credit losses	**174,059**	(460,488)	(73)	634,547	(1,440,124)	(69)	2,074,671
Net interest income after provision for credit losses	**1,455,111**	470,853	48	984,258	1,634,642	N.R.	(650,384)
Service charges on deposit accounts	**243,507**	(23,508)	(9)	267,015	(35,784)	(12)	302,799
Trust services	**119,382**	6,827	6	112,555	8,916	9	103,639
Electronic banking	**111,697**	1,463	1	110,234	10,083	10	100,151
Mortgage banking income	**83,408**	(92,374)	(53)	175,782	63,484	57	112,298
Brokerage income	**80,367**	11,512	17	68,855	4,012	6	64,843
Insurance income	**69,470**	(6,943)	(9)	76,413	3,087	4	73,326
Bank owned life insurance income	**62,336**	1,270	2	61,066	6,194	11	54,872
Capital markets fees	**36,540**	12,654	53	23,886	13,035	120	10,851
Gain (loss) on sale of loans	**31,944**	25,669	409	6,275	13,851	(183)	(7,576)
Automobile operating lease income	**26,771**	(19,193)	(42)	45,964	(5,846)	(11)	51,810
Securities gains (losses)	**(3,681)**	(3,407)	1,243	(274)	9,975	(97)	(10,249)
Other income	**118,882**	24,795	26	94,087	(54,793)	(37)	148,880
Total noninterest income	**980,623**	(61,235)	(6)	1,041,858	36,214	4	1,005,644
Personnel costs	**892,534**	93,561	12	798,973	98,491	14	700,482
Outside data processing and other services	**187,195**	27,947	18	159,248	11,153	8	148,095
Net occupancy	**109,129**	1,267	1	107,862	2,589	2	105,273
Equipment	**92,544**	6,624	8	85,920	2,803	3	83,117
Deposit and other insurance expense	**77,692**	(19,856)	(20)	97,548	(16,282)	(14)	113,830
Marketing	**75,627**	9,703	15	65,924	32,875	99	33,049
Professional services	**70,595**	(18,183)	(20)	88,778	12,412	16	76,366
Amortization of intangibles	**53,318**	(7,160)	(12)	60,478	(7,829)	(11)	68,307
Automobile operating lease expense	**20,018**	(17,016)	(46)	37,034	(6,326)	(15)	43,360
OREO and foreclosure expense	**18,006**	(21,043)	(54)	39,049	(54,850)	(58)	93,899
Goodwill impairment					(2,606,944)	(100)	2,606,944
Gain on early extinguishment of debt	**(9,697)**	(9,697)			147,442	(100)	(147,442)
Other expense	**141,539**	8,548	6	132,991	24,828	23	108,163
Total noninterest expense	**1,728,500**	54,695	3	1,673,805	(2,359,638)	(59)	4,033,443
Income (loss) before income taxes	**707,234**	354,923	101	352,311	4,030,494	N.R.	(3,678,183)
Provision (benefit) for income taxes	**164,621**	124,657	312	39,964	623,968	N.R.	(584,004)
Net income (loss)	**542,613**	230,266	74	312,347	3,406,526	N.R.	(3,094,179)
Dividends on preferred shares	**30,813**	(141,219)	(82)	172,032	(2,724)	(2)	174,756
Net income (loss) applicable to common shares	**$ 511,800**	$ 371,485	265%	$ 140,315	$ 3,409,250	N.R.%	$ (3,268,935)
Average common shares basic	**863,691**	136,757	19%	726,934	194,132	36%	532,802

Average common shares diluted(2)	**867,624**	138,092	19	729,532	196,730	37	532,802
Per common share:							
Net income basic	**$ 0.59**	$ 0.40	211%	$ 0.19	$ 6.33	N.R.%	$ (6.14)
Net income diluted	**0.59**	0.40	211	0.19	6.33	N.R.	(6.14)
Cash dividends declared	**0.10**	0.06	150	0.04			0.04
Revenue FTE							
Net interest income	**$ 1,629,170**	$ 10,365	1%	$ 1,618,805	$ 194,518	14%	$ 1,424,287
FTE adjustment	**14,916**	3,839	35	11,077	(395)	(3)	11,472
Net interest income(3)	**1,644,086**	14,204	1	1,629,882	194,123	14	1,435,759
Noninterest income	**980,623**	(61,235)	(6)	1,041,858	36,214	4	1,005,644
Total revenue(3)	**$ 2,624,709**	$ (47,031)	(2)%	$ 2,671,740	$ 230,337	9%	$ 2,441,403

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

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

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

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

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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 consolidated balance sheet and income statement trends are discussed. All earnings per share data is reported on a diluted basis. For additional insight on financial performance, please read this section in conjunction with the Item 7: Business Segment Discussion.

Significant Items

Definition of Significant Items

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

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

Management believes the disclosure of Significant Items in current and prior period results aids analysts/investors in better understanding corporate performance and trends so that they can ascertain which of such items, if any, they may wish to include/exclude from their analysis of the company s performance i.e., within the context of determining how that performance differed from their expectations, as well as how, if at all, to adjust their estimates of future performance accordingly. To this end, Management has adopted a practice of listing Significant Items in its external disclosure documents (e.g., earnings press releases, quarterly performance discussions, investor presentations, Forms 10-Q and 10-K).

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons among the three years ended December 31, 2011, 2010, and 2009 were impacted by a number of significant items summarized below.

1. *Early Extinguishment of Debt.* The positive impacts relating to the early extinguishment of debt on our reported results were: $9.7 million ($0.01 per common share) in 2011 and $141.0 million ($0.18 per common share) in 2009. These amounts were recorded as reductions to noninterest expense.

2. *Visa®.* Prior to the Visa® IPO occurring in March 2008, Visa® was owned by its member banks, which included the Bank. As a result of this ownership, we received Class B shares of Visa® stock at the time of the Visa® IPO. In the 2009 second quarter, we sold these Visa® stock shares, resulting in a $31.4 million pretax gain ($.04 per common share). This amount was recorded to noninterest income. In 2011, a $6.4 million derivative loss due to an increase in the liability associated with the sale of these shares was recorded to noninterest income.

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

4. *TARP Capital Purchase Program Repurchase.* During the 2010 fourth quarter, we issued $920.0 million of our common stock and $300.0 million of subordinated debt. The net proceeds, along with other available funds, were used to repurchase all $1.4 billion of TARP Capital that we issued to the Treasury under its TARP Capital Purchase Program in 2008. As part of this transaction, there was a deemed dividend that did not impact net income, but resulted in a negative impact of $0.08 per common share for 2010.

5. *Goodwill Impairment.* The impacts of goodwill impairment on our reported results were as follows:

During the 2009 first quarter, bank stock prices, including ours, experienced a steep decline. Our stock price declined 78% from $7.66 per share at December 31, 2008, to $1.66 per share at March 31, 2009. Given this significant decline, we conducted an interim test for goodwill impairment. As a result, we recorded a noncash $2,602.7 million ($4.88 per common share) pretax charge. *(See Goodwill discussion located within the Critical Accounting Policies and Use of Significant Estimates section for additional information.)*

During the 2009 second quarter, a pretax goodwill impairment of $4.2 million ($0.01 per common share) was recorded relating to the sale of a small payments-related business in July 2009.

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

On March 31, 2009, we restructured our relationship with Franklin. As a result of this restructuring, a nonrecurring net tax benefit of $159.9 million ($0.30 per common share) was recorded in the 2009 first quarter. Also, and although earnings were not significantly impacted, commercial NCOs increased $128.3 million as the previously established $130.0 million Franklin-specific ALLL was utilized to writedown the acquired mortgages and OREO collateral to fair value.

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

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

During the 2010 third quarter, the remaining Franklin-related residential mortgage and home equity loans were sold at essentially book value.

7. *Preferred Stock Conversion.* During the 2009 first and second quarters, we converted 114,109 and 92,384 shares, respectively, of Series A 8.50% Non-cumulative Perpetual Preferred (Series A Preferred Stock) stock into common stock. As part of these transactions, there was a deemed dividend that did not impact net income, but resulted in a negative impact of $0.11 per common share for 2009. *(See Capital discussion located within the Risk Management and Capital section for additional information.)*

8. *Other Significant Items Influencing Earnings Performance Comparisons.* In addition to the items discussed separately in this section, a number of other items impacted 2009 financial results. These included:

$23.6 million ($0.03 per common share) negative impact due to a special FDIC insurance premium assessment. This amount was recorded to noninterest expense.

$12.8 million ($0.02 per common share) benefit to provision for income taxes, representing a reduction to the previously established capital loss carry-forward valuation allowance.

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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 3 Significant Items Influencing Earnings Performance Comparison (1)

	2011		2010		2009	
(dollar amounts in thousands, except per share amounts)	After-tax	EPS	After-tax	EPS	After-tax	EPS
Net income (loss) GAAP	**$ 542,613**		$ 312,347		$ (3,094,179)	
Earnings per share, after-tax		**$ 0.59**		$ 0.19		$ (6.14)
Change from prior year $		**0.40**		6.33		(5.70)
Change from prior year %		**211 %**		N.R.%		N.R%
Significant items favorable (unfavorable) impact:	**Earnings(2)**	**EPS(3)**	**Earnings(2)**	**EPS(3)**	**Earnings(2)**	**EPS(3)**
Litigation reserves addition	**$ (17,028)**	**$ (0.01)**	$	$	$	$
Visa® related derivative loss	**(6,385)**					
Net tax benefit recognized(4)			38,222	0.05		
Franklin-related loans transferred to held for sale			(75,500)	(0.07)		
Franklin relationship restructuring(4)					159,895	0.30
Gain related to sale of Visa® stock					31,362	0.04
Deferred tax valuation allowance benefit(4)					12,847	0.02
Goodwill impairment					(2,606,944)	(4.89)
FDIC special assessment					(23,555)	(0.03)
Gain on early extinguishment of debt	**9,697**	**0.01**			141,024	0.18
Preferred stock conversion deemed dividend				(0.08)		(0.11)

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

(1) See Significant Factors Influencing Financial Performance discussion.

(2) Pretax unless otherwise noted.

(3) Based upon the annual average outstanding diluted common shares.

(4) After-tax.

Pretax, Pre-provision Income Trends

One non-GAAP performance measurement that we believe is useful in analyzing underlying performance trends, particularly in times of economic stress, is pretax, pre-provision income. This is the level of earnings adjusted to exclude the impact of: (a) provision expense, which is excluded because its absolute level is elevated and volatile in times of economic stress, (b) investment securities gains/losses, which are excluded because securities market valuations may also become particularly volatile in times of economic stress, (c) amortization of intangibles expense, which is excluded because the return on tangible equity common equity is a key measurement that we use to gauge performance trends, and (d) certain other items identified by us (see Significant Items above) that we believe may distort our underlying performance trends.

With our credit costs now returning to more normal levels, going forward we do not intend to report a PTPP metric.

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The following table reflects pretax, pre-provision income for the past three years:

Table 4 Pretax, Pre-provision Income (1)

	Twelve Months Ended December 31,		
(dollar amounts in thousands)	2011	2010	2009
Income (Loss) Before Income Taxes	**$ 707,234**	$ 352,311	$ (3,678,183)
Add: Provision for credit losses	**174,059**	634,547	2,074,671
Less: Securities gains (losses)	**(3,681)**	(274)	(10,249)
Add: Amortization of intangibles	**53,318**	60,478	68,307
Less: Significant Items			
Litigation reserves addition	**(17,028)**		
Visa®-related derivative loss	**(6,385)**		
Gain related to Visa® stock			31,362
Goodwill impairment			(2,606,944)
FDIC special assessment			(23,555)
Gain on early extinguishment of debt	**9,697**		141,024
Total pretax, pre-provision income	**$ 952,008**	$ 1,047,610	$ 933,157
Change in total pretax, pre-provision income:			
Amount	**$ (95,602)**	$ 114,453	$ (58,768)
Percent	**(9)%**	12%	(6)%

(1) See Additional Disclosures section.

Pretax, pre-provision income was $952.0 million in 2011, down $95.6 million, or 9%, from the prior year. As discussed in the sections that follow, the decrease primarily reflected the negative impact from lower noninterest income and higher noninterest expense as compared to the prior year.

Net Interest Income / Average Balance Sheet

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

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

Table 5 Change in Net Interest Income Due to Changes in Average Volume and Interest Rates (1)

	2011 Increase (Decrease) From Previous Year Due To			2010 Increase (Decrease) From Previous Year Due To		
Fully-taxable equivalent basis(2) **(dollar amounts in millions)**	**Volume**	**Yield/ Rate**	**Total**	**Volume**	**Yield/ Rate**	**Total**
Loans and direct financing leases	**$ 77.5**	**$ (213.1)**	**$ (135.6)**	$ (71.3)	$ (9.6)	$ (80.9)
Investment securities	**0.1**	**(31.7)**	**(31.6)**	96.8	(103.2)	(6.4)
Other earning assets	**(16.7)**	**12.5**	**(4.2)**	(3.8)	(2.2)	(6.0)
Total interest income from earning assets	**60.9**	**(232.3)**	**(171.4)**	21.7	(115.0)	(93.3)
Deposits	**(4.2)**	**(174.9)**	**(179.1)**	10.9	(246.0)	(235.1)
Short-term borrowings	**1.1**	**(0.6)**	**0.5**	1.1	(0.5)	0.6
Federal Home Loan Bank advances	**(0.9)**	**(1.4)**	**(2.3)**	(15.4)	5.6	(9.8)
Subordinated notes and other long-term debt, including capital securities	**(14.1)**	**9.4**	**(4.7)**	(14.3)	(28.8)	(43.1)
Total interest expense of interest-bearing liabilities	**(18.1)**	**(167.5)**	**(185.6)**	(17.7)	(269.7)	(287.4)
Net interest income	**$ 79.0**	**$ (64.8)**	**$ 14.2**	$ 39.4	$ 154.7	$ 194.1

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

(2) Calculated assuming a 35% tax rate.

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Table 6 Consolidated Average Balance Sheet and Net Interest Margin Analysis

	Average Balances						
		Change from 2010			Change from 2009		
Fully-taxable equivalent basis(1) **(dollar amounts in millions)**	**2011**	**Amount**	**Percent**	**2010**	**Amount**	**Percent**	**2009**
ASSETS							
Interest-bearing deposits in banks	**$ 133**	**$ (156)**	**(54)%**	$ 289	$ (72)	(20)%	$ 361
Trading account securities	**107**	**(51)**	**(32)**	158	13	9	145
Federal funds sold and securities purchased under resale agreement	**5**	**5**			(10)	(100)	10
Loans held for sale	**288**	**(241)**	**(46)**	529	(53)	(9)	582
Available-for-sale and other securities:							
Taxable	**8,371**	**(389)**	**(4)**	8,760	2,659	44	6,101
Tax-exempt	**428**	**17**	**4**	411	197	92	214
Total available-for-sale and other securities	**8,799**	**(372)**	**(4)**	9,171	2,856	45	6,315
Held-to-maturity securities taxable	**375**	**375**					
Loans and leases: (3)							
Commercial:							
Commercial and industrial	**13,597**	**1,166**	**9**	12,431	(705)	(5)	13,136
Commercial real estate:							
Construction	**592**	**(504)**	**(46)**	1,096	(762)	(41)	1,858
Commercial	**5,613**	**(516)**	**(8)**	6,129	(1,169)	(16)	7,298
Commercial real estate	**6,205**	**(1,020)**	**(14)**	7,225	(1,931)	(21)	9,156
Total commercial	**19,802**	**146**	**1**	19,656	(2,636)	(12)	22,292
Consumer:							
Automobile loans and leases	**5,877**	**987**	**20**	4,890	1,344	38	3,546
Home equity	**7,940**	**350**	**5**	7,590			7,590
Residential mortgage	**4,717**	**241**	**5**	4,476	(66)	(1)	4,542
Other consumer	**531**	**(130)**	**(20)**	661	(61)	(8)	722
Total consumer	**19,065**	**1,448**	**8**	17,617	1,217	7	16,400
Total loans and leases	**38,867**	**1,594**	**4**	37,273	(1,419)	(4)	38,692
Allowance for loan and lease losses	**(1,109)**	**321**	**(22)**	(1,430)	(474)	50	(956)
Net loans and leases	**37,758**	**1,915**	**5**	35,843	(1,893)	(5)	37,736
Total earning assets	**48,574**	**1,154**	**2**	47,420	1,315	3	46,105
Cash and due from banks	**1,436**	**(82)**	**(5)**	1,518	(614)	(29)	2,132
Intangible assets	**645**	**(57)**	**(8)**	702	(700)	(50)	1,402
All other assets	**4,204**	**(160)**	**(4)**	4,364	607	16	3,757
Total Assets	**$ 53,750**	**$ 1,176**	**2%**	$ 52,574	$ 134	%	$ 52,440
LIABILITIES AND SHAREHOLDERS EQUITY							
Deposits:							
Demand deposits noninterest-bearing	**$ 8,653**	**$ 1,794**	**26%**	$ 6,859	$ 802	13%	$ 6,057
Demand deposits interest-bearing	**5,517**	**(62)**	**(1)**	5,579	763	16	4,816
Money market deposits	**13,322**	**1,579**	**13**	11,743	4,527	63	7,216
Savings and other domestic deposits	**4,735**	**93**	**2**	4,642	(239)	(5)	4,881
Core certificates of deposit	**7,702**	**(1,486)**	**(16)**	9,188	(2,756)	(23)	11,944

Total core deposits	**39,929**	**1,918**	**5**	38,011	3,097	9	34,914
Other domestic time deposits of $250,000 or more	**465**	**(232)**	**(33)**	697	(144)	(17)	841
Brokered time deposits and negotiable CDs	**1,422**	**(181)**	**(11)**	1,603	(1,544)	(49)	3,147
Deposits in foreign offices	**389**	**(38)**	**(9)**	427	(60)	(12)	487
Total deposits	**42,205**	**1,467**	**4**	40,738	1,349	3	39,389
Short-term borrowings	**2,055**	**609**	**42**	1,446	513	55	933
Federal Home Loan Bank advances	**111**	**(62)**	**(36)**	173	(1,063)	(86)	1,236
Subordinated notes and other long-term debt	**3,165**	**(615)**	**(16)**	3,780	(541)	(13)	4,321
Total interest-bearing liabilities	**38,883**	**(395)**	**(1)**	39,278	(544)	(1)	39,822
All other liabilities	**976**	**20**	**2**	956	182	24	774
Shareholders equity	**5,238**	**(243)**	**(4)**	5,481	(306)	(5)	5,787
Total Liabilities and Shareholders Equity	**$ 53,750**	**$ 1,176**	**2%**	$ 52,574	$ 134	%	$ 52,440

Continued

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Table 7 Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)

Fully-taxable equivalent basis(1) (dollar amounts in millions)	Interest Income / Expense 2011	2010	2009	Average Rate(2) 2011	2010	2009
ASSETS						
Interest-bearing deposits in banks	$ 0.1	$ 0.8	$ 1.1	0.11%	0.28%	0.32%
Trading account securities	1.5	2.9	4.3	1.37	1.82	2.99
Federal funds sold and securities purchased under resale agreement			0.1	0.09		0.13
Loans held for sale	12.3	25.7	30.0	4.27	4.85	5.15
Available-for-sale and other securities:						
Taxable	208.0	239.1	250.0	2.48	2.73	4.10
Tax-exempt	18.3	18.8	14.2	4.28	4.56	6.68
Total available-for-sale and other securities	226.3	257.9	264.2	2.57	2.81	4.18
Held-to-maturity securities taxable	11.2			2.99		
Loans and leases: (3)						
Commercial:						
Commercial and industrial	585.6	660.6	664.6	4.31	5.31	5.06
Commercial real estate:						
Construction	23.0	30.6	50.8	3.88	2.79	2.74
Commercial	222.7	234.9	262.3	3.97	3.83	3.59
Commercial real estate	245.7	265.5	313.1	3.96	3.67	3.42
Total commercial	831.3	926.1	977.7	4.20	4.71	4.39
Consumer:						
Automobile loans and leases	293.2	295.2	252.6	4.99	6.04	7.12
Home equity	355.0	383.7	426.2	4.47	5.06	5.62
Residential mortgage	213.6	216.8	237.4	4.53	4.84	5.23
Other consumer	40.6	47.5	56.1	7.63	7.18	7.78
Total consumer	902.4	943.2	972.3	4.73	5.35	5.93
Total loans and leases	1,733.7	1,869.3	1,950.0	4.46	5.02	5.04
Total earning assets	$ 1,985.1	$ 2,156.6	$ 2,249.7	4.09%	4.55%	4.88%
LIABILITIES AND SHAREHOLDERS EQUITY						
Deposits:						
Demand deposits noninterest-bearing	$	$	$	%	%	%
Demand deposits interest-bearing	5.1	10.4	9.5	0.09	0.19	0.20
Money market deposits	54.4	103.5	83.6	0.41		1.16
Savings and other domestic deposits	32.7	48.2	66.8	0.69	1.04	1.37
Core certificates of deposit	150.0	231.6	409.4	1.95	2.52	3.43
Total core deposits	242.2	393.7	569.3	0.77	1.26	1.97
Other domestic time deposits of $250,000 or more	4.5	9.3	20.8	0.97	1.32	2.48
Brokered time deposits and negotiable CDs	12.5	35.4	83.1	0.88	2.21	2.64
Deposits in foreign offices	0.9	0.8	0.9	0.23	0.20	0.19
Total deposits	260.1	439.2	674.1	0.78	1.30	2.02
Short-term borrowings	3.5	3.0	2.4	0.17	0.21	0.25
Federal Home Loan Bank advances	0.8	3.1	12.9	0.74	1.80	1.04
Subordinated notes and other long-term debt	76.7	81.4	124.5	2.42	2.15	2.88

Total interest-bearing liabilities	**341.1**	526.7	813.9	**0.88**	1.34	2.04
Net interest income	**$ 1,644.1**	$ 1,629.9	$ 1,435.8			
Net interest rate spread				**3.19**	3.21	2.84
Impact of noninterest-bearing funds on margin				**0.20**	0.23	0.27
Net Interest Margin				**3.38%**	3.44%	3.11%

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

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

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

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2011 vs. 2010

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

The increase in average earning assets reflected:

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

Partially offset by:

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

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

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

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

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

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

Partially offset by:

- $1.0 billion, or 14%, decrease in the average CRE portfolio reflecting the continued execution of our plan to reduce the total CRE exposure, primarily in the noncore CRE portfolio. This reduction is expected to continue, reflecting the combined impact of amortization, pay downs, refinancing, and restructures.

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

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

Partially offset by:

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

2010 vs. 2009

Fully-taxable equivalent net interest income for 2010 increased $194.1 million, or 14%, from 2009. This reflected the favorable impact of a $1.3 billion, or 3%, increase in average earning assets, due to a $2.9 billion, or 45%, increase in average total investment securities, which was partially offset by a $1.4 billion, or 4%, decrease in average total loans and leases. Also contributing to the increase in net interest income was a 33 basis point increase in the fully-taxable net interest margin to 3.44% in 2010 from 3.11% in 2009.

The $1.4 billion, or 4%, decrease in average total loans and leases primarily reflected:

$2.6 billion, or 12%, decline in average total commercial loans. The decline in average CRE loans reflected our planned efforts to shrink this portfolio through payoffs and paydowns, as well as the impact

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of NCOs. The decline in average C&I loans reflected a general decrease in borrowing as evidenced by a decline in line-of-credit utilization, NCO activity, and the reclassification in the 2010 first quarter of variable rate demand notes to municipal securities.

Partially offset by:

- $1.2 billion, or 7%, increase in average total consumer loans. This growth reflected a $1.3 billion, or 38%, increase in average automobile loans and leases. On January 1, 2010, we adopted the new accounting standard ASC 810 Consolidation, resulting in the consolidation of an off-balance sheet securitization, which increased our automobile loan portfolio by $0.5 billion at December 31, 2010. Underlying growth in automobile loans continued to be strong, reflecting a significant increase in loan originations in 2010 as compared to 2009. The expansion into Eastern Pennsylvania and the five New England states also had a positive impact on our volume.

Total average investment securities increased $2.9 billion, or 45%, reflecting the deployment of the cash from core deposit growth and loan runoff over this period, as well as the proceeds from 2009 capital actions.

The $1.3 billion, or 3%, increase in average total deposits reflected:

- $3.1 billion, or 9%, growth in total core deposits. The primary driver of this growth was a 63% increase in average money market deposits. Partially offsetting this growth was a 23% decline in average core certificates of deposit.

Partially offset by:

- $1.7 billion, or 39%, decline in average noncore deposits, reflecting a managed decline in public fund deposits as well as planned efforts to reduce our reliance on noncore funding sources.

Provision for Credit Losses

(This section should be read in conjunction with Significant Item 6 and the Credit Risk section.)

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

The provision for credit losses in 2011 was $174.1 million, down $460.5 million, or 73%, from 2010, primarily reflecting the combination of lower NCOs, NPAs, and commercial Criticized loans as a result of improvement in the underlying quality of the loan portfolio. The provision for credit losses in 2011 was $263.0 less than total NCOs *(see Credit Quality discussion)*.

Noninterest Income

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

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

Table 8 Noninterest Income

	Twelve Months Ended December 31,						
		Change from 2010			Change from 2009		
(dollar amounts in thousands)	2011	Amount	Percent	2010	Amount	Percent	2009
Service charges on deposit accounts	**$ 243,507**	**$ (23,508)**	**(9)%**	$ 267,015	$ (35,784)	(12)%	$ 302,799
Trust services	**119,382**	**6,827**	**6**	112,555	8,916	9	103,639
Electronic banking	**111,697**	**1,463**	**1**	110,234	10,083	10	100,151
Mortgage banking income	**83,408**	**(92,374)**	**(53)**	175,782	63,484	57	112,298
Brokerage income	**80,367**	**11,512**	**17**	68,855	4,012	6	64,843
Insurance income	**69,470**	**(6,943)**	**(9)**	76,413	3,087	4	73,326
Bank owned life insurance income	**62,336**	**1,270**	**2**	61,066	6,194	11	54,872
Capital markets fees	**36,540**	**12,654**	**53**	23,886	13,035	120	10,851
Gain (loss) on sale of loans	**31,944**	**25,669**	**409**	6,275	13,851	N.R.	(7,576)
Automobile operating lease income	**26,771**	**(19,193)**	**(42)**	45,964	(5,846)	(11)	51,810
Securities gains (losses)	**(3,681)**	**(3,407)**	**1,243**	(274)	9,975	N.R.	(10,249)
Other income	**118,882**	**24,795**	**26**	94,087	(54,793)	(37)	148,880
Total noninterest income	**$ 980,623**	**$ (61,235)**	**(6)%**	$ 1,041,858	$ 36,214	4%	$ 1,005,644

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

2011 vs. 2010

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

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

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

$19.2 million, or 42%, decrease in automobile operating lease income reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

Partially offset by:

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

$24.8 million, or 26%, increase in other income, of which $12.1 million was associated with the sale of interest rate protection products and mezzanine gains and a $6.7 million reimbursement from the conversion to a new debit card processor, offset by a $6.4 million Visa®-related derivative loss.

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

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

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2010 vs. 2009

Noninterest income increased $36.2 million, or 4%, from 2009, primarily reflecting:

- $63.5 million, or 57%, increase in mortgage banking income. This primarily reflected a $45.4 million increase in net MSR activity and a $22.7 million, or 24%, increase in origination and secondary marketing income, as originations increased 4% from the prior year.

- $10.1 million, or 10%, increase in electronic banking, reflecting increased debit card transaction volume.

- $10.0 million benefit from lower securities losses.

- $8.9 million, or 9%, increase in trust services income, with 50% of the increase due to increases in asset market values, and the remainder reflecting growth in new business.

- $6.2 million, or 11%, increase in insurance benefits associated with bank owned life insurance.

- $4.0 million, or 6%, increase in brokerage income, primarily reflecting an increase in fixed income product sales, partially offset by lower annuity income.

Partially offset by:

- $35.8 million, or 12%, decline in service charges on deposit accounts reflecting lower personal service charges due to the implementation of the amendment to Reg E and our Fair Play consumer banking initiatives.

- $54.8 million, or 37%, decline in other income. 2009 included a $31.4 million gain from the sale of Visa® Class B stock.

Noninterest Expense

(This section should be read in conjunction with Significant Items 1, 3, 5, and 8.)

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

Table 9 Noninterest Expense

	Twelve Months Ended December 31,						
		Change from 2010			Change from 2009		
(dollar amounts in thousands)	2011	Amount	Percent	2010	Amount	Percent	2009
Personnel costs	**$ 892,534**	**$ 93,561**	**12%**	$ 798,973	$ 98,491	14%	$ 700,482
Outside data processing and other services	**187,195**	**27,947**	**18**	159,248	11,153	8	148,095
Net occupancy	**109,129**	**1,267**	**1**	107,862	2,589	2	105,273
Equipment	**92,544**	**6,624**	**8**	85,920	2,803	3	83,117
Deposit and other insurance expense	**77,692**	**(19,856)**	**(20)**	97,548	(16,282)	(14)	113,830
Marketing	**75,627**	**9,703**	**15**	65,924	32,875	99	33,049
Professional services	**70,595**	**(18,183)**	**(20)**	88,778	12,412	16	76,366
Amortization of intangibles	**53,318**	**(7,160)**	**(12)**	60,478	(7,829)	(11)	68,307
Automobile operating lease expense	**20,018**	**(17,016)**	**(46)**	37,034	(6,326)	(15)	43,360
OREO and foreclosure expense	**18,006**	**(21,043)**	**(54)**	39,049	(54,850)	(58)	93,899
Goodwill impairment					(2,606,944)	(100)	2,606,944
Gain on early extinguishment of debt	**(9,697)**	**(9,697)**			147,442	(100)	(147,442)
Other expense	**141,539**	**8,548**	**6**	132,991	24,828	23	108,163
Total noninterest expense	**$ 1,728,500**	**$ 54,695**	**3%**	$ 1,673,805	$ (2,359,638)	(59)%	$ 4,033,443
Number of employees (full-time equivalent), at period-end	**11,245**	**(96)**	**(1)%**	11,341	1,069	10%	10,272

2011 vs. 2010

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

- $93.6 million, or 12%, increase in personnel costs, primarily reflecting an increase in salary and benefit-related expenses.
- $27.9 million, or 18%, increase in outside data processing and other services, reflecting the costs associated with the conversion to a new debit card processor and the implementation of strategic initiatives.
- $9.7 million, or 15%, increase in marketing expense, reflecting higher advertising costs.
- $8.5 million, or 6%, increase in other expense primarily reflecting the 2011 first quarter $17.0 million addition to litigation reserves (see Significant items), partially offset by a $6.1 million decrease in representation and warranty expenses.

Partially offset by:

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

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

$18.2 million, or 20%, decrease in professional services, reflecting lower legal costs as collection activities declined and consulting expenses.

$17.0 million, or 46%, decrease in automobile operating lease expense as that portfolio continued to run-off having exited that business in 2008.

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

2010 vs. 2009

Noninterest expense decreased $2,359.6 million from 2009. Excluding the 2009 goodwill impairment of $2,606.9 million, noninterest expense increased $247.3 million and primarily reflected:

The absence of $147.4 million in gains on early extinguishment of debt in 2009.

$98.5 million, or 14%, increase in personnel costs, primarily reflecting a 10% increase in full-time equivalent staff in support of strategic initiatives, as well as higher commissions and other incentive expenses, and the reinstatement of certain employee benefits such as 401(k) plan matching contribution, merit increases, and bonuses.

$32.9 million, or 99%, increase in marketing expense, reflecting increases in branding and product advertising activities in support of strategic initiatives.

$24.8 million, or 23%, increase in other expense, reflecting $13.1 million increase associated with the provision for repurchase losses related to representations and warranties made on mortgage loans sold, as well as increased travel and miscellaneous fees.

Partially offset by:

$54.9 million, or 58%, decline in OREO and foreclosure expense.

$16.3 million, or 14%, decrease in deposit and other insurance expense. This decrease was comprised of two components: (1) $23.6 million FDIC special assessment during the 2009 second quarter, and (2) increased assessments due to higher levels of deposits.

Provision for Income Taxes

(This section should be read in conjunction with Significant Items 6 and 8, and Note 17 of the Notes to Consolidated Financial Statements.)

2011 versus 2010

The provision for income taxes was $164.6 million for 2011 compared with a provision of $40.0 million in 2010. Both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. At December 31, 2011, we had a net deferred tax asset of $364.8 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 December 31, 2011. The total disallowed deferred tax asset for regulatory capital purposes decreased to $39.1 million at December 31, 2011 compared to the total disallowed deferred tax asset of $161.3 million at December 31, 2010.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed for tax years through 2007. We have appealed certain proposed adjustments resulting from the IRS examination of our 2006 and 2007 tax returns. We believe our positions related to such proposed adjustments are correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. During 2011, we entered into discussions with the Appeals Division of the IRS. It is possible the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of

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operations in the period it occurs. Nevertheless, although no assurances can be given, we believe that the resolution of these examinations will not, individually or in the aggregate, have a material adverse impact on our consolidated financial position. In the third quarter 2011, the IRS began its examination of our 2008 and 2009 consolidated federal income tax returns. Various state and other jurisdictions remain open to examination, including Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois.

2010 versus 2009

The provision for income taxes was $40.0 million for 2010 compared with a benefit of $584.0 million in 2009. Both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. In 2010, we entered into an asset monetization transaction that generated a tax benefit of $63.6 million. Also, in 2010, undistributed previously reported earnings of a foreign subsidiary of $142.3 million were distributed and an additional $49.8 million of tax expense was recorded. The tax benefit in 2009 was impacted by the pretax loss combined with the favorable impacts of the Franklin restructuring in 2009 and the reduction of the capital loss valuation reserve, offset by the nondeductible portion of the 2009 goodwill impairment.

The Franklin restructuring in 2009 resulted in a $159.9 million net deferred tax asset equal to the amount of income and equity that was included in our operating results for 2009. During 2010, a $43.6 million net tax benefit was recognized, primarily reflecting the increase in the net deferred tax asset relating to the assets acquired from the March 31, 2009 Franklin restructuring.

RISK MANAGEMENT AND CAPITAL

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

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

We believe our primary risk exposures are credit, market, liquidity, operational, and compliance risk. Credit risk is the risk of loss due to adverse changes in a counterparty s ability to meet their financial obligations under agreed upon terms. Market risk represents the risk of loss due to changes in the market value of assets and liabilities due to changes in interest rates, exchange rates, and equity prices. Liquidity risk arises from the possibility that funds may not be available to satisfy current or future commitments resulting from external macro market issues, investor and customer perception of financial strength, and events unrelated to us, such as war, terrorism, or financial institution market specific issues. In addition, the mix and maturity structure of Huntington s balance sheet, amount of on-hand cash and unencumbered securities and the availability of contingent sources of funding, can have an impact on Huntington s ability to satisfy current or future funding commitments. We manage liquidity risk at both the Bank and the parent company. Operational risk arises from our inherent day-to-day operations that could result in losses due to human error, inadequate or failed internal systems and controls, and external events. Compliance risk exposes us to money penalties, enforcement actions or other sanctions as a result of nonconformance with laws, rules, and regulations that apply to the financial services industry.

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

Credit Risk

Credit risk is the risk of financial loss if a counterparty is not able to meet the agreed upon terms of the financial obligation. The majority of our credit risk is associated with lending activities, as the acceptance and management of credit risk is central to profitable lending. We also have significant credit risk associated with our available-for-sale and other investment and held-to-maturity securities portfolio *(see Notes 4 and 5 of the Notes to Consolidated Financial Statements)*. We engage with other financial counterparties for a variety of purposes including investing, asset and liability management, mortgage banking, and for trading activities. Given the current level of global financial issues, we believe it is important to provide clarity around our exposure in this specific area *(see European Sovereign Debt and Counterparty Exposure section).* While there is credit risk associated with derivative activity, we believe this exposure is minimal.

The significant change in the economic conditions and the resulting changes in borrower behavior over the past several years resulted in our continuing focus on the identification, monitoring, and managing of our credit risk. In addition to the traditional credit risk mitigation strategies of credit policies and processes, market risk management activities, and portfolio diversification, we added more quantitative measurement capabilities utilizing external data sources, enhanced use of modeling technology, and internal stress testing processes. The continued expansion of our portfolio management resources demonstrates our commitment to maintaining an aggregate moderate-to-low risk profile. In our efforts to continue to identify risk mitigation techniques, we have focused on product design features, origination policies, and treatment strategies for delinquent or stressed borrowers.

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

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

Asset quality metrics improved significantly in 2011, reflecting our proactive portfolio management initiatives as well as some stabilization in a still relatively weak economy. The improvements in the asset quality metrics, including lower levels of NPAs, commercial Criticized and Classified assets, and delinquencies have all been achieved through these policies and commitments. Our portfolio management policies demonstrate our commitment to maintaining an aggregate moderate-to-low risk profile. To that end, we continue to expand resources in our risk management areas.

Although credit quality significantly improved in 2011, the weak residential real estate market and U.S. economy continued to negatively impact us and the financial services industry as a whole. The pronounced downturn in the residential real estate market that began in early 2007 resulted in significantly lower residential real estate values and higher delinquencies and NCOs, including loans to builders and developers of residential real estate. In addition, continued high unemployment, among other economic conditions, throughout 2010 and 2011, slowed any significant recovery from the 2008-2009 U.S. recession. As a result, we continued to experience higher than historical levels of delinquencies and NCOs in our loan portfolios, with some continued negative pressure on the value of our investment securities backed by residential assets.

Loan and Lease Credit Exposure Mix

At December 31, 2011, our loans and leases totaled $38.9 billion, representing a 2% increase from December 31, 2010, primarily reflecting growth in the C&I, residential mortgage, and home equity portfolios. These increases were partially offset by a decline in the automobile portfolio reflecting the 2011 third quarter automobile securitization and the transfer of automobile loans to loans held for sale related to a planned automobile securitization *(see Automobile Portfolio discussion)*, and the continued decline of the CRE portfolio reflecting our planned strategy to reduce our noncore CRE exposure.

At December 31, 2011, commercial loans totaled $20.5 billion, and represented 52% of our total credit exposure. Our commercial loan portfolio is diversified along product type, customer size, and geography within our footprint, and is comprised of the following (*see Commercial Credit discussion)*:

C&I loans C&I loans 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 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 function of the credit decision process, which focuses on cash flow from operations of the business to repay the debt. The operation, sale, rental, or refinancing of the real estate is not considered the primary repayment source for these types of loans. As we look to grow our C&I loan portfolio, we have further developed our ABL capabilities by adding experienced ABL professionals to take advantage of market opportunities resulting in better leveraging of the manufacturing base in our primary markets. Also, our Equipment Finance area is targeting larger equipment financings in the manufacturing sector in addition to our core products. We also expanded our large corporate banking group with sufficient resources to ensure we appropriately recognize and manage the risks associated with this type of lending.

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

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

Total consumer loans were $18.4 billion at December 31, 2011, and represented 48% of our total credit exposure. The consumer portfolio was diversified primarily among automobile, home equity loans and lines-of-credit, and residential mortgages *(see Consumer Credit discussion).*

Automobile Automobile loans and leases are primarily comprised of loans made through automotive dealerships and include exposure in selected states outside of our primary banking markets. No state outside of our primary banking market represented more than 3% of our total automobile portfolio at December 31, 2011. In late 2011, we expanded into Minnesota and Wisconsin, and in 2010, we expanded into eastern Pennsylvania and five New England states. The expansions were based on hiring experienced colleagues within the new markets that have existing dealer relationships. We have a loan securitization strategy to maintain any growth within our established portfolio concentration limits.

Home equity Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first-lien or second-lien on the borrower s residence, allows customers to borrow against the equity in their home. Given the current low interest rate environment, many borrowers have utilized the line-of-credit home equity product as the primary source of financing their home versus residential mortgages. As a result, the proportion of the home equity portfolio secured by a first-lien has increased significantly over the past three years, positively impacting the portfolio s performance. The portfolio s credit risk profile is substantially reduced when we hold a first-lien position. During 2011, 70% of our home equity portfolio originations were secured by a first-lien. The first-lien position combined with continued high average FICO scores significantly reduces the PD associated with these loans. The combination provides a strong base when assessing the expected future performance of this portfolio. Real estate market values at the time of origination directly affect the amount of credit extended and, in the event of default, subsequent changes in these values impact the severity of losses. We actively manage the extension of credit and the amount of credit extended through a combination of criteria including financial position, debt-to-income policies, and LTV policy limits.

Residential mortgages Residential mortgages represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15-year to 30-year term, and in most cases, are extended to borrowers to finance their primary residence. Generally, our practice is to sell a significant portion of our fixed-rate originations in the secondary market. As such, at December 31, 2011, 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. We are subject to repurchase risk associated with residential mortgage loans sold in the secondary market. An appropriate level of accounting reserve for representations and warranties related to residential mortgage loans sold has been established to address this repurchase risk inherent in the portfolio *(see Operational Risk discussion).*

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

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

Table 10 Loan and Lease Portfolio Composition

	At December 31,									
	2011		2010		2009		2008		2007	
(dollar amounts in millions)										
Commercial:(1)										
Commercial and industrial	**$ 14,699**	**38%**	$ 13,063	34%	$ 12,888	35%	$ 13,541	33%	$ 13,126	33%
Commercial real estate:										
Construction	**580**	**1**	650	2	1,469	4	2,080	5	1,962	5
Commercial	**5,246**	**13**	6,001	16	6,220	17	8,018	20	7,221	18
Total commercial real estate	**5,826**	**14**	6,651	18	7,689	21	10,098	25	9,183	23
Total commercial	**20,525**	**52**	19,714	52	20,577	56	23,639	58	22,309	56
Consumer:										
Automobile(2)	**4,458**	**11**	5,614	15	3,390	9	4,464	11	4,294	11
Home equity	**8,215**	**21**	7,713	20	7,563	21	7,557	18	7,290	18
Residential mortgage	**5,228**	**13**	4,500	12	4,510	12	4,761	12	5,447	14
Other consumer	**498**	**3**	566	1	751	2	671	1	715	1
Total consumer	**18,399**	**48**	18,393	48	16,214	44	17,453	42	17,746	44
Total loans and leases	**$ 38,924**	**100%**	$ 38,107	100%	$ 36,791	100%	$ 41,092	100%	$ 40,055	100%

(1) There were no commercial loans outstanding that would be considered a concentration of lending to a particular industry or group of industries.

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

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

Table 11 Total Loan and Lease Portfolio by Collateral Type

	At December 31,									
(dollar amounts in millions)	**2011**		2010		2009		2008		2007	
Secured loans:										
Real estate commercial	**$ 9,557**	**25%**	$ 10,389	27%	$ 11,286	31%	$ 13,121	32%	$ 13,149	33%
Real estate consumer	**13,444**	**35**	12,214	32	12,176	33	12,318	30	12,737	32
Vehicles	**6,021**	**16**	7,134	19	4,600	13	6,063	15	5,722	14
Receivables/Inventory	**4,450**	**12**	3,763	10	3,582	10	3,915	10	3,391	8
Machinery/Equipment	**1,994**	**5**	1,766	5	1,772	5	1,916	5	1,715	4
Securities/Deposits	**800**	**2**	734	2	1,145	3	862	2	788	2
Other	**1,018**	**1**	990	2	1,124	2	1,231	2	1,130	3
Total secured loans and leases	**37,284**	**96**	36,990	97	35,685	97	39,426	96	38,632	96
Unsecured loans and leases	**1,640**	**4**	1,117	3	1,106	3	1,666	4	1,423	4
Total loans and leases	**$ 38,924**	**100%**	$ 38,107	100%	$ 36,791	100%	$ 41,092	100%	$ 40,055	100%

Commercial Credit

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

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

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

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

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

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

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

C&I PORTFOLIO

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

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

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

CRE PORTFOLIO

We manage the risks inherent in this portfolio specific to CRE lending, focusing on the quality of the developer, and the specifics associated with each project. Generally, we: (1) limit our loans to 80% of the appraised value of the commercial real estate, (2) require net operating cash flows to be 125% of required interest and principal payments, and (3) if the commercial real estate is nonowner occupied, require that at least 50% of the space of the project be preleased. Additionally, we established a limit to our CRE exposure of no more than our amount of Tier 1 risk-based capital plus the ACL. We have been actively reducing our CRE exposure during the past three years, and our CRE exposure met this established limit at December 31, 2011. We actively monitor both geographic and project-type concentrations and performance metrics of all CRE loan types, with a focus on higher risk classes. Both macro-level and loan-level stress-test scenarios based on existing and forecast market conditions are part of the on-going portfolio management process for the CRE portfolio.

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

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

Each CRE loan is classified as either core or noncore. We separated the CRE portfolio into these categories in order to provide more clarity around our portfolio management strategies and to provide additional clarity for us and our investors. We believe segregating the noncore CRE from core CRE improves our ability to understand the nature, performance prospects, and problem resolution opportunities of these segments, thus allowing us to continue to deal proactively with any emerging credit issues.

A CRE loan is generally considered core when the borrower is an experienced, well-capitalized developer in our Midwest footprint, and has either an established meaningful relationship with us that generates an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was $4.0 billion at December 31, 2011, representing 68% of total CRE loans. The performance of the core portfolio met our expectations based on the consistency of the asset quality metrics within the portfolio. Based on our extensive project level assessment process, including forward-looking collateral valuations, we continue to believe the credit quality of the core portfolio is stable. Loans are not reclassified between the core and noncore segments based on performance, and as such, we do not anticipate an elevated level of problem loans in the core portfolio.

A CRE loan is generally considered noncore based on the lack of a substantive relationship outside of the loan product, with no immediate prospects for meeting the core relationship criteria. The noncore CRE portfolio declined from $2.6 billion at December 31, 2010, to $1.8 billion at December 31, 2011, and represented 32% of total CRE loans. Of the loans in the noncore portfolio at December 31, 2011, 67% were classified as Pass, 95% had guarantors, nearly 100% were secured, and 90% were located within our geographic footprint. However, it is within the noncore portfolio where most of the credit quality challenges exist. For example, $0.2 billion, or 11%, of related outstanding balances, are classified as NALs. We expect to exit the majority of noncore CRE relationships over time through normal repayments and refinancings, possible sales should economically attractive opportunities arise, or the reclassification to a core CRE relationship if it expands to meet the core criteria.

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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 12 Commercial Real Estate Core vs. Noncore portfolios

(dollar amounts in millions)	December 31, 2011					
	Ending Balance	Prior NCOs	ACL $	ACL %	Credit Mark(1)	Nonaccrual Loans
Total core	**$ 3,978**	**$ 25**	**$ 125**	**3.14%**	**3.75%**	**$ 26**
Noncore SAD(2)	**735**	**253**	**182**	**24.76**	**44.03**	**195**
Noncore Other	**1,113**	**17**	**88**	**7.91**	**9.29**	**9**
Total noncore	**1,848**	**270**	**270**	**14.61**	**25.50**	**204**
Total commercial real estate	**$ 5,826**	**$ 295**	**$ 395**	**6.78%**	**11.27%**	**$ 230**

	December 31, 2010					
	Ending Balance	Prior NCOs	ACL $	ACL %	Credit Mark(1)	Nonaccrual Loans
Total core	$ 4,042	$ 5	$ 160	3.96%	4.08%	$ 16
Noncore SAD(2)	1,400	379	329	23.50	39.80	307
Noncore Other	1,209	5	105	8.68	9.06	41
Total noncore	2,609	384	434	16.63	27.33	348
Total commercial real estate	$ 6,651	$ 389	$ 594	8.93%	13.96%	$ 364

(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 December 31, 2011, declined $0.8 billion, or 12%, compared with December 31, 2010. Of this decline, 81% occurred in the noncore segment of the portfolio administered by SAD, and was a result of payoffs and NCOs as we actively focused on the noncore portfolio to reduce our overall CRE exposure. This reduction demonstrates our continued commitment to achieving a materially lower risk profile in the CRE portfolio, consistent with our overall objective of maintaining an aggregate moderate-to-low risk profile. We anticipate further noncore CRE declines, consistent with our strategy to continue to reduce our overall CRE exposure. The reduction in the core segment is a result of normal portfolio attrition combined with limited origination activity. We will continue to support our core developer customers as appropriate, however, we do not believe that significant additional CRE activity is appropriate given our current exposure in CRE lending and the current economic conditions.

Also as shown above, substantial reserves for the noncore portfolio have been established. At December 31, 2011, the ACL related to the noncore portfolio was 14.61%. 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 44.03% Credit Mark associated with the SAD-managed noncore portfolio is an indicator of the aggressive portfolio management strategy employed for this portfolio.

Consumer Credit

Consumer credit approvals are based on, among other factors, the financial strength and payment history of the borrower, type of exposure, and the transaction structure. Consumer credit decisions are generally made in a centralized environment utilizing decision models. Importantly, certain individuals who understand each local region have the authority to make credit extension decisions to preserve our focus on the local communities we operate in. Each credit extension is assigned a specific PD and LGD. The PD is generally based on the borrower s most recent credit bureau score (FICO), which we update quarterly, while the LGD is related to the type of collateral and the LTV ratio associated with the credit extension.

In consumer lending, credit risk is managed from a segment (i.e., loan type, collateral position, geography, etc.) and vintage performance analysis. All portfolio segments are continuously monitored for changes in delinquency trends and other asset quality indicators. We make extensive use of portfolio assessment models to continuously monitor the quality of the portfolio, which may result in changes to future origination strategies. The on-going analysis and review process results in a determination of an appropriate ALLL amount for our consumer loan portfolio. The independent risk management group has a consumer process review component to ensure the effectiveness and efficiency of the consumer credit processes.

Collection action is initiated as needed through a centrally managed collection and recovery function. The collection group employs a series of collection methodologies designed to maintain a high level of effectiveness while maximizing efficiency. In addition to the consumer loan portfolio, the collection group is responsible for collection activity on all sold and securitized consumer loans and leases. Collection practices include a single contact point for the majority of the residential real estate secured portfolios.

AUTOMOBILE LOANS AND LEASES PORTFOLIO

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

We continued to consistently execute our value proposition and took advantage of market opportunities that allowed us to grow our automobile loan portfolio. The significant growth in the portfolio was accomplished while maintaining high credit quality metrics. As we further execute our strategies and take advantage of these opportunities, we have developed and implemented a loan securitization strategy to maintain any growth within our established portfolio concentration limits. We have continued to expand our origination markets by entering Minnesota and Wisconsin in late 2011, after entering Pennsylvania and five New England states in 2010. Our market expansion strategy is based on hiring new colleagues with direct experience and established relationships with automobile dealers in the specific market.

In the 2011 third quarter, we transferred $1.0 billion of automobile loans to a trust in a securitization transaction. The securitization qualified for sale accounting. As a result of this transaction, we recognized a $15.5 million gain on sale, which is reflected in noninterest income and recorded a $16.0 million servicing asset, which is reflected in accrued income and other assets. Additionally, in the 2011 fourth quarter, $1.3 billion of automobile loans were transferred to loans held for sale, reflecting an automobile loan securitization planned for the first half of 2012.

RESIDENTIAL REAL ESTATE-SECURED PORTFOLIOS

The properties securing our residential mortgage and home equity portfolios are primarily located throughout our geographic footprint. The continued stress on home prices has caused the performance in these portfolios to remain weaker than historical levels. We continue to evaluate all of our policies and processes associated with managing these portfolios.

In 2011, we accelerated the timing of charge-off recognition in our residential mortgage portfolio. In addition, we established a writedown policy for loans in short sale situations. Both of these policy changes

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resulted in accelerated recognition of residential mortgage charge-offs totaling $6.8 million in 2011. Further, also in 2011, we implemented a policy change regarding the placement of loans on nonaccrual status in both the home equity and residential mortgage portfolios. This policy change resulted in accelerated placement of loans on nonaccrual status totaling $6.7 million in the home equity portfolio and $8.0 million in the residential mortgage portfolio.

Table 13 Selected Home Equity and Residential Mortgage Portfolio Data

	Home Equity					
	Secured by first-lien		Secured by second-lien		Residential Mortgage	
(dollar amounts in millions)	12/31/11	12/31/10	12/31/11	12/31/10	12/31/11	12/31/10
Ending balance	**$ 3,815**	$ 3,055	**$ 4,400**	$ 4,658	**$ 5,228**	$ 4,500
Portfolio weighted average LTV ratio(1)	**71%**	70%	**81%**	80%	**77%**	77%
Portfolio weighted average FICO score(2)	**749**	745	**734**	733	**731**	721

	Home Equity					
	Secured by first-lien		Secured by second-lien		Residential Mortgage(3)	
	Year Ended December 31,					
	2011	2010	2011	2010	2011	2010
Originations	**$ 1,900**	$ 1,310	**$ 799**	$ 754	**$ 1,508**	$ 1,607
Origination weighted average LTV ratio(1)	**71%**	69%	**82%**	79%	**82%**	81%
Origination weighted average FICO score(2)	**769**	767	**762**	756	**759**	759

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

At December 31, 2011, 46% of our home equity portfolio was secured by first-lien mortgages. The credit risk profile is substantially reduced when we hold a first-lien position. During 2011, 70% of our home equity portfolio originations were secured by a first-mortgage lien. We focus on high quality borrowers primarily located within our footprint. The majority of our home equity line-of-credit borrowers consistently pay more than the minimum payment required in any given month. Additionally, since we focus on developing complete relationships with our customers, many of our home equity borrowers are utilizing our other products and services. The combination of high quality borrowers as measured by financial condition, FICO score, and the lien position status provide a high degree of confidence regarding the performance of the 2009-2011 originations.

Within the home equity line-of-credit portfolio, the standard product is a 10-year interest-only draw period with a balloon payment and represented a majority of the line-of-credit portfolio at December 31, 2011. As previously discussed, a significant portion of recent originations are secured by first-liens on the underlying property as high quality borrowers take advantage of the current low variable-rates available with a line-of-credit. If the current 30-year fixed-rate declines substantially from its already low level, we would anticipate some portion of these first-lien line-of-credit borrowers to refinance to a more traditional residential mortgage at a fixed-rate.

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

We obtain a property valuation for every loan or line-of-credit at origination. The type of property valuation obtained is based on a series of credit parameters, and ranges from an AVM to a complete walkthrough appraisal. While we believe an AVM estimate is an appropriate valuation source for a portion of our home equity lending activities, we continue to re-evaluate all of our policies on an on-going basis with the intent of ensuring complete independence in the requesting and reviewing of real estate valuations associated with loan decisions. We are committed to appropriate valuations for all of our real estate lending, and do not anticipate significant impacts to our loan decision process as a result of these guidelines. We update values as appropriate, and in compliance with applicable regulations, for loans identified as higher risk. Loans are identified as higher risk based on performance indicators and the updated values are utilized to facilitate our portfolio management processes, as well as our workout and loss mitigation functions.

We continue to make origination policy adjustments based on our assessment of an appropriate risk profile, as well as industry actions. In addition to origination policy adjustments, we take actions, as necessary, to manage the risk profile of this portfolio.

Residential Mortgages Portfolio

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

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

At December 31, 2011, 50% of our total residential mortgage loans have adjustable rates. At December 31, 2011, ARM loans that were expected to have rates reset totaled $1.9 billion through 2015. These loans scheduled to reset are primarily associated with loans originated subsequent to 2007, and as such, are not subject to the most significant declines in underlying property value. Given the quality of our borrowers and the relatively low current 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.

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 year ended December 31, 2011, we closed $605 million in HARP residential mortgages and $62 million in HAMP residential mortgages that are either in our residential mortgage portfolio or serviced for others. We utilize these programs to enhance our existing strategies of working closely with our customers.

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European Sovereign Debt and Counterparty Exposure

In the normal course of business, we engage with other financial institutions for a variety of purposes resulting from ordinary banking activities such as payment processing, transactions entered into for risk management purposes *(see Note 20 of the Notes to Consolidated Financial Statements)*, and for investment diversification. As a result, we are exposed to credit risk, or risk of loss, if the other financial institution fails to perform according to the terms of our contract or agreement.

Current European credit pressures have increased concerns about correlated adverse effects upon financial institutions. Specifically, there has been heightened emphasis on direct credit exposure to certain sovereigns, in particular, Greece, Ireland, Portugal, Spain and Italy, as well as to financial institutions headquartered in those countries. We analyze and assess each financial institution prior to approval as a counterparty. Our Treasury Credit Risk group within Credit Administration is responsible for the initial risk assessment as well as on-going monitoring. We actively manage the level of exposure to each financial institution, with regular assessment of the exposure limits by our Credit Policy and Strategy Committee. We believe our overall exposure to financial institutions on a gross basis, including direct credit exposure to any of these named sovereigns and their banks, is not significant in the aggregate. Nonetheless, we minimize this risk through active monitoring and management of each contract or agreement.

Credit Quality

We believe the most meaningful way to assess overall credit quality performance for 2011 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 2011 improved significantly throughout the year as evidenced by the improvement of every key asset quality metric. NPAs declined 30% from December 31, 2010, to December 31, 2011, along with declines in both commercial Criticized and Classified assets levels over the same period. Delinquent loan levels declined across all loan portfolios. We anticipate these positive trends will continue in 2012, although at a slower rate compared to 2011.

NPAs, NALs, and TDRs

(This section should be read in conjunction with Significant Item 6 and Note 3 of the Notes to Consolidated Financial Statements.)

NPAs and NALs

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

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

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The table reflects period-end NALs and NPAs detail for each of the last five years.

Table 14 Nonaccrual Loans and Nonperforming Assets

	At December 31,				
(dollar amounts in thousands)	**2011**	2010	2009	2008	2007
Nonaccrual loans and leases:					
Commercial and industrial(1)	**$ 201,846**	$ 346,720	$ 578,414	$ 932,648	$ 87,679
Commercial real estate	**229,889**	363,692	935,812	445,717	148,467
Residential mortgages(1)	**68,658**	45,010	362,630	98,951	59,557
Home equity	**40,687**	22,526	40,122	24,831	24,068
Total nonaccrual loans and leases	**541,080**	777,948	1,916,978	1,502,147	319,771
Other real estate owned, net					
Residential	**20,330**	31,649	71,427	63,058	60,804
Commercial	**18,094**	35,155	68,717	59,440	14,467
Total other real estate, net	**38,424**	66,804	140,144	122,498	75,271
Impaired loans held for sale(2)			969	12,001	73,481
Other nonperforming assets(3)	**10,772**				4,379
Total nonperforming assets	**$ 590,276**	$ 844,752	$ 2,058,091	$ 1,636,646	$ 472,902
Nonaccrual loans as a % of total loans and leases	**1.39%**	2.04%	5.21%	3.66%	0.80%
Nonperforming assets ratio(4)	**1.51**	2.21	5.57	3.97	1.18
Allowance for loan and lease losses as % of:					
Nonaccrual loans	**178%**	161%	77%	60%	181%
Nonperforming assets	**163**	148	72	55	122
Allowance for credit losses as % of:					
Nonaccrual loans	**187%**	166%	80%	63%	202%
Nonperforming assets	**172**	153	74	58	136
Nonperforming Franklin assets:(1)					
Commercial	**$**	$	$	$ 650,225	$
Residential mortgage			299,670		
Home equity			15,004		
Other real estate owned, net		9,477	23,826		
Total Nonperforming Franklin assets	**$**	$ 9,477	$ 338,500	$ 650,225	$

(1) Franklin loans were reported as commercial accruing restructured loans at December 31, 2007. At December 31, 2008, Franklin loans were reported as nonaccrual commercial and industrial loans. At December 31, 2009 and 2010, nonaccrual Franklin loans were reported as residential mortgage loans, home equity loans, and other real estate owned. At December 31, 2011, all Franklin-related loans and other real estate owned were either sold or fully charged-off.

(2) Represents impaired loans obtained from the Sky Financial acquisition. Held for sale loans are carried at the lower of cost or fair value less costs to sell.

(3)

Other nonperforming assets at December 31, 2011, represented an investment security backed by a municipal bond. Other nonperforming assets at December 31, 2007, represented certain investment securities backed by mortgage loans to borrowers with lower FICO scores.

(4) Nonperforming assets divided by the sum of loans and leases, impaired loans held for sale, net other real estate owned, and other nonperforming assets.

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NALs were $541.1 million at December 31, 2011, compared with $777.9 million at December 31, 2010. The decrease of $236.9 million, or 30%, primarily reflected:

- $144.9 million, or 42%, decrease in C&I NALs, primarily reflected both NCO activity and problem loan resolutions, including payments and pay-offs. The decline was associated with loans throughout our footprint, with no specific industry concentration.

- $133.8 million, or 37%, decrease in CRE NALs, primarily reflecting both NCO activity and problem loan resolutions including payments and pay-offs. We continued to focus on early recognition of risk through our on-going portfolio management processes.

Partially offset by:

- $23.6 million, or 53%, increase in residential mortgage NALs, primarily reflecting the continued weak economic conditions and decline of residential real estate property values. The process related to foreclosure and disposition of real estate assets has lengthened, resulting in loans remaining in a delinquency status for a significantly longer period of time. Residential mortgage NALs have been written down to net realizable value, less anticipated selling costs, which substantially limits any significant risk of future loss. Additionally, a policy change resulted in the accelerated placement of loans on NAL status totaling $8.0 million in 2011 *(see Consumer Credit section).*

- $18.2 million, or 81%, increase in home equity NALs, primarily reflecting the continued weak economic conditions and decline of residential real estate property values. 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 a second-lien loan. Right-sizing and debt forgiveness associated with these situations are becoming more frequent as borrowers realize the impact to their credit is minor, and that a default on a second-lien loan is not likely to cause them to lose their home. Home equity NALs have been written down to net realizable value, less anticipated selling costs, which substantially limits any significant future risk of loss. Additionally, a policy change resulted in the accelerated placement of loans on NAL status totaling $6.7 million in 2011 *(see Consumer Credit section).*

Of the $431.7 million of CRE and C&I-related NALs at December 31, 2011, $128.0 million, or 30%, represented loans that were less than 30 days past due, demonstrating our continued commitment to proactive credit risk management.

NPAs, which include NALs, were $590.3 million at December 31, 2011, and represented 1.51% of related assets. This compared with $844.8 million, or 2.21%, at December 31, 2010. The $254.5 million, or 30%, decrease reflected:

- $236.9 million decrease to NALs, discussed above.

- $28.4 million decrease to OREO, primarily reflecting lower inflows combined with active sales activities.

As discussed previously, residential mortgages are placed on nonaccrual status at 150-days past due, with the exception of residential mortgages guaranteed by government organizations which continue to accrue interest. First-lien and second-lien home equity loans and lines-of-credit are placed on nonaccrual status at 150-days past due and 120-days past due, respectively.

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The following table reflects period-end accruing loans and leases 90 days or more past due for each of the last five years:

Table 15 Accruing Past Due Loans and Leases

	At December 31,				
(dollar amounts in thousands)	**2011**	2010	2009	2008	2007
Accruing loans and leases past due 90 days or more					
Commercial and industrial	**$**	$	$	$ 10,889	$ 10,474
Commercial real estate				59,425	25,064
Residential mortgage (excluding loans guaranteed by the U.S. government)	**45,198**	53,983	78,915	71,553	67,391
Home equity	**20,198**	23,497	53,343	29,039	24,086
Other loans and leases	**8,253**	10,177	13,400	18,039	13,962
Total, excl. loans guaranteed by the U.S. government	**73,649**	87,657	145,658	188,945	140,977
Add: loans guaranteed by the U.S. government	**96,703**	98,288	101,616	82,576	51,174
Total accruing loans and leases past due 90 days or more, including loans guaranteed by the U.S. government	**$ 170,352**	$ 185,945	$ 247,274	$ 271,521	$ 192,151
Ratios:(1)					
Excluding loans guaranteed by the U.S. government, as a percent of total loans and leases	**0.19%**	0.23%	0.40%	0.46%	0.35%
Guaranteed by the U.S. government, as a percent of total loans and leases	**0.25**	0.26	0.28	0.20	0.13
Including loans guaranteed by the U.S. government, as a percent of total loans and leases	**0.44**	0.49	0.68	0.66	0.48

(1) Ratios are calculated as a percentage of related loans and leases.

TDR Loans

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.

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

Table 16 Accruing and Nonaccruing Troubled Debt Restructured Loans

	December 31,		
(dollar amounts in thousands)	2011	2010	2009
Troubled debt restructured loans accruing:			
Residential mortgage	**$ 309,678**	$ 328,411	$ 229,470
Other consumer(1)	**94,905**	76,586	52,871
Commercial	**303,975**	222,632	157,049
Total troubled debt restructured loans accruing	**708,558**	627,629	439,390
Troubled debt restructured loans nonaccruing:			
Residential mortgage	**26,089**	5,789	4,988
Other consumer(1)	**482**		
Commercial	**70,521**	33,462	108,458
Total troubled debt restructured loans nonaccruing	**97,092**	39,251	113,446
Total troubled debt restructured loans	**$ 805,650**	$ 666,880	$ 552,836

(1) Includes automobile, home equity, and other consumer TDRs.

TDRs primarily reflect our loss mitigation efforts to proactively work with borrowers having difficulty making their payments.

TDR activity for 2011 was as follows:

Table 17 TDR Activity

(dollar amounts in thousands)	At December 31, 2011
TDRs, beginning of period	**$ 666,880**
New TDRs	**583,439**
Payments	**(138,467)**
Charge-offs	**(37,341)**
Sales	**(54,715)**
Refinanced to non-TDR	**(40,091)**
Transfer to OREO	**(5,016)**
Restructured TDRs(1)	**(160,373)**
Other	**(8,666)**
TDRs, end of period	**$ 805,650**

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

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ACL

(This section should be read in conjunction with Significant Item 6, and Note 3 of the Notes to 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, 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 2011 was $174.1 million, compared with $634.5 million in 2010.

While the total ACL balance declined in 2011, and the resulting ACL-to-loan coverage ratio declined to 2.60% from 3.39%, all of the ACL coverage benchmarks improved as a result of the improvement in the underlying quality of the portfolio. The coverage ratios associated with NALs, commercial Criticized, and commercial Classified loans all showed significant improvement in 2011 despite the decline in the ACL level.

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The following table reflects activity in the ALLL and ACL for each of the last five years.

Table 18 Summary of Allowance for Credit Losses and Related Statistics

	Year Ended December 31,				
(dollar amounts in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Allowance for loan and lease losses, beginning of year	**$ 1,249,008**	$ 1,482,479	$ 900,227	$ 578,442	$ 272,068
Acquired allowance for loan and lease losses					188,128
Loan and lease charge-offs					
Commercial:					
Commercial and industrial	**(134,385)**	(316,771)	(525,262)	(538,434)	(359,457)
Commercial real estate:					
Construction	**(42,012)**	(116,428)	(196,148)	(6,631)	(11,902)
Commercial	**(140,747)**	(187,567)	(500,534)	(65,565)	(29,152)
Commercial real estate	**(182,759)**	(303,995)	(696,682)	(72,196)	(41,054)
Total commercial	**(317,144)**	(620,766)	(1,221,944)	(610,630)	(400,511)
Consumer:					
Automobile	**(33,593)**	(46,308)	(76,141)	(72,108)	(41,241)
Home equity	**(109,427)**	(140,831)	(110,400)	(70,457)	(37,221)
Residential mortgage	**(65,069)**	(163,427)	(111,899)	(23,012)	(12,196)
Other consumer	**(32,520)**	(32,575)	(40,993)	(30,123)	(26,773)
Total consumer	**(240,609)**	(383,141)	(339,433)	(195,700)	(117,431)
Total charge-offs	**(557,753)**	(1,003,907)	(1,561,378)	(806,330)	(517,942)
Recoveries of loan and lease charge-offs					
Commercial:					
Commercial and industrial	**44,686**	61,839	37,656	12,269	13,617
Commercial real estate:					
Construction	**10,488**	7,420	3,442	5	48
Commercial	**24,170**	21,013	10,509	3,451	1,902
Total commercial real estate	**34,658**	28,433	13,951	3,456	1,950
Total commercial	**79,344**	90,272	51,607	15,725	15,567
Consumer:					
Automobile	**18,526**	19,736	19,809	17,543	13,549
Home equity	**7,630**	1,458	4,224	2,901	2,795
Residential mortgage	**8,388**	10,532	1,697	1,765	825
Other consumer	**6,776**	7,435	7,454	10,329	7,575
Total consumer	**41,320**	39,161	33,184	32,538	24,744
Total recoveries	**120,664**	129,433	84,791	48,263	40,311
Net loan and lease charge-offs	**(437,089)**	(874,474)	(1,476,587)	(758,067)	(477,631)

Provision for loan and lease losses	**167,730**	641,299	2,069,931	1,067,789	628,802
Economic reserve transfer				12,063	
Allowance for assets sold and securitized or transferred to loans held for sale	**(14,821)**	(296)	(11,092)		(32,925)
Allowance for loan and lease losses, end of year	**964,828**	1,249,008	1,482,479	900,227	578,442
Allowance for unfunded loan commitments, beginning of year	**42,127**	48,879	44,139	66,528	40,161
Acquired allowance for unfunded loan commitments					11,541
(Reduction in) Provision for unfunded loan commitments and letters of credit losses	**6,329**	(6,752)	4,740	(10,326)	14,826
Economic reserve transfer				(12,063)	
Allowance for unfunded loan commitments, end of year	**48,456**	42,127	48,879	44,139	66,528
Allowance for credit losses, end of year	**$ 1,013,284**	$ 1,291,135	$ 1,531,358	$ 944,366	$ 644,970
ALLL as a % of total period end loans and leases	**2.48%**	3.28%	4.03%	2.19%	1.44%
AULC as a % of total period end loans and leases	**0.12**	0.11	0.13	0.11	0.17
ACL as a % of total period end loans and leases	**2.60%**	3.39%	4.16%	2.30%	1.61%

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

Table 19 Allocation of Allowances for Credit Losses (1)

	At December 31,									
(dollar amounts in thousands)	2011		2010		2009		2008		2007	
Commercial:										
Commercial and industrial	**$ 275,367**	**38%**	$ 340,614	34%	$ 492,205	35%	$ 412,201	33%	$ 295,555	33%
Commercial real estate	**388,706**	**14**	588,251	18	751,875	21	322,681	25	172,998	23
Total commercial	**664,073**	**52**	928,865	52	1,244,080	56	734,882	58	468,553	56
Consumer:										
Automobile	**38,282**	**11**	49,488	15	57,951	9	44,712	11	28,635	11
Home equity	**143,873**	**21**	150,630	20	102,039	21	63,538	18	45,957	18
Residential mortgage	**87,194**	**13**	93,289	12	55,903	12	44,463	12	20,746	14
Other loans	**31,406**	**3**	26,736	1	22,506	2	12,632	1	14,551	1
Total consumer	**300,755**	**48**	320,143	48	238,399	44	165,345	42	109,889	44
Total allowance for loan and lease losses	**964,828**	**100%**	1,249,008	100%	1,482,479	100%	900,227	100%	578,442	100%
Allowance for unfunded loan commitments	**48,456**		42,127		48,879		44,139		66,528	
Total allowance for credit losses	**$ 1,013,284**		$ 1,291,135		$ 1,531,358		$ 944,366		$ 644,970	

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

The reduction in the ACL compared with December 31, 2010, reflected declines in the ALLL in both the commercial and consumer portfolios.

The decline in the commercial portfolio ALLL reflected NCOs on loans with specific reserves, and an overall reduction in the level of commercial Criticized loans. Commercial Criticized loans are commercial loans rated as OLEM, Substandard, Doubtful, or Loss *(see Note 3 of the Notes to Consolidated Financial Statements for additional information regarding loan risk ratings).* As shown in the table below, commercial Criticized loans declined $927.9 million, or 30%, from December 31, 2010, reflecting upgrade and payment activity.

Table 20 Criticized Commercial Loan Activity

	At December 31,				
(dollar amounts in thousands)	2011	2010	2009	2008	2007
Criticized commercial loans, beginning of period	**$ 3,074,481**	$ 4,971,637	$ 3,311,280	$ 2,736,166	$ 662,425
New additions / increases	**1,068,299**	1,284,216	4,707,518	1,688,022	2,670,616
Advances	**193,679**	298,511	390,872	292,295	282,614
Upgrades to Pass	**(901,633)**	(1,456,132)	(522,150)	(378,027)	(271,394)
Payments	**(986,919)**	(1,465,374)	(1,843,535)	(858,996)	(531,255)
Loan losses	**(301,300)**	(558,377)	(1,072,348)	(168,180)	(76,840)
Criticized commercial loans, end of period	**$ 2,146,607**	$ 3,074,481	$ 4,971,637	$ 3,311,280	$ 2,736,166

The decline in the consumer-related ALLL reflected the impact of the 2011 automobile securitization *(see Automobile Portfolio discussion),* as well as decreases in both the home equity-related and residential mortgage-related ALLL resulting from improved borrower quality as measured by updated FICO scores.

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Compared with December 31, 2010, the AULC increased $6.3 million primarily resulting from the downgrade of a commercial letter-of-credit associated with one relationship.

Credit quality trends within the entire loan and lease portfolio steadily improved throughout 2011 and 2010. The ACL to total loans ratio declined to 2.60% at December 31, 2011, compared to 3.39% at December 31, 2010. We believe the decline in the ratio is appropriate given the continued improvement in the risk profile of our loan portfolio. Further, we believe that early identification of problem loans and aggressive action plans for these problem loans, combined with originating high quality new loans will contribute to continued improvement in our key credit quality metrics. However, the continued weakness in the residential real estate market and the overall economic conditions remained stressed, and additional risks emerged throughout 2011. These additional risks included the European banking sector stress, the continued budget issues in local governments, flat domestic economic growth, and the variety of policy proposals regarding job growth, debt management, and domestic tax policy. Continued high unemployment, among other factors, has slowed any significant recovery. In the near-term, we anticipate modest improvement in the unemployment rate, however we remain concerned that the U.S. and local government budget issues will continue to negatively impact the financial condition of some of our retail and commercial borrowers. The pronounced downturn in the residential real estate market that began in early 2007 has resulted in significantly lower residential real estate values. We have significant exposure to loans secured by residential real estate and continue to be an active lender in our communities. The impact of the downturn in real estate values has had a significant impact on some of our borrowers as evidenced by the higher delinquencies and NCOs since late 2007. Although there was improvement in 2011, we believe the impact of reduced property values and the continued weak economic conditions will continue to negatively impact us. Given the combination of these noted factors, we believe that our ACL is appropriate and its coverage level is reflective of the quality of our portfolio and the current operating environment.

NCOs

(This section should be read in conjunction with Significant Item 6, and Franklin-related Impacts located within the Additional Disclosures section.)

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

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

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The following table reflects NCO detail for each of the last five years.

Table 21 Net Loan and Lease Charge-offs

	Year Ended December 31,				
(dollar amounts in thousands)	**2011**	**2010**	**2009**	**2008**	**2007**
Net charge-offs by loan and lease type					
Commercial:					
Commercial and industrial	**$ 89,699**	$ 254,932	$ 487,606	$ 526,165	$ 345,840
Commercial real estate:					
Construction	**31,524**	109,008	192,706	6,626	11,854
Commercial	**116,577**	166,554	490,025	62,114	27,250
Total commercial real estate	**148,101**	275,562	682,731	68,740	39,104
Total commercial	**237,800**	530,494	1,170,337	594,905	384,944
Consumer:					
Automobile	**15,067**	26,572	56,332	54,565	27,692
Home equity	**101,797**	139,373	106,176	67,556	34,426
Residential mortgage	**56,681**	152,895	110,202	21,247	11,371
Other consumer	**25,744**	25,140	33,540	19,794	19,198
Total consumer	**199,289**	343,980	306,250	163,162	92,687
Total net charge-offs	**$ 437,089**	$ 874,474	$ 1,476,587	$ 758,067	$ 477,631
Net charge-offs ratio:(1)					
Commercial:					
Commercial and industrial	**0.66%**	2.05%	3.71%	3.87%	3.25%
Commercial real estate:					
Construction	**5.33**	9.95	10.37	0.32	0.77
Commercial	**2.08**	2.72	6.71	0.81	0.52
Commercial real estate	**2.39**	3.81	7.46	0.71	0.57
Total commercial	**1.20**	2.70	5.25	2.55	2.21
Consumer:					
Automobile	**0.26**	0.54	1.59	1.21	0.67
Home equity	**1.28**	1.84	1.40	0.91	0.56
Residential mortgage	**1.20**	3.42	2.43	0.42	0.23
Other consumer	**4.84**	3.80	4.65	2.86	3.63
Total consumer	**1.05**	1.95	1.87	0.92	0.59
Net charge-offs as a % of average loans	**1.12%**	2.35%	3.82%	1.85%	1.44%

(1) Percentage of related average loan balances.

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

Home equity NCO annualized percentages generally are greater than those of the residential mortgage portfolio primarily as a result of its second-lien position. This relationship changed substantially in 2009 and 2010 as the residential mortgage NCO ratio significantly exceeded the home equity NCO ratio in both years. The NCO annualized percentage in the home equity portfolio is the result of a higher quality borrower base as measured by FICO distribution and a substantial portion of the growth representing first-lien positions. We believe that higher quality borrowers were attracted to the HELOC product as a result of the relatively low interest rates associated with this variable rate product. Additionally, we accelerated the charge-off policy associated with the residential mortgage portfolio in 2011 which shortened the maximum timeframe to charge-off and, also during 2011, we executed two NPL sales in the residential mortgage portfolio with resulting charge-offs.

We anticipate a return to the historical pattern of residential mortgage portfolio NCOs being lower than the home equity portfolio NCOs as exhibited in the second half of 2011. 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 going forward. Therefore, we believe the residential mortgage NCO rate 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.

The home equity portfolio NCO levels are not anticipated to increase compared to 2010 levels as a more significant portion of the portfolio is in a first-lien position as described in Table 13. However, the home equity portfolio will continue to be impacted by borrowers that are seeking to refinance but are in a negative equity position because of the second-lien loan. Right-sizing and debt forgiveness associated with these situations are becoming more frequent as borrowers realize the impact to their credit is minor, and that a default on a second-lien loan is not likely to cause them to lose their home.

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

2011 versus 2010

The $165.2 million, or 65%, decrease in C&I NCOs and the $127.5 million, or 46%, decrease in CRE NCOs primarily reflected significant credit quality improvement in the underlying portfolio as well as our on-going proactive credit management practices. There was not any concentration in either geography or project type. Based on asset quality trends, we anticipate lower levels of CRE NCOs in the future.

The $11.5 million, or 43%, decline in the automobile portfolio reflected our consistent high quality origination profile, as well as a stronger market for used automobiles.

Home equity NCOs declined $37.6 million, or 27%. 2010 included $20.8 million of Franklin-related NCOs compared with no Franklin-related NCOs in the current period. Excluding the Franklin-related impacts, home equity NCOs decreased $16.8 compared with 2010. Although the performance of this portfolio continued to be impacted by the overall weak economic conditions and the continued decline of residential real estate property values, the performance was consistent with our expectations for the portfolio and we anticipate continued improvement.

Residential mortgage NCOs declined $96.2 million, or 63%. 2010 included $71.3 million of Franklin-related net charge-offs, and 2011 included Franklin-related net recoveries of $2.5 million. Excluding the Franklin impacts, residential mortgage NCOs decreased $22.4 million compared with 2010. Additionally, 2011 included $6.8 million of NCOs related to a change in charge-off recognition policy *(see Consumer Credit section).* Excluding these impacts, performance was consistent with our expectations for a continued downward trend in this portfolio.

Market Risk

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

Interest Rate Risk

OVERVIEW

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

INCOME SIMULATION AND ECONOMIC VALUE ANALYSIS

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

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

The FOMC s announcement of Operation Twist had the initial impact of lowering long-term rates (e.g., rates with maturities greater than five years) while slightly increasing intermediate-term rates (e.g., rates with maturities of two to three years). However, over time, both intermediate-term and long-term rates declined. Short-term rates (e.g., rates with maturities of overnight through one year) were not materially impacted by Operation Twist. The impact to ISE at Risk was not material because short-term rates were not materially

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impacted, and the impact of changes in intermediate-term and long-term rates takes a longer amount of time to be reflected in financial results. The impact to EVE at Risk was meaningful because the impact of lower long-term rates is reflected in higher mortgage asset prepayments. Higher mortgage asset prepayments has the effect of lowering EVE at Risk because the duration of assets declines while the duration of liabilities is not impacted.

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

The simulations for evaluating short-term interest rate risk exposure are scenarios that model gradual +/-100 and +/-200 basis points parallel shifts in market interest rates over the next one-year period beyond the interest rate change implied by the current yield curve. We assumed market interest rates would not fall below 0% over the next one-year period for the scenarios that used the -100 and -200 basis points parallel shift in market interest rates. The table below shows the results of the scenarios as of December 31, 2011, and December 31, 2010. All of the positions were within the board of directors policy limits as of December 31, 2011, except for the gradual -100 basis point scenario. ISE at risk for the -100 basis point scenario was -2.3% compared to the policy limit of -2.0%. The board of directors approved an exception to the policy limit given that the likelihood of rates declining 100, or even 200, basis points has a low probability of occurrence as a mitigating factor for being outside the policy limit.

Table 22 Net Interest Income at Risk

	Net Interest Income at Risk (%)			
Basis point change scenario	200	100	+100	+200
Board policy limits	4.0%	2.0%	2.0%	4.0%
December 31, 2011	**3.6**	**2.3**	**1.8**	**3.4**
December 31, 2010	3.2	1.8	0.3	

The ISE at risk reported as of December 31, 2011 for the +100 and +200 basis points scenario shows a significant change to a near-term asset-sensitive interest rate risk position compared with December 31, 2010. The ALCO s strategy is to be near-term asset-sensitive to a rising rate scenario. The primary factors contributing to this change are the 2011 first quarter termination of $4.5 billion of interest rate swaps maturing through June 2012, offset slightly by $1.8 billion of interest rate swaps executed in the 2011 second and third quarters, the impact of lower interest rates on mortgage asset prepayments, and low-cost deposit growth.

The following table shows the income sensitivity of select portfolios to changes in market interest rates. A portfolio with 100% sensitivity would indicate that interest income and expense will change with the same magnitude and direction as interest rates. A portfolio with 0% sensitivity is insensitive to changes in interest rates. For the +200 basis points scenario, total interest-sensitive income is 39.6% sensitive to changes in market interest rates, while total interest-sensitive expense is 39.9% sensitive to changes in market interest rates. ISE at risk for the +200 basis points scenario has a near-term asset-sensitive interest rate risk position because of the larger base of total interest-sensitive income relative to total interest-sensitive expense.

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Table 23 Interest Income/Expense Sensitivity

	Percent of Total Earning Assets(1)	Percent Change in Interest Income/Expense for a Given Change in Interest Rates Over / (Under) Base Case Parallel Ramp			
Basis point change scenario		200	100	+100	+200
Total loans	81%	20.5%	30.9%	42.1%	43.5%
Total investments and other earning assets	19	19.2	23.0	30.7	28.2
Total interest sensitive income		19.7	28.6	38.9	39.6
Total interest-bearing deposits	67	10.4	17.5	34.9	36.3
Total borrowings	9	22.4	38.1	61.6	65.6
Total interest-sensitive expense		11.9	20.0	38.2	39.9

(1) At December 31, 2011

The primary simulations for EVE at risk assume immediate +/-100 and +/-200 basis points parallel shifts in market interest rates beyond the interest rate change implied by the current yield curve. The table below outlines the December 31, 2011 results compared with December 31, 2010. All of the positions were within the board of directors policy limits.

Table 24 Economic Value of Equity at Risk

	Economic Value of Equity at Risk (%)			
Basis point change scenario	200	100	+100	+200
Board policy limits	12.0%	5.0%	5.0%	12.0%
December 31, 2011	**1.5**	**0.8**	**1.7**	**4.6**
December 31, 2010	0.5	1.3	4.0	8.9

The EVE at risk reported as of December 31, 2011 for the +200 basis points scenario shows a change to a lower long-term liability sensitive position compared with December 31, 2010. The primary factors contributing to this change are the impact of lower interest rates on mortgage asset prepayments, the growth in low-cost deposits, and the 2011 first quarter termination of $4.5 billion of interest rate swaps maturing through June 2012, offset slightly by $1.8 billion of interest rate swaps executed in the 2011 second and third quarters and higher levels of fixed rate loans.

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The following table shows the economic value sensitivity of select portfolios to changes in market interest rates. The change in economic value for each portfolio is measured as the percent change from the base economic value for that portfolio. For the +200 basis points scenario, total net tangible assets decrease in value 3.1% to changes in market interest rates, while total net tangible liabilities increase in value 2.9% to changes in market interest rates. EVE at risk for the +200 basis points scenario is liability sensitive because of the decrease in economic value of total net tangible assets, which reduces the EVE, and the increase in economic value of total net tangible liabilities, which also reduces the EVE.

Table 25 Economic Value Sensitivity

	Percent of Total Net Tangible Assets(1)	**Percent Change in Economic Value for a Given Change in Interest Rates Over/(Under) Base Case Parallel Shocks**			
Basis point change scenario		200	100	+100	+200
Total loans	74%	1.1%	0.9%	1.3%	2.6%
Total investments and other earning assets	17	2.3	2.2	2.9	6.0
Total net tangible assets(2)		1.3	1.2	1.5	3.1
Total deposits	80	1.9	1.3	1.6	3.1
Total borrowings	8	1.0	0.7	0.8	1.6
Total net tangible liabilities(3)		1.8	1.2	1.5	2.9

(1) At December 31, 2011.

(2) Tangible assets excluding ALLL.

(3) Tangible liabilities excluding AULC.

MSR

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

At December 31, 2011, we had $137.4 million of capitalized MSRs representing the right to service $15.9 billion in mortgage loans. Of this $137.4 million, $65.0 million was recorded using the fair value method, and $72.4 million was recorded using the amortization method.

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

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

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 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 mortgage-backed securities, and marketable equity securities held by our insurance subsidiaries. We have established loss limits on the trading portfolio, the amount of foreign exchange exposure that can be maintained, and the amount of marketable equity securities that can be held by the insurance subsidiaries.

Liquidity Risk

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

The overall objective of liquidity risk management is to ensure that we can obtain cost-effective funding to meet current and future obligations, and can maintain sufficient levels of on-hand liquidity, under both normal business as usual and unanticipated stressed circumstances. The ALCO was appointed by our Board Risk Oversight Committee to oversee liquidity risk management and establish policies and limits based upon analyses of the ratio of loans to deposits, liquid asset coverage ratios, the percentage of assets funded with noncore or wholesale funding, net cash capital, liquid assets, and emergency borrowing capacity. In addition, operating guidelines are established to ensure that bank loans included in the business segments are funded with core deposits. These operating guidelines also ensure diversification of noncore funding by type, source, and maturity and provide sufficient liquidity to cover 100% of wholesale funds maturing within a six-month period. A contingency funding plan is in place, which includes forecasted sources and uses of funds under various scenarios in order to prepare for unexpected liquidity shortages, including the implications of any credit rating changes and / or other trigger events related to financial ratios, deposit fluctuations, debt issuance capacity, stock performance, or negative news related to us or the banking industry. 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. A Contingency Funding Working Group monitors daily cash flow trends, branch activity, unfunded commitments, significant transactions, and parent company subsidiary sources and uses of funds in order to identify areas of concern and establish specific funding strategies. This group works closely with the ALCO and our communication team in order to identify issues that may require a more proactive communication plan to shareholders, employees, and customers regarding specific events or issues that could have an impact on our liquidity position.

In the normal course of business, in order to better manage liquidity risk, we perform stress tests to determine the effect that a potential downgrade in our credit ratings or other market disruptions could have on liquidity over various time periods. These credit ratings have a direct impact on our cost of funds and ability to raise funds under normal, as well as adverse, circumstances. The results of these stress tests indicate that at December 31, 2011, sufficient sources of funds were available to meet our financial obligations and fund our operations for 2012. The stress test scenarios include testing to determine the impact of an interruption to our access to the national markets for funding, a significant run-off in core deposits and liquidity triggers inherent in other financial agreements. To compensate for the effect of these assumed liquidity pressures, we consider alternative sources of liquidity over different time periods to project how funding needs would be managed. The specific alternatives for enhancing liquidity include generating client deposits, securitizing or selling loans, selling or maturing of securities, and extending the level or maturity of wholesale borrowings. Liquidity stress testing was also an important component of the fourth quarter annual capital planning process.

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Available-for-sale and other securities portfolio

(This section should be read in conjunction with the Critical Accounting Policies and Use of Significant Estimates discussion, and Note 4 of the Notes to Consolidated Financial Statements.)

Our investment securities portfolio is evaluated under established asset/liability management objectives. Changing market conditions could affect the profitability of the portfolio, as well as the level of interest rate risk exposure.

Our available-for-sale and other securities portfolio is comprised of various financial instruments. At December 31, 2011, our available-for-sale and other securities portfolio totaled $8.1 billion, a decrease of $1.8 billion from 2010. The duration of the portfolio increased by 0.1 years to 3.1 years.

The composition and maturity of the portfolio is presented on the following two tables.

Table 26 Available-for-sale and other securities Portfolio Summary at Fair Value

	At December 31,		
(dollar amounts in thousands)	**2011**	**2010**	**2009**
U.S. Government backed agencies	**$ 5,253,640**	$ 7,048,028	$ 6,566,653
Other	**2,824,374**	2,847,216	2,021,261
Total available-for-sale and other securities	**$ 8,078,014**	$ 9,895,244	$ 8,587,914
Duration in years(1)	**3.1**	3.0	2.4

(1) The average duration assumes a market driven prepayment rate on securities subject to prepayment.

Table 27 Available-for-sale and other securities Portfolio Composition and Maturity

	At December 31, 2011		
(dollar amounts in thousands)	**Amortized Cost**	**Fair Value**	**Yield(1)**
U.S. Treasury:			
Under 1 year	$	$	%
1-5 years	51,773	52,672	1.02
6-10 years	509	532	1.94
Over 10 years			
Total U.S. Treasury	52,282	53,204	1.03
Federal agencies: mortgage-backed securities			
Under 1 year			
1-5 years	218,410	219,055	1.76
6-10 years	400,105	409,521	2.58
Over 10 years	3,760,108	3,836,316	2.68
Total Federal agencies: mortgage-backed securities	4,378,623	4,464,892	2.62

Other agencies:			
Under 1 year	101,346	101,656	1.48
1-5 years	611,047	620,639	1.31
6-10 years	12,333	13,249	3.17
Over 10 years			
Total other Federal agencies	724,726	735,544	1.37
Total U.S. Government backed agencies	5,155,631	5,253,640	2.43

(Continued)

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(dollar amounts in thousands)	At December 31, 2011 Amortized Cost	Fair Value	Yield(1)
Municipal securities:			
Under 1 year			
1-5 years	186,250	190,228	2.74
6-10 years	98,801	104,857	4.44
Over 10 years	109,811	112,641	3.93
Total municipal securities	394,862	407,726	3.50
Private label CMO:			
Under 1 year			
1-5 years			
6-10 years	11,740	11,783	5.52
Over 10 years	72,858	60,581	4.82
Total private label CMO	84,598	72,364	4.92
Asset-backed securities:			
Under 1 year			
1-5 years	644,080	646,315	1.67
6-10 years	197,940	199,075	1.59
Over 10 years	258,270	121,698	1.92
Total asset-backed securities	1,100,290	967,088	1.71
Covered bonds:			
Under 1 year			
1-5 years	510,937	504,045	1.74
6-10 years			
Over 10 years			
Total covered bonds	510,937	504,045	1.74
Corporate debt:			
Under 1 year	501	518	4.70
1-5 years	383,909	379,657	2.19
6-10 years	148,896	148,708	4.35
Over 10 years			
Total corporate debt	533,306	528,883	2.79
Other:			
Under 1 year	1,900	1,900	3.70
1-5 years	2,250	2,234	2.06
6-10 years			
Over 10 years			
Nonmarketable equity securities (2)	286,515	286,515	4.84
Marketable equity securities (3)	53,665	53,619	
Total other	344,330	344,268	
Total available-for-sale and other securities	$ 8,123,954	$ 8,078,014	2.46%

(1) Weighted average yields were calculated using amortized cost on a fully-taxable equivalent basis, assuming a 35% tax rate.

(2) Consists of FHLB and FRB restricted stock holding carried at par.

(3) Consists of certain mutual fund and equity security holdings.

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Bank Liquidity and Sources of Liquidity

Our primary sources of funding for the Bank are retail and commercial core deposits. As of December 31, 2011, these core deposits funded 76% of total assets. At December 31, 2011, total core deposits represented 95% of total deposits, an increase from 93% at the prior year-end.

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

Core deposits may increase our need for liquidity as certificates of deposit mature or are withdrawn before maturity and as nonmaturity deposits, such as checking and savings account balances, are withdrawn. Noninterest-bearing demand deposits increased $3.9 billion from the prior year, 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 $26.2 million and $13.1 million at December 31, 2011 and 2010, respectively.

The following tables contractual maturities of other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs as well as other domestic time deposits of $100,000 or more and brokered deposits and negotiable CDs at December 31, 2011.

Table 28 Maturity Schedule of time deposits, brokered deposits, and negotiable CDs

	December 31, 2011				
(dollar amounts in millions)	**3 Months or Less**	**3 Months to 6 Months**	**6 Months to 12 Months**	**12 Months or More**	**Total**
Other domestic time deposits of $250,000 or more and brokered deposits and negotiable CDs	$ 299	$ 983	$ 54	$ 375	**$ 1,711**
Other domestic time deposits of $100,000 or more and brokered deposits and negotiable CDs	$ 319	$ 999	$ 75	$ 404	**$ 1,797**

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The following table reflects deposit composition detail for each of the last five years.

Table 29 Deposit Composition

	At December 31,									
(dollar amounts in millions)	2011		2010		2009		2008		2007	
By Type										
Demand deposits noninterest-bearing	**$ 11,158**	**26%**	$ 7,217	17%	$ 6,907	17%	$ 5,477	14%	$ 5,138	14%
Demand deposits interest-bearing	**5,722**	**13**	5,469	13	5,890	15	4,083	11	4,049	11
Money market deposits	**13,117**	**30**	13,410	32	9,485	23	5,182	14	6,643	18
Savings and other domestic deposits	**4,698**	**11**	4,643	11	4,652	11	4,930	13	5,282	14
Core certificates of deposit	**6,513**	**15**	8,525	20	10,453	26	12,856	34	10,851	29
Total core deposits	**41,208**	**95**	39,264	93	37,387	92	32,528	86	31,963	86
Other domestic deposits of $250,000 or more	**390**	**1**	675	2	652	2	1,328	3	1,676	4
Brokered deposits and negotiable CDs	**1,321**	**3**	1,532	4	2,098	5	3,354	9	3,377	9
Deposits in foreign offices	**361**	**1**	383	1	357	1	733	2	727	1
Total deposits	**$ 43,280**	**100%**	$ 41,854	100%	$ 40,494	100%	$ 37,943	100%	$ 37,743	100%
Total core deposits:										
Commercial	**$ 16,366**	**40%**	$ 12,476	32%	$ 11,368	30%	$ 7,971	25%	$ 9,018	28%
Personal	**24,842**	**60**	26,788	68	26,019	70	24,557	75	22,945	72
Total core deposits	**$ 41,208**	**100%**	$ 39,264	100%	$ 37,387	100%	$ 32,528	100%	$ 31,963	100%

Management expects the FDIC to allow the extended or unlimited coverage for noninterest-bearing accounts to expire on December 31, 2012, as scheduled. We anticipate minimal impact on our liquidity position; mainly an increase to collateral requirements for our Public Fund clients whose deposits are currently covered by the FDIC insurance. We will continue to monitor this throughout 2012.

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Table 30 Federal Funds Purchased and Repurchase Agreements

(dollar amounts in millions)	2011	2010	2009	2008	2007
Balance at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 1,434**	$ 1,966	$ 851	$ 1,289	$ 2,706
Other short-term borrowings	**7**	75	25	20	138
Weighted average interest rate at period-end					
Federal Funds purchased and securities sold under agreements to repurchase	**0.17%**	0.19%	0.21%	0.36%	2.88%
Other short-term borrowings	**2.74**	0.53	1.17	3.45	1.66
Maximum amount outstanding at month-end during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 2,431**	$ 2,084	$ 1,095	$ 3,307	$ 2,798
Other short-term borrowings	**86**	108	54	249	137
Average amount outstanding during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**$ 2,009**	$ 1,375	$ 903	$ 2,328	$ 2,201
Other short-term borrowings	**46**	70	30	45	44
Weighted average interest rate during the period					
Federal Funds purchased and securities sold under agreements to repurchase	**0.16%**	0.19%	0.21%	1.74%	4.09%
Other short-term borrowings	**0.59**	0.43	1.47	3.59	6.03

To the extent we are unable to obtain sufficient liquidity through core deposits, we may meet our liquidity needs through wholesale funding. These sources include other domestic 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 December 31, 2011, total wholesale funding was $6.6 billion, a decrease from $8.4 billion at December 31, 2010. The $6.6 billion portfolio at December 31, 2011, had a weighted average maturity of 3.9 years.

The Bank has access to the Federal Reserve Bank 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 unused borrowing capacity at both the Federal Reserve Bank and the FHLB is outlined in the following table:

Table 31 Federal Reserve Bank and FHLB-Cincinnati Borrowing Capacity

	December 31,	
(dollar amounts in billions)	2011	2010
Loans Pledged:		
Federal Reserve Bank	**$ 10.5**	$ 9.7
FHLB	**8.3**	7.8
Total loans pledged	**$ 18.8**	$ 17.5
Total unused borrowing capacity at Federal Reserve Bank and FHLB	**$ 10.5**	$ 8.8

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We can also obtain funding through other methods including: (1) purchasing federal funds, (2) selling securities under repurchase agreements, (3) selling or maturity of investment securities, (4) selling or securitization of loans, (5) selling of national market certificates of deposit, (6) the relatively shorter-term structure of our commercial loans *(see tables below)* and automobile loans, and (7) issuing of common and preferred stock.

At December 31, 2011, we believe the Bank had sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Table 32 Maturity Schedule of Commercial Loans

	December 31, 2011				
(dollar amounts in millions)	One Year or Less	One to Five Years	After Five Years	Total	Percent of total
Commercial and industrial	$ 4,867	$ 7,798	$ 2,034	**$ 14,699**	**71%**
Commercial real estate construction	278	269	33	**580**	**3**
Commercial real estate commercial	1,971	2,651	624	**5,246**	**26**
Total	**$ 7,116**	**$ 10,718**	**$ 2,691**	**$ 20,525**	**100%**
Variable-interest rates	$ 6,717	$ 8,972	$ 1,997	**$ 17,686**	**86%**
Fixed-interest rates	399	1,746	694	**2,839**	**14**
Total	**$ 7,116**	**$ 10,718**	**$ 2,691**	**$ 20,525**	**100%**
Percent of total	**35%**	**52%**	**13%**	**100%**	

At December 31, 2011, the fair value of our portfolio of investment securities was $8.1 billion, of which $3.6 billion was pledged to secure public and trust deposits, interest rate swap agreements, U.S. Treasury demand notes, and securities sold under repurchase agreements. The composition and maturity of these securities were presented in Table 27.

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 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.

As a result of bank capital standards arising from the Dodd-Frank Act, beginning in 2013 trust preferred securities will eventually cease to be considered Tier 1 risk-based capital. The Exchange Offer described below was intended to improve our Tier 1 risk-based capital in anticipation of these regulations by replacing a portion of our trust preferred securities with preferred stock, which we believe will qualify as additional Tier 1 risk-based capital.

During the 2011 fourth quarter, Huntington issued $35.5 million par value Floating Rate Series B Non-Cumulative Perpetual Preferred Stock in exchange for $35.5 million of (1) Huntington Capital I Floating Rate Capital Securities, (2) Huntington Capital II Floating Rate Capital Securities, (3) Sky Financial Capital Trust III Floating Rate Capital Securities and (4) Sky Financial Capital Trust IV Floating Rate Capital Securities. Huntington will pay dividends on the Series B Preferred Stock at a floating rate equal to three-month LIBOR plus a spread of 2.70%.

Upon receipt of the aforementioned trust preferred securities, Huntington exchanged $32.5 million of the trust preferred securities with the applicable Trust for a like amount of debentures issued by us. The debentures were surrendered to the applicable trustee for cancellation. Huntington anticipates exchanging the remaining $3.0 million of trust preferred securities and retiring the related subordinated debt obligation in the first quarter of 2012.

In addition, during the fourth quarter the parent company received $325.0 million in funding from the Bank based on the payment of intercompany subordinated debt. The parent company also received $30.0 million in dividends from the Huntington Investment Company.

At December 31, 2011, the parent company had $0.9 billion in cash and cash equivalents, compared with $0.6 billion at December 31, 2010. Appropriate limits and guidelines are in place to ensure the parent company has sufficient cash to meet operating expenses and other commitments over the next 18 months without relying on subsidiaries or capital markets for funding.

On January 19, 2012, we announced that the board of directors had declared a quarterly common stock cash dividend of $0.04 per common share. The dividend is payable on April 2, 2012, to shareholders of record on March 19, 2012. Based on the current quarterly dividend of $0.04 per common share, cash demands required for common stock dividends are estimated to be approximately $34.6 million per quarter. Based on the current dividend, cash demands required for Series A Preferred Stock are estimated to be approximately $7.7 million per quarter. Cash demands required for Series B Preferred Stock are expected to be approximately $0.3 million per quarter.

Based on a regulatory dividend limitation, the Bank could not have declared and paid a dividend to the parent company at December 31, 2011, without regulatory approval. We do not anticipate that the Bank will request regulatory approval to pay dividends in the near future as we continue to build Bank regulatory capital above its already well-capitalized level. To help meet any additional liquidity needs, we have an open-ended, automatic shelf registration statement filed and effective with the SEC, which permits us to issue an unspecified amount of debt or equity securities.

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

We sponsor a non-contributory defined benefit pension plan covering substantially all employees hired or rehired prior to January 1, 2010. The Plan provides benefits based upon length of service and compensation levels. Our policy is to contribute an annual amount that is at least equal to the minimum funding requirements. The Bank and other subsidiaries fund approximately 90% of pension contributions. Although we contributed a total of $90.0 million in 2011, there was no required minimum contribution for 2011. 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. See the contractual obligations table for our pension minimum funding requirement.

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.

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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 December 31, 2011, we had $0.6 billion of standby letters of credit outstanding, of which 80% were collateralized. Included in this $0.6 billion total 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 December 31, 2011, and December 31, 2010, we had commitments to sell residential real estate loans of $629.0 million and $998.7 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.

Table 33 Contractual Obligations(1)

	December 31, 2011				
(dollar amounts in millions)	One Year or Less	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Deposits without a stated maturity	$ 33,728	$	$	$	**$ 33,728**
Certificates of deposit and other time deposits	5,850	3,122	342	238	**9,552**
FHLB advances	350	5		8	**363**
Short-term borrowings	1,441				**1,441**
Other long-term debt	600	139		484	**1,223**
Subordinated notes	65	184	112	1,143	**1,504**
Operating lease obligations	44	83	74	250	**451**
Purchase commitments	201	173	78	35	**487**
Pension minimum funding requirement(2)		42	86	(3)	**128**

(1) Amounts do not include associated interest payments.

(2) These amounts represent our estimated minimum pension contributions to our qualified plan required under ERISA and the Pension Protection Act of 2006, as well as contributions necessary to avoid benefit restrictions and at-risk status. These amounts represent estimates that are based on assumptions that are subject to change. The minimum required contributions for years after 2016 are currently not reliably estimable. *See Note 18 to the Notes to Consolidated Financial Statements for further information regarding the pension plan.*

(3) The minimum required contributions for years after 2016 are currently not reliably estimable.

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Operational Risk

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

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

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

Representation and Warranty Reserve

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

The tables below reflect activity in the representations and warranties reserve:

Table 34 Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	Year Ended December 31,		
(dollar amounts in thousands)	**2011**	**2010**	**2009**
Reserve for representations and warranties, beginning of year	**$ 20,171**	$ 5,916	$ 5,270
Assumed reserve for representations and warranties		7,000	
Reserve charges	**(8,711)**	(9,012)	(2,516)
Provision for representations and warranties	**11,758**	16,267	3,162
Reserve for representations and warranties, end of year	**$ 23,218**	$ 20,171	$ 5,916

Table 35 Mortgage Loan Repurchase Statistics

	Year Ended December 31,	
(dollar amounts in thousands)	2011	2010
Number of loans sold	**22,146**	28,744
Amount of loans sold (UPB)	**$ 3,170,903**	$ 4,309,247
Number of loans repurchased(1)	**128**	399
Amount of loans repurchased (UPB)(1)	**$ 19,442**	$ 61,754
Number of claims received	**445**	472
Successful dispute rate(2)	**50%**	31%
Number of make whole payments(3)	**72**	95
Amount of make whole payments(3)	**$ 5,553**	$ 7,679

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

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

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

Foreclosure Documentation

Compared to the high volume servicers, we service a relatively low volume of residential mortgage foreclosures, with approximately 4,200 foreclosure cases as of December 31, 2011, in states that require foreclosures to proceed through the courts. We have reviewed our residential foreclosure process. We have not found any evidence suggesting that any foreclosure by the Bank should not have proceeded. We have and are strengthening our processes and controls to ensure that our foreclosure processes do not have the deficiencies identified in the interagency review of foreclosure policies and procedures dated April 2011, of 14 federally regulated mortgage servicers.

Compliance Risk

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

Capital

(This section should be read in conjunction with Significant Items 4 and 7, and Notes 12 and 14 of the Notes to Consolidated Financial Statements.)

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

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Shareholders equity totaled $5.4 billion at December 31, 2011, representing a $0.4 billion, or 9%, increase compared with December 31, 2010. This increase primarily reflected an increase in retained earnings. We believe our current level of capital is adequate.

Preferred Stock Exchange Offer

(This section should be read in conjunction with Significant Item 1 and Notes 12, 14, and 21 of the Notes to Consolidated Financial Statements.)

As a result of bank capital standards arising from the Dodd-Frank Act, beginning in 2013, trust preferred securities will eventually no longer be considered Tier 1 risk-based capital. The Exchange Offer described below is intended to improve our Tier 1 risk-based capital in anticipation of these regulations by replacing a portion of our trust preferred securities with preferred stock, which we believe will qualify as additional Tier 1 risk-based capital.

During the 2011 fourth quarter, Huntington issued $35.5 million par value Floating Rate Series B Non-Cumulative Perpetual Preferred Stock in exchange for $35.5 million of (1) Huntington Capital I Floating Rate Capital Securities, (2) Huntington Capital II Floating Rate Capital Securities, (3) Sky Financial Capital Trust III Floating Rate Capital Securities and (4) Sky Financial Capital Trust IV Floating Rate Capital Securities. Huntington will pay dividends on the Series B Preferred Stock at a floating rate equal to three-month LIBOR plus a spread of 2.70%.

Upon receipt of the aforementioned trust preferred securities, Huntington exchanged $32.5 million of the trust preferred securities with the applicable Trust for a like amount of debentures issued by us. The debentures were surrendered to the applicable trustee for cancellation. Huntington anticipates exchanging the remaining $3.0 million of trust preferred securities and retiring the related subordinated debt obligation in the first quarter of 2012.

As a result of the exchange, we recognized pretax gains of $9.7 million. These transactions were recorded as gains on early extinguishment of debt.

TARP Capital

During the 2011 first quarter, we fully exited our TARP relationship by repurchasing for $49.1 million the ten-year warrant we had issued to the Treasury as part of the TARP. Refer to the 2010 Form 10-K for a complete discussion regarding the issuing and repayment of our TARP Capital.

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Capital Adequacy

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 36 Capital Adequacy

			December 31,		
(dollar amounts in millions)	2011	2010	2009	2008	2007
Consolidated capital calculations:					
Common shareholders equity	**$ 5,032**	$ 4,618	$ 3,648	$ 5,351	$ 5,951
Preferred shareholders equity	**386**	363	1,688	1,878	
Total shareholders equity	**5,418**	4,981	5,336	7,229	5,951
Goodwill	**(444)**	(444)	(444)	(3,055)	(3,059)
Other intangible assets	**(175)**	(229)	(289)	(357)	(428)
Other intangible asset deferred tax liability(1)	**61**	80	101	125	150
Total tangible equity(2)	**4,860**	4,388	4,704	3,942	2,614
Preferred shareholders equity	**(386)**	(363)	(1,688)	(1,878)	
Total tangible common equity(2)	**$ 4,474**	$ 4,025	$ 3,016	$ 2,064	$ 2,614
Total assets	**$ 54,451**	$ 53,820	$ 51,555	$ 54,353	$ 54,697
Goodwill	**(444)**	(444)	(444)	(3,055)	(3,059)
Other intangible assets	**(175)**	(229)	(289)	(357)	(428)
Other intangible asset deferred tax liability(1)	**61**	80	101	125	150
Total tangible assets(2)	**$ 53,893**	$ 53,227	$ 50,923	$ 51,066	$ 51,360
Tier 1 capital	**$ 5,557**	$ 5,022	$ 5,201	$ 5,036	$ 3,460
Preferred shareholders equity	**(386)**	(363)	(1,688)	(1,878)	
Trust-preferred securities	**(532)**	(570)	(570)	(736)	(785)
REIT-preferred stock	**(50)**	(50)	(50)	(50)	(50)
Tier 1 common equity(2)	**$ 4,589**	$ 4,039	$ 2,893	$ 2,372	$ 2,625
Risk-weighted assets (RWA)	**$ 45,891**	$ 43,471	$ 43,248	$ 46,994	$ 46,044
Tier 1 common equity / RWA ratio(2)	**10.00%**	9.29%	6.69%	5.05%	5.70%
Tangible equity / tangible asset ratio(2)	**9.02**	8.24	9.24	7.72	5.09
Tangible common equity / tangible asset ratio(2)	**8.30**	7.56	5.92	4.04	5.09
Tangible common equity / RWA ratio(2)	**9.75**	9.26	6.97	4.39	5.68

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

(2) See Non-Regulatory and Capital Ratios located in the Additional Disclosure section.

Capital continued to strengthen as period-end capital ratios improved compared to December 31, 2010. Our Tier 1 common risk-based ratio improved 71 basis points to 10.00% at December 31, 2011. This increase primarily reflected the combination of an increase in retained earnings and a reduction in the disallowed tax deferred asset, partially offset by an increase in risk-weighted assets and the impacts related to the payments of dividends and the repurchase of the TARP warrants.

Although not a regulatory capital ratio, the Tier 1 common risk-based ratio has gained prominence with our regulators and investors. The Dodd-Frank Act requires that any bank with assets over $50.0 billion would be subject to additional scrutiny. U.S. regulators have identified such qualifying banks as SIFIs. With $54.5 billion in assets at December 31, 2011, we are at the lower range of the SIFI group. Although we do not have sufficient information to know what the impacts will be to us, we believe that our current period-end capital ratios are well positioned. In December 2011, the Federal Reserve issued a proposal to implement Sections 165 and 166 of the Dodd-Frank Act that would enhance prudential standards on SIFIs. The proposal uses or enhances requirements already imposed, or to be imposed, on SIFIs.

Regulatory Capital

Regulatory capital ratios are the primary metrics used by regulators in assessing the safety and soundness of banks. We intend to maintain both our and the Bank s risk-based capital ratios at levels at which both would be considered well-capitalized by regulators.

The Bank is primarily supervised and regulated by the OCC, which establishes regulatory capital guidelines for banks similar to those established for bank holding companies by the Federal Reserve Board.

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

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

Table 37 Selected Regulatory Capital Data

		At December 31,				
(dollar amounts in millions)		**2011**	**2010**	**2009**	**2008**	**2007**
Total risk-weighted assets	Consolidated	**$ 45,891**	$ 43,471	$ 43,248	$ 46,994	$ 46,044
	Bank	**45,651**	43,281	43,149	46,477	45,731
Tier 1 risk-based capital	Consolidated	**5,557**	5,022	5,201	5,036	3,460
	Bank	**4,245**	3,683	2,873	2,995	3,037
Tier 2 risk-based capital	Consolidated	**1,221**	1,263	1,030	1,499	1,535
	Bank	**1,508**	1,866	1,907	1,983	1,613
Total risk-based capital	Consolidated	**6,778**	6,285	6,231	6,535	4,995
	Bank	**5,753**	5,549	4,780	4,978	4,650
Tier 1 leverage ratio	Consolidated	**10.28%**	9.41%	10.09%	9.82%	6.77%
	Bank	**7.89**	6.97	5.59	5.99	5.99
Tier 1 risk-based capital ratio	Consolidated	**12.11**	11.55	12.03	10.72	7.51
	Bank	**9.30**	8.51	6.66	6.44	6.64
Total risk-based capital ratio	Consolidated	**14.77**	14.46	14.41	13.91	10.85
	Bank	**12.60**	12.82	11.08	10.71	10.17

The increase in our consolidated Tier 1 risk-based capital ratios compared with December 31, 2010, primarily reflected 2011 earnings and a reduction in the disallowed deferred tax asset, partially offset by an increase in risk-weighted assets and the impacts related to the payments of dividends and the repurchase of the TARP warrants.

At December 31, 2011, our Tier 1 and total risk-based capital in excess of the minimum levels required to be considered well-capitalized were $2.8 billion and $2.2 billion, respectively. The Bank had Tier 1 and total risk-based capital in excess of the minimum levels required to be considered well-capitalized of $1.5 billion and $1.2 billion, respectively, at December 31, 2011.

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Other Capital Matters

Beginning with the cash dividend declared on July 21, 2011, our quarterly cash dividend increased to $0.04 per common share from $0.01 per common share.

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.

We are participating in the Federal Reserve s CapPR stress test process and made our capital plan submission in January 2012. The Federal Reserve will evaluate our capital plan based on our risk profile and the strength of our internal capital assessment process under regulatory capital standards currently applicable and in accordance with our plans to address proposed revisions to the regulatory capital framework as set forth in Basel III and relevant provisions of the Dodd-Frank Act. The Federal Reserve s evaluation will take into consideration any capital distribution plans, such as plans to increase common stock dividends or to reinstate common stock repurchase programs and we expect to receive the results of their evaluation by the end of the 2012 first quarter. While we can give no assurances as to the outcome or specific interactions with the regulators, we believe we have a strong capital position.

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 25 of the Notes to Consolidated Financial Statements, and other sections for a full understanding of our consolidated financial performance.

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

Optimal Customer Relationship (OCR)

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

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

CONSUMER OCR PERFORMANCE

For consumer OCR performance there are three key performance metrics: (1) the number of checking account households, (2) the number of product penetration per consumer checking account household, and (3) the revenue generated.

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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. Further, in our definition of a checking account household, we only count a product or service once. We believe this is a better metric in that consumer behavior and loyalty are driven more by the variety of products used rather than just the 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 two services is viewed to be more profitable and loyal, even though it has a smaller number of accounts. The overall objective, therefore, is to decrease the percentage of 1-3 services per consumer checking account household, while increasing the percentage of those with 4 or more services.

The following table presents consumer checking account household OCR metrics:

Table 38 Consumer Checking Household OCR Cross-sell Report

	2011				2010
	Fourth	**Third**	**Second**	**First**	**Fourth**
Number of households	**1,095,638**	1,073,708	1,042,424	1,015,951	993,272
Product Penetration by Number of Services					
1 Service	**4.1%**	4.4%	4.5%	4.9%	5.3%
2-3 Services	**22.4**	22.8	24.2	24.6	25.3
4+ Services	**73.5**	72.8	71.3	70.5	69.4
Total revenue *(in millions)*	**$ 230.6**	$ 251.9	$ 260.0	$ 248.6	$ 240.3

Our emphasis on cross-sell, coupled with customers increasingly being attracted by benefits such as 24-Hour Grace® on overdrafts and more recently the launch of Asterisk-Free Checking , are having a positive effect. The percent of consumer households utilizing over four products at the end of the 2011 fourth quarter was 73.5%, up from 69.4% at the end of last year. In 2011, consumer checking account households grew at 10%. Total consumer checking account household revenue in the 2011 fourth quarter was $230.6 million, down $21.3 million, or 8%, from the 2011 third quarter, and down $9.7 million, or 4%, from the year-ago quarter. These declines were primarily driven by a decline in interchange revenue related to the implementation of the Durbin amendment for the 2011 fourth quarter and the decline in the FTP-related net interest income on core certificates of deposit.

COMMERCIAL OCR PERFORMANCE

For commercial OCR performance there are three key performance metrics: (1) the number of commercial relationships, (2) the number of product penetration per commercial relationship, and (3) the revenue generated.

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.

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The following table presents commercial relationship OCR metrics:

Table 39 Commercial Relationship OCR Cross-sell Report

	2011				2010
	Fourth	**Third**	**Second**	**First**	**Fourth**
Commercial Relationships	**138,357**	135,826	133,165	130,240	127,596
Product Penetration by Number of Services					
1 Service	**28.4%**	29.7%	30.7%	32.1%	32.9%
2-3 Services	**40.2**	41.1	42.6	42.5	42.9
4+ Services	**31.4**	29.2	26.7	25.4	24.2
Total revenue *(in millions)*	**$ 175.4**	$ 175.5	$ 166.6	$ 157.7	$ 160.8

By focusing on targeted relationships we are able to achieve higher product service distribution among our commercial relationships. Our expanded product offerings allow us to focus not only on the credit driven relationship, but leverage these relationships to generate a deeper share of wallet. The percent of commercial relationships utilizing over four products at the end of the 2011 fourth quarter was 31.4%, up from 24.2% at the end of 2010. In 2011, commercial relationships grew at 8%. Total commercial relationship revenue in the 2011 fourth quarter was $175.4 million, down $0.1 million, or less than 1%, from the 2011 third quarter, and was up $14.6 million, or 9%, higher than the year-ago quarter. This was primarily driven by capital markets activities.

Revenue Sharing

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

Expense Allocation

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

Funds Transfer Pricing (FTP)

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

Treasury / Other

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

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

Net Income by Business Segment

The segregation of net income by business segment for the past three years is presented in the following table:

Table 40 Net Income (Loss) by Business Segment

	Year ended December 31,		
	2011	**2010**	**2009**
(dollar amounts in thousands)			
Retail and Business Banking	**$ 175,395**	$ 131,036	$ (26,479)
Regional and Commercial Banking	**109,846**	38,462	(158,736)
AFCRE	**186,151**	46,492	(588,154)
WGH	**25,883**	34,801	1,743
Treasury / Other	**45,338**	61,556	251,265
Unallocated goodwill impairment(1)			(2,573,818)
Total net income (loss)	**$ 542,613**	$ 312,347	$ (3,094,179)

(1) Represents the 2009 first quarter impairment charge, net of tax, associated with the former Regional Banking business segment. See the Goodwill section located in Critical Accounting Policies and Use of Significant Estimates section for additional information.

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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 year ended December 31, 2011 is presented in the following table:

Table 41 Average Loans/Leases and Deposits by Business Segment

(dollar amounts in millions)	Retail and Business Banking	Regional and Commercial Banking	AFCRE	WGH	Treasury/ Other	TOTAL
Average Loans/Leases						
Commercial and industrial	$ 3,064	$ 7,943	$ 1,744	$ 762	$ 84	**$ 13,597**
Commercial real estate	437	357	5,240	170	1	**6,205**
Total commercial	3,501	8,300	6,984	932	85	**19,802**
Automobile loans and leases			5,877			**5,877**
Home equity	7,112	15	1	794	18	**7,940**
Residential mortgage	1,037	6		3,669	5	**4,717**
Other consumer	391	5	123	42	(30)	**531**
Total consumer	8,540	26	6,001	4,505	(7)	**19,065**
Total loans	$ 12,041	$ 8,326	$ 12,985	$ 5,437	$ 78	**$ 38,867**
Average Deposits						
Demand deposits noninterest-bearing	$ 3,874	$ 2,189	$ 431	$ 1,983	$ 176	**$ 8,653**
Demand deposits interest-bearing	4,461	95	43	911	7	**5,517**
Money market deposits	7,886	1,327	243	3,865	1	**13,322**
Savings and other domestic deposits	4,570	14	13	138		**4,735**
Core certificates of deposit	7,526	28	3	140	5	**7,702**
Total core deposits	28,317	3,653	733	7,037	189	**39,929**
Other deposits	190	229	53	1,097	707	**2,276**
Total deposits	$ 28,507	$ 3,882	$ 786	$ 8,134	$ 896	**$ 42,205**

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Retail and Business Banking

Table 42 Key Performance Indicators for Retail and Business Banking

			Change from 2010		
(dollar amounts in thousands unless otherwise noted)	2011	2010	Amount	Percent	2009
Net interest income	**$ 932,385**	$ 867,069	$ 65,316	8%	$ 810,658
Provision for credit losses	**120,018**	157,994	(37,976)	(24)	470,152
Noninterest income	**405,265**	394,705	10,560	3	415,471
Noninterest expense	**947,794**	902,186	45,608	5	796,714
Provision (benefit) for income taxes	**94,443**	70,558	23,885	34	(14,258)
Net income (loss)	**$ 175,395**	$ 131,036	$ 44,359	34%	$ (26,479)
Number of employees (full-time equivalent)	**5,532**	5,501	31	1%	4,911
Total average assets (in millions)	**$ 13,453**	$ 13,161	$ 292	2	$ 13,413
Total average loans/leases (in millions)	**12,041**	11,668	373	3	12,269
Total average deposits (in millions)	**28,507**	28,774	(267)	(1)	27,604
Net interest margin	**3.26%**	3.00%	0.26%	9	2.93%
NCOs	**$ 170,199**	$ 287,320	$ (117,121)	(41)	$ 325,210
NCOs as a % of average loans and leases	**1.41%**	2.46%	(1.05)%	(43)	2.65%
Return on average common equity	**12.4**	9.1	3.3	36	(2.4)

2011 vs. 2010

Retail and Business Banking reported net income of $175.4 million in 2011. This was an increase of $44.4 million, or 34%, when compared to 2010.

Results for the current year continued to be positively impacted by an increase in the number of households and improved product penetration, along with loan balance growth, improvements in deposit mix plus deposit spread management. The household and relationship growth for both consumer and small business customers has come from an increase in direct mail and media, plus improvements in sales execution. The retail deposit strategy is focused on increased checking balances and improved deposit margin on the remaining deposit portfolio through reductions in CD balances and increased money market and savings balances. This strategy has improved deposit spreads by 23 basis points compared to 2010. Provision for credit losses in 2011 was lower than the prior year as loan credit quality benefitted from aggressive account management and disciplined centralized underwriting both in consumer and small business. Finally, average loan and leases increased 3% over the prior year even though $257 million of SBA loans were sold during 2011. The loan portfolio has also had a 7 basis point improvement in the portfolio spread.

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

- $65.3 million, or 8%, increase in net interest income.
- $38.0 million, or 24%, decline in the provision for credit losses.
- $10.6 million, or 3%, increase in non-interest income.

Partially offset by:

$45.6 million, or 5%, increase in noninterest expense.

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

$0.4 billion, or 3%, increase in total average loans and leases.

23 basis point increase in our deposit spread.

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Partially offset by:

- $13.9 million of lower equity funding related to lower rate environment.

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

- $365 million, or 5%, increase in the home equity portfolio.
- $68 million, or 2%, increase in our Business Banking portfolio even though there was a $164 million increase in sales of SBA loans, which generated $14.1 million in additional gains.

Partially offset by:

- $123 million, or 11%, decrease in the residential mortgage portfolio reflecting the continued strategy of originating residential real estate for sale and not to hold in the portfolio.
- $90 million, or 17%, decrease in the CRE portfolio reflecting our commitment to reduce exposure to CRE loans.

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

- $1.5 billion, or 16%, decrease in core certificates of deposit.

Partially offset by:

- $0.6 billion, or 18%, increase in noninterest-bearing demand deposits.
- $0.3 billion, or 6%, increase in interest-bearing demand deposits.
- $0.3 billion, or 4%, increase in money market deposits.

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

- $97.2 million, or 43%, decrease in consumer NCOs and a $19.9 million, or 32%, decrease in commercial NCOs. Expressed as an annualized percentage of related average balance, total NCOs decreased to 1.41% in 2011 from 2.46% in 2010. The overall decline in NCOs was the result of improved credit quality of the portfolio.

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

- $29.2 million, or 99%, increase in other income, which is primarily related to a $20.2 million increase in gains on sale of SBA loans and loan fees. The remainder reflects increases in both consumer and commercial fee based income as well as other income associated with debit card processor conversion based activities.

$2.7 million, or 11%, increase in brokerage income, which reflected higher fee sharing from Huntington Insurance due to increased sales of investment products.

Partially offset by:

$21.1 million, or 10%, decrease in deposit service charge income due to the full year impact of Reg E changes relating to certain overdraft fees and Huntington s 24-Hour Grace® feature on all consumer checking accounts.

$2.4 million, or 8%, decrease in non-brokerage fee sharing, primarily due to lower mortgage fee share revenue.

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

$27.0 million, or 10%, increase in personnel costs, primarily driven by full time salaries, higher sales commissions, and increased benefits costs, due primarily to the addition of 41 in-store and traditional branches in 2011.

$18.6 million, or 3%, increase in other expenses, primarily due to a $12.9 million increase in outside services related to the increase in debit card processes and conversion expenses, $7.8 million increase in marketing expenses, which primarily reflected two additional quarters of advertising and additional direct mail expenses. Our brand advertising did not start until June 2010; therefore 2011 represents a more normalized run rate. Also contributing to the increase was a $6.2 million increase in occupancy expenses associated with the rebranding and refurbishment effort of the branch and ATM network. These increases were offset by a $4.5 million decrease in OREO loss and foreclosure expenses and a $5.4 million decrease in intangible amortization.

2010 vs. 2009

Retail and Business Banking reported net income of $131.0 million in 2010, compared with a net loss of $26.5 million in 2009. The $157.5 million increase included a $56.4 million, or 7%, increase in net interest income and a $312.2 million, or 66%, decline in the provision for credit losses, partially offset by a $105.5 million, or 13%, increase in noninterest expense.

Regional and Commercial Banking

Table 43 Key Performance Indicators for Regional and Commercial Banking

			Change from 2010		
(dollar amounts in thousands unless otherwise noted)	2011	2010	Amount	Percent	2009
Net interest income	**$ 244,392**	$ 211,511	$ 32,881	16%	$ 190,955
Provision for credit losses	**11,013**	104,705	(93,692)	(89)	393,984
Noninterest income	**127,315**	111,237	16,078	14	95,705
Noninterest expense	**191,701**	158,871	32,830	21	136,885
Provision (benefit) for income taxes	**59,147**	20,710	38,437	186	(85,473)
Net income (loss)	**$ 109,846**	$ 38,462	$ 71,384	186%	$ (158,736)
Number of employees (full-time equivalent)	**623**	538	85	16%	467
Total average assets (in millions)	**$ 9,283**	$ 8,213	$ 1,070	13	$ 8,730
Total average loans/leases (in millions)	**8,326**	7,414	912	12	8,113
Total average deposits (in millions)	**3,882**	3,174	708	22	3,030
Net interest margin	**2.95%**	2.85%	0.10%	4	2.42%
NCOs	**$ 39,568**	$ 66,267	$ (26,699)	(40)	$ 262,887
NCOs as a % of average loans and leases	**0.48%**	0.89%	(0.41)%	(46)	3.24%
Return on average common equity	**15.1**	5.8	9.3	160	(20.7)

2011 vs. 2010

Regional and Commercial Banking reported net income of $109.8 million in 2011. This was an increase of $71.4 million, or 186%, compared to 2010.

Contributing to the increase in net income was growth in both net interest income and noninterest income due to the successful execution of our strategic initiatives. In addition, current year results continued to reflect significant improvement in provision for credit losses, resulting from the proactive treatment of problem credits and an improved credit environment.

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Significant investments have been made in our sales process, which entails robust customer relationship planning, as well as a renewed investment in technology, including OCR; a referral tracking system and new customer relationship management system. These investments have resulted in a 32% increase in loan originations over the last 12 months. Additionally, the Commercial Relationship Manager sales teams were focused on the importance of deposit relationships as well as partnering with Treasury Management to deliver customer-focused liquidity management solutions.

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

- $93.7 million, or 89%, decline in the provision for credit losses.
- $32.9 million, or 16%, increase in net interest income.
- $16.1 million, or 14%, increase in noninterest income.

Partially offset by:

- $32.8 million, or 21%, increase in noninterest expense, due to our strategic initiatives investments.

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

- $0.9 billion, or 12%, increase in total average loans and leases.
- $0.7 billion, or 22%, increase in average core deposits.
- 10 basis point increase in the net interest margin due to a 29 basis point increase in the commercial loan spread. The commercial loan spread increase reflected lower cost of funds on our renewals. In addition, as the liquidity position of the Bank improved in 2010, the liquidity premium was lowered for new and renewed loans.

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

- $0.5 billion, or 67%, increase in the large corporate portfolio average balance due to establishing relationships with targeted prospects within our footprint.
- $0.4 billion, or 10%, increase in the core middle market loan portfolio average balances. The majority of this growth was due to marketing efforts and community development within our Michigan and Cleveland markets.
- $0.2 billion, or 23%, 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.

Partially offset by:

- $0.3 billion, or 37%, decline in commercial loans managed by SAD reflecting improved credit quality in the portfolio.

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

- $0.8 billion, or 26%, increase in average core deposits reflected a $0.4 billion increase in both average DDA and money market deposits. In 2011, a money desk was created to assist commercial bankers with tailored solutions for customers having large dollar depository needs. This additional support and expertise provided additional value and helped our bankers win relationships and encouraged their expanded prospecting efforts.

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

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- Best practices from each region were shared and institutionalized.

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

- $26.7 million decrease in NCOs. Expressed as a percentage of related average balance, NCOs decreased to 0.48% in 2011 from 0.89% in 2010. The decrease in NCOs was the result of improved credit quality in the portfolio.

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

- $14.2 million, or 25%, increase in other income, of which $9.8 million represents increased sales of customer interest rate protection products and $4.1 million represents an increase in capital markets income resulting from strategic investments made over the last year in these types of products and services.
- $6.4 million, or 262%, increase in brokerage income primarily due to the transfer of our institutional sales business to our business segment from WGH during 2011.

Partially offset by:

- $2.4 million, or 48%, decrease in operating lease income as lease originations were structured as direct finance leases beginning in the 2009 second quarter.
- $2.2 million, or 5%, decrease in deposit service charge income resulting primarily from completed strategic exits.

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

- $26.8 million, or 41%, increase in personnel costs, which represents a 16% increase in full year average FTE employees. This increase in personnel is attributable to our strategic investments in our core footprint markets, vertical strategies, and product capabilities, as well as transfers of Treasury Management colleagues from our Retail and Business Banking segment.
- $8.0 million, or 9%, increase in other expenses, which reflected $5.5 million in expanded marketing efforts and community development, as well as $2.1 million increase in FDIC insurance.

Partially offset by:

- $1.9 million, or 46%, decrease in operating lease expense as lease originations were structured as direct finance leases beginning in the 2009 second quarter.

2010 vs. 2009

Regional and Commercial Banking reported net income of $38.5 million in 2010, compared with a net loss of $158.7 million in 2009. The $197.2 million increase included a $20.6 million, or 11%, increase in net interest income and a $289.3 million, or 73%, decline in the provision for credit losses, partially offset by a $22.0 million, or 16%, increase in noninterest expense.

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Automobile Finance and Commercial Real Estate

Table 44 Key Performance Indicators for Automobile Finance and Commercial Real Estate

			Change from 2010		
(dollar amounts in thousands unless otherwise noted)	2011	2010	Amount	Percent	2009
Net interest income	**$ 364,449**	$ 338,312	$ 26,137	8%	$ 277,450
Provision for credit losses	**(8,939)**	184,757	(193,696)	(105)	1,096,030
Noninterest income	**77,623**	73,933	3,690	5	63,929
Noninterest expense	**164,626**	155,963	8,663	6	150,200
Provision (benefit) for income taxes	**100,234**	25,033	75,201	300	(316,697)
Net income (loss)	**$ 186,151**	$ 46,492	$ 139,659	300%	$ (588,154)
Number of employees (full-time equivalent)	**272**	270	2	1%	219
Total average assets (in millions)	**$ 13,025**	$ 12,908	$ 117	1	$ 13,163
Total average loans/leases (in millions)	**12,985**	13,024	(39)		13,076
Total average deposits (in millions)	**786**	692	94	14	572
Net interest margin	**2.74%**	2.54%	0.20%	8	2.07%
NCOs	**$ 153,715**	$ 349,869	$ (196,154)	(56)	$ 670,327
NCOs as a % of average loans and leases	**1.18%**	2.69%	(1.51)%	(56)	5.13%
Return on average common equity	**27.3**	5.5	21.8	396	(78.3)

2011 vs. 2010

AFCRE reported net income of $186.2 million in 2011. This was an increase of $139.7 million when compared to 2010.

Results for 2011 continued to be significantly and positively impacted by lower provisions for credit losses due to reductions in required reserve levels as the underlying credit quality of the portfolios continued to improve and / or stabilize. This was in contrast to 2010, which included higher provisions for credit losses in order to increase reserves due to economic and CRE-related weaknesses in our markets. Also contributing to the increase in net income was growth in net interest income. This primarily reflected the benefit of a higher net interest margin due to improved risk-based pricing. Growth in average total loans and leases reflected the positive impact of an increase in auto finance loan production, which exceeded the record production levels reached in 2010, partially offset by the planned continued reduction in our CRE exposure and the sale of $1.0 billion of indirect auto loans in the third quarter of 2011.

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

- $193.7 million, or 105%, decline in the provision for credit losses.
- $26.1 million, or 8%, increase in net interest income.
- $3.7 million, or 5%, increase in noninterest income.

Partially offset by:

- $8.7 million, or 6%, increase in noninterest expense.

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

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

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Total average loans and leases were essentially unchanged from the year-ago period and reflected:

- $1.0 billion, or 20%, increase in the average consumer automobile portfolio. This increase resulted from continued strong origination levels. Total production for 2011 was $3.6 billion compared to $3.4 billion for the year-ago period. Contributing to this increase was the positive impact of our expansion into eastern Pennsylvania and New England.

Partially offset by:

- $1.0 billion, or 12%, decrease in our average commercial portfolio. This decrease primarily reflected a $1.0 billion decrease in CRE loans offset, in part, by a $0.3 billion increase in automobile floor plan loans. The decline in CRE loans continued to reflect our managed reduction of this overall exposure, particularly in the noncore portfolio.

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

- $79 million, or 12%, increase in average core deposits reflecting our commitment to strengthening relationships with core customers and prospects as well as new commercial automobile dealer relationships developed in 2010 and 2011.

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

- $183.7 million, or 57%, decrease in commercial NCOs. Expressed as a percentage of related average balances, commercial NCO s decreased to 1.97% in 2011 from 4.03% in 2010.

- $11.5 million, or 43%, decrease in indirect automobile-related NCOs. As a percentage of related average balances, indirect automobile-related NCO s were 0.26% in 2011 compared to 0.54% in 2010. This decrease reflected our consistent focus on high credit quality of originations combined with a very strong resale market for used vehicles.

- A reduction in required reserve levels, primarily due to lower levels of commercial NALs which totaled $230 million at December 31, 2011, down 39% compared to December 31, 2010.

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

- $22.4 million, or 89%, increase in other income which reflected a $15.5 million gain on the securitization, a sale of $1.0 billion of indirect auto loans, and a $12.1 million increase in market-related gains on various equity investments. Partially offsetting these increases was a decrease in fee income associated with a lower volume of vehicles being returned at the end of their lease terms.

Partially offset by:

- $19.2 million, or 42%, decrease in operating lease income resulting from the continued runoff of that portfolio as we exited that business at the end of 2008.

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

$20.9 million, or 22%, increase in other expenses, primarily reflecting a $21.7 million increase in allocated costs associated with higher production and other activity levels. In addition, other expense in the year-ago period was reduced by $3.1 million of OREO-related gains as compared to $0.1 million of OREO losses in 2011. These increases were partially offset by lower legal and other collection-related costs.

$4.7 million, or 19%, increase in personnel costs, which primarily related to higher origination related activities, including automobile lending market expansion and additions to the CRE team to support our core CRE customers.

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Partially offset by:

$17.0 million, or 46%, decrease in operating lease expense resulting from the continued runoff of that portfolio.

2010 vs. 2009

AFCRE reported net income of $46.5 million in 2010, compared with a net loss of $588.2 million in 2009. The $634.6 million increase included a $60.9 million, or 22%, increase in net interest income and a $911.3 million, or 83%, decline in the provision for credit losses, partially offset by a $5.8 million, or 4%, increase in noninterest expense.

Wealth Advisors, Government Finance, and Home Lending

Table 45 Key Performance Indicators for Wealth Advisors, Government Finance, and Home Lending

			Change from 2010		
(dollar amounts in thousands unless otherwise noted)	2011	2010	Amount	Percent	2009
Net interest income	**$ 199,536**	$ 169,201	$ 30,335	18%	$ 164,335
Provision for credit losses	**51,967**	95,586	(43,619)	(46)	128,551
Noninterest income	**248,764**	338,633	(89,869)	(27)	267,695
Noninterest expense	**356,513**	358,707	(2,194)	(1)	300,799
Provision for income taxes	**13,937**	18,740	(4,803)	(26)	937
Net income	**$ 25,883**	$ 34,801	$ (8,918)	(26)%	$ 1,743
Number of employees (full-time equivalent)	**2,041**	2,211	(170)	(8)%	1,963
Total average assets (in millions)	**$ 6,778**	$ 6,317	$ 461	7	$ 6,164
Total average loans/leases (in millions)	**5,437**	4,829	608	13	4,725
Total average deposits (in millions)	**8,134**	6,990	1,144	16	5,855
Net interest margin	**2.16%**	2.23%	(0.07)%	(3)	2.69%
NCOs	**$ 57,485**	$ 79,647	$ (22,162)	(28)	$ 102,264
NCOs as a % of average loans and leases	**1.06%**	1.65%	(0.59)%	(36)	2.16%
Return on average common equity	**3.8**	5.7	(1.9)	(33)	0.4
Mortgage banking origination volume (in millions)	**$ 3,921**	$ 5,476	$ (1,555)	(28)	$ 5,262
Noninterest income shared with other business segments(1)	**42,761**	43,779	(1,018)	(2)	39,994
Total assets under management (in billions)- eop	**14.6**	14.4	0.2	1	13.0
Total trust assets (in billions)- eop	**59.3**	60.3	(1.0)	(2)	49.4

eop End of Period.

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

2011 vs. 2010

WGH reported net income of $25.9 million in 2011. This was a decrease of $8.9 million, or 26%, when compared to 2010.

Results for the current year were impacted by a decrease in mortgage banking revenue, which reflected a decline in originations and the negative impact of net MSR activity. The other businesses within the WGH segment experienced significant growth, with increased revenues in 2011 when compared to 2010. As a result of improved credit quality in the portfolio, NCO activity decreased in 2011. A focus on structured investment sales, increased brokerage commissions and, despite market value declines in assets under management in the third quarter of 2011, trust income increased in 2011.

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

- $89.9 million, or 27%, decrease in noninterest income.

Partially offset by:

- $43.6 million, or 46%, decrease in the provision for credit losses.
- $30.3 million, or 18%, increase in net interest income.

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

- $0.6 billion, or 13%, increase in average total loans and leases.
- $1.1 billion, or 16%, increase in average total deposits.

Partially offset by:

- 7 basis point decrease in the net interest margin.

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

- $0.5 billion, or 16%, increase in the residential mortgage portfolio driven by historically low interest rates.

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

- $0.8 billion, or 27%, increase in money market deposits.
- $0.7 billion or 60% increase in non-interest bearing demand deposits driven by increases in commercial deposits expected to be short term and checking deposits of governmental entities.

Partially offset by:

- $0.3 billion, or 25%, decrease in interest-bearing demand deposits.

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

- $22.2 million, or 28%, decrease in NCOs. Expressed as a percentage of related average balance, NCOs decreased to 1.06% in 2011 from 1.65% in 2010. The overall decline in NCOs was the result of improved credit quality of the portfolio.

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

$91.5 million, or 61%, decrease in mortgage banking income due to a $52.8 million decline from MSR activity and hedging costs and a $39.6 million decline in other mortgage banking income due primarily to lower origination volumes in 2011 compared to 2010.

$3.1 million, or 24%, decrease in insurance-related income which reflected lower sales of wealth transfer products in 2011.

Partially offset by:

$6.8 million, or 6%, increase in trust service income reflecting a $1.3 billion increase in average assets under management and a $3.2 billion increase in average custodial assets.

$2.0 million, or 5%, increase in brokerage income. Brokerage commissions increased $9.3 million, or 15%. The increase in retail brokerage commissions reflected improved sales of structured investment products. Institutional brokerage was transferred to the Regional and Commercial segment and the amount reported in WGH declined by $6.7 million.

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

$8.0 million, or 5%, decrease in other expenses, which reflected primarily lower expenses allocated from other segments.

Partially offset by:

$5.8 million, or 3%, increase in personnel costs, which reflected higher benefit-related expenses as well as higher sales commissions.

2010 vs. 2009

WGH reported net income of $34.8 million in 2010, compared with a net income of $1.7 million in 2009. The $33.1 million increase included a $70.9 million, or 26%, increase in noninterest income, $4.9 million, or 3%, increase in net interest income and a $33.0 million, or 26%, decline in the provision for credit losses, partially offset by a $57.9 million, or 19%, increase in noninterest expense.

RESULTS FOR THE FOURTH QUARTER

Earnings Discussion

In the 2011 fourth quarter, we reported net income of $126.9 million, or $0.14 per common share, compared with net income of $122.9 million, or $0.05 per common share, in the year-ago quarter. Significant items impacting fourth quarter performance included:

Table 46 Significant Items Influencing Earnings Performance Comparison

		Impact(1)	
(dollar amounts in millions, except per share amounts)		**After-tax**	**EPS(2)**
Three Months Ended:			
December 31, 2011	GAAP income	**$ 126.9**	**$ 0.14**
Gain on early extinguishment of debt		9.7	0.01
Visa®-related derivative loss		(6.4)	
December 31, 2010	GAAP income	**$ 122.9**	**$ 0.05**
Preferred stock conversion deemed dividend			(0.07)

(1) Favorable (unfavorable) impact on GAAP earnings; pretax unless otherwise noted.

(2) After-tax. EPS is reflected on a fully diluted basis.

Net Interest Income / Average Balance Sheet

FTE net interest income decreased $0.5 million, or less than 1%, from the year-ago quarter. This reflected the $0.1 billion, or less than 1%, decrease in average total earning assets, partially offset by a 1 basis point increase in the fully-taxable equivalent net interest margin. The decrease in average earning assets reflected the following factors:

$1.7 billion, or 17%, decrease in average total available-for-sale and other securities.

Partially offset by:

$1.7 billion, or 5%, increase in average total loans and leases.

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The following table presents the $1.7 billion, or 5%, increase in average total loans and leases:

Table 47 Average Loans/Leases 2011 Fourth Quarter vs. 2010 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in millions)	2011	2010	Amount	Percent
Average Loans/Leases				
Commercial and industrial	**$ 14,219**	$ 12,767	$ 1,452	11%
Commercial real estate	**5,958**	6,798	(840)	(12)
Total commercial	**20,177**	19,565	612	3
Automobile	**5,639**	5,520	119	2
Home equity	**8,149**	7,709	440	6
Residential mortgage	**5,043**	4,430	613	14
Other consumer	**511**	576	(65)	(11)
Total consumer	**19,342**	18,235	1,107	6
Total loans/leases	**$ 39,519**	$ 37,800	$ 1,719	5%

The increase in average total loans and leases reflected:

- $1.5 billion, or 11%, increase in average C&I portfolio. Growth from the year-ago quarter reflected the benefits from our strategic initiatives focusing on large corporate , asset based lending, business banking, automobile floor plan lending, and equipment finance. Traditional middle-market loans continued to grow despite line utilization rates that remained well below historical norms.

- $0.6 billion, or 14%, increase in average residential mortgages.

Partially offset by:

- $0.8 billion, or 12%, decrease in average CRE loans, reflecting the continued execution of our plan to reduce this exposure, primarily in the noncore CRE segment. This reduction is expected to continue at a slower pace.

The following table details the $1.9 billion, or 5%, increase in average total deposits:

Table 48 Average Deposits 2011 Fourth Quarter vs. 2010 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in millions)	2011	2010	Amount	Percent
Average Deposits				
Demand deposits: noninterest-bearing	**$ 10,716**	$ 7,188	$ 3,528	49%
Demand deposits: interest-bearing	**5,570**	5,317	253	5
Total demand deposits	**16,286**	12,505	3,781	30
Money market deposits	**13,594**	13,158	436	3

Savings and other domestic deposits	**4,706**	4,640	66	1
Core certificates of deposit	**6,769**	8,646	(1,877)	(22)
Total core deposits	**41,355**	38,949	2,406	6
Other deposits	**2,249**	2,755	(506)	(18)
Total deposits	**$ 43,604**	$ 41,704	$ 1,900	5%

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

$2.4 billion, or 6%, growth in average total core deposits which included a $3.8 billion, or 30%, growth in average total demand deposits, partially offset by $1.9 billion, or 22%, decline in average core certificates of deposit.

Partially offset by:

$0.3 billion, or 45%, decline in average other domestic deposits of $250,000 or more, reflecting a strategy to reduce such noncore funding.

Provision for Credit Losses

The provision for credit losses in the 2011 fourth quarter was $45.3 million, down $41.7 million, or 48%, from the year-ago quarter, reflecting a reduction of the ACL as a result of the improvement in the underlying credit quality of the loan portfolio. The 2011 fourth quarter provision for credit losses was $38.6 million less than total NCOs, reflecting the resolution of problem loans for which reserves had been previously established.

Noninterest Income

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

Noninterest income decreased $34.9 million, or 13%, from the year-ago quarter.

Table 49 Noninterest Income 2011 Fourth Quarter vs. 2010 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in thousands)	**2011**	**2010**	**Amount**	**Percent**
Service charges on deposit accounts	**$ 63,324**	$ 55,810	$ 7,514	13%
Trust services	**28,775**	29,394	(619)	(2)
Electronic banking	**18,282**	28,900	(10,618)	(37)
Mortgage banking income	**24,098**	53,170	(29,072)	(55)
Brokerage income	**18,688**	16,953	1,735	10
Insurance income	**17,906**	19,678	(1,772)	(9)
Bank owned life insurance income	**14,271**	16,113	(1,842)	(11)
Capital markets fees	**9,811**	8,779	1,032	12
Gain on sale of loans	**2,884**	3,423	(539)	(16)
Automobile operating lease income	**4,727**	10,463	(5,736)	(55)
Securities gains (losses)	**(3,878)**	(103)	(3,775)	3665
Other income	**30,464**	21,640	8,824	41
Total noninterest income	**$ 229,352**	$ 264,220	$ (34,868)	(13)%

The $34.9 million decrease reflected:

$29.1 million, or 55%, decrease in mortgage banking income. This primarily reflected a $27.0 million decrease in origination and secondary marketing income, as originations decreased 39% from the year-ago quarter. Also impacting the year-over-year comparison was a $4.0 million net MSR hedging loss in the current quarter compared to a net MSR hedging gain of $3.3 million in the year-ago quarter.

$10.6 million, or 37%, decrease in electronic banking income, primarily due to the $10.4 million negative impact related to implementing the mandated lower debit card interchange fee structure.

$5.7 million, or 55%, decline in automobile operating lease income reflecting the impact of a declining portfolio as a result of having exited that business in 2008.

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Partially offset by:

$8.8 million, or 41%, increase in other income, primarily reflecting an $8.2 million increase in mezzanine gains, partially offset by a $6.4 million Visa®-related derivative loss.

$7.5 million, or 13%, increase in service charges on deposits, primarily reflecting fees resulting from continued strong customer growth.

Noninterest Expense

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

Noninterest expense decreased $4.3 million, or 1%, from the year-ago quarter.

Table 50 Noninterest Expense 2011 Fourth Quarter vs. 2010 Fourth Quarter

	Fourth Quarter		Change	
(dollar amounts in thousands)	**2011**	**2010**	**Amount**	**Percent**
Personnel costs	**$ 228,101**	$ 212,184	$ 15,917	8%
Outside data processing and other services	**53,422**	40,943	12,479	30
Net occupancy	**26,841**	26,670	171	1
Equipment	**25,884**	22,060	3,824	17
Deposit and other insurance expense	**18,481**	23,320	(4,839)	(21)
Marketing	**16,379**	16,168	211	1
Professional services	**16,769**	21,021	(4,252)	(20)
Amortization of intangibles	**13,175**	15,046	(1,871)	(12)
Automobile operating lease expense	**3,362**	8,142	(4,780)	(59)
OREO and foreclosure expense	**5,009**	10,502	(5,493)	(52)
Gain on early extinguishment of debt	**(9,697)**		(9,697)	
Other expense	**32,548**	38,537	(5,989)	(16)
Total noninterest expense	**$ 430,274**	$ 434,593	$ (4,319)	(1)%
Full-time equivalent employees, at period-end	**11,245**	11,341	(96)	(1)%

The $4.3 million decrease reflected:

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

$5.5 million, or 52%, decrease in OREO and foreclosure expense.

$4.8 million, or 21%, decrease in deposit and other insurance expense.

$4.8 million, or 59%, decline in automobile operating lease expense as the portfolio continued its planned runoff as we exited that business in 2008.

Partially offset by:

$15.9 million, or 8%, increase in personnel costs, reflecting an increase in salary and benefit-related expenses.

$12.5 million, or 30%, increase in outside data processing and other services, reflecting costs associated with converting to a new debit card processer and the implementation of strategic initiatives.

Income Taxes

The provision for income taxes in the 2011 fourth quarter was $42.0 million and $35.0 million in the 2010 fourth quarter. The effective tax rate in the 2011 fourth quarter was 24.9% compared to 22.2% in the 2010 fourth quarter. At December 31, 2011 and 2010 we had a deferred tax asset of $364.8 million and $538.3 million, respectively. Based on both positive and negative evidence and our level of forecasted future taxable income, there was no impairment of the deferred tax asset at December 31, 2011 and 2010. The total disallowed deferred tax asset for regulatory capital purposes decreased to $39.1 million at December 31, 2011 from $161.3 million at December 31, 2010.

Credit Quality

Credit quality performance in the 2011 fourth quarter reflected continued improvement in the overall loan portfolio relating to NCO activity, as well as in key credit quality metrics, including a 30% decline in NPAs and a 30% decline in the level of Criticized commercial loans compared to the year-ago quarter.

NCOs

Total NCOs for the 2011 fourth quarter were $83.9 million, or an annualized 0.85% of average total loans and leases. NCOs in the year-ago quarter were $172.3 million, or an annualized 1.82%.

Total C&I NCOs for the 2011 fourth quarter were $10.9 million, or an annualized 0.31%, down from $59.1 million, or an annualized 1.85% of related loans, in the year-ago quarter. Total CRE NCOs for the 2011 fourth quarter were $28.4 million, or an annualized 1.91%, down from $44.9 million, or an annualized 2.64% in the year-ago quarter. These declines reflected improvement in the overall credit quality of the portfolio.

Total consumer NCOs in the current quarter were $44.6 million, or an annualized 0.92%, down from $68.3 million, or an annualized 1.50% of average total consumer loans in the year-ago quarter.

Residential mortgage NCOs were $9.7 million, or an annualized 0.77% of related average balances, an decrease when compared with $26.8 million, or an annualized 2.42% in the year-ago quarter and were consistent with our expectations for a continued downward trend.

Home equity NCOs in the 2011 fourth quarter were $23.4 million, or an annualized 1.15%. This represented a decline from $29.2 million, or an annualized 1.51%, in the year-ago quarter and was consistent with our expectations for continued improvement.

Automobile loan and lease NCOs were $4.2 million, or an annualized 0.30%, down from $7.0 million, or an annualized 0.51%, in the year-ago quarter. The relatively low level of NCOs in the current quarter reflected the continued high credit quality of originations and a strong resale market for used automobiles.

NPAs and NALs

Total NALs were $541.1 million at December 31, 2011, and represented 1.39% of total loans and leases. This was down $236.9 million, or 30%, from $777.9 million, or 2.04%, of total loans and leases at the end of the year ago period. This decrease primarily reflected a decline in commercial NALs as a result of problem loan resolution activity, including payoff. We continue to focus on early recognition of risks through our on-going portfolio management processes. The decline in commercial NALs was partially offset by an increase in consumer NALs. These increases reflected the current weak economic conditions and the continued decline of residential real estate property values. Both home equity and residential mortgage NALs have been written down to net realizable value, less anticipated selling costs, which substantially limits any significant future risk of loss.

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NPAs, which include NALs, were $590.3 million at December 31, 2011, and represented 1.51% of total loans and leases. This was significantly lower than $844.8 million, or 2.21% of related assets at the end of the year-ago period. The $254.5 million decrease in NPAs from the end of the year-ago period primarily reflected the $236.9 million decrease in NALs discussed above.

The over 90-day delinquent, but still accruing, ratio for total loans not guaranteed by a U.S. government agency, was 0.19% at December 31, 2011, representing a 4 basis point decline compared with December 31, 2010.

ACL

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

At December 31, 2011, the ALLL was $964.8 million, down $284.2 million, or 23%, from $1,249.0 million at December 31, 2010. Expressed as a percent of period-end loans and leases, the ALLL ratio at December 31, 2011, was 2.48%, a decline from 3.28% at December 31, 2010. The ALLL as a percent of NALs was 178% at December 31, 2011, an increase from 161% at 2010.

At December 31, 2011, the AULC was $48.5 million, an increase of $6.3 million, or 15%, compared with December 31, 2010. This increase primarily reflected the downgrade of a commercial letter-of-credit associated with one relationship.

On a combined basis, the ACL as a percent of total loans and leases at December 31, 2011, was 2.60%, down from 3.39% at December 31, 2010. This decline was primarily a result of the improvement in the underlying quality of the portfolio. While the total ACL balance declined, and the resulting ACL-to-loan coverage ratio declined, the ACL as a percent of NALs improved to 187% at December 31, 2011 from 166% at December 31, 2010, indicating additional strength in the ACL level relative to the level of problem loans.

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Table 51 Selected Quarterly Income Statement Data(1)

	2011			
(dollar amounts in thousands, except per share amounts)	Fourth	Third	Second	First
Interest income	$ 485,216	$ 490,996	$ 492,137	$ 501,877
Interest expense	70,191	84,518	88,800	97,547
Net interest income	415,025	406,478	403,337	404,330
Provision for credit losses	45,291	43,586	35,797	49,385
Net interest income after provision for credit losses	369,734	362,892	367,540	354,945
Total noninterest income	229,352	258,559	255,767	236,945
Total noninterest expense	430,274	439,118	428,409	430,699
Income before income taxes	168,812	182,333	194,898	161,191
Provision for income taxes	41,954	38,942	48,980	34,745
Net income	$ 126,858	$ 143,391	$ 145,918	$ 126,446
Dividends on preferred shares	7,703	7,703	7,704	7,703
Net income applicable to common shares	$ 119,155	$ 135,688	$ 138,214	$ 118,743
Common shares outstanding				
Average basic	864,136	863,911	863,358	863,359
Average diluted(2)	868,156	867,633	867,469	867,237
Ending	864,406	864,075	863,323	863,399
Book value per common share	$ 5.82	$ 5.83	$ 5.66	$ 5.42
Tangible book value per common share(3)	5.18	5.17	5.00	4.74
Per common share				
Net income basic	$ 0.14	$ 0.16	$ 0.16	$ 0.14
Net income diluted	0.14	0.16	0.16	0.14
Cash dividends declared	0.04	0.04	0.01	0.01
Common stock price, per share				
High(4)	$ 5.65	$ 6.74	$ 6.92	$ 7.70
Low(4)	4.67	4.46	6.00	6.38
Close	5.49	4.80	6.56	6.64
Average closing price	5.18	5.37	6.51	6.98
Return on average total assets	0.92%	1.05%	1.11%	0.96%
Return on average common shareholders equity	9.3	10.8	11.6	10.3
Return on average tangible common shareholders equity(5)	11.2	13.0	13.3	12.7
Efficiency ratio(6)	64.0	63.5	62.7	64.7
Effective tax rate	24.9	21.4	25.1	21.6
Margin analysis-as a % of average earning assets(7)				
Interest income(7)	3.96%	4.02%	4.14%	4.24%
Interest expense	0.58	0.69	0.74	0.82
Net interest margin(7)	3.38%	3.34%	3.40%	3.42%
Revenue FTE				
Net interest income	$ 415,025	$ 406,478	$ 403,337	$ 404,330
FTE adjustment	3,479	3,658	3,834	3,945
Net interest income(7)	418,504	410,136	407,171	408,275
Noninterest income	229,352	258,559	255,767	236,945

Total revenue(7)	**$ 647,856**	**$ 668,695**	**$ 662,938**	**$ 645,220**

Continued

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Table 51 Selected Quarterly Income Statement, Capital, and Other Data Continued(1)

	2011			
Capital adequacy	**December 31,**	**September 30,**	**June 30,**	**March 31,**
Total risk-weighted assets (in millions)	**$ 45,891**	**$ 44,376**	**$ 44,080**	**$ 43,024**
Tier 1 leverage ratio	**10.28%**	**10.24%**	**10.25%**	**9.80%**
Tier 1 risk-based capital ratio	**12.11**	**12.37**	**12.14**	**12.04**
Total risk-based capital ratio	**14.77**	**15.11**	**14.89**	**14.85**
Tier 1 common risk-based capital ratio	**10.00**	**10.17**	**9.92**	**9.75**
Tangible common equity / tangible asset ratio(8)	**8.30**	**8.22**	**8.22**	**7.81**
Tangible equity / tangible asset ratio(9)	**9.02**	**8.88**	**8.91**	**8.51**
Tangible common equity / risk-weighted assets ratio	**9.75**	**10.08**	**9.79**	**9.51**

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Table 52 Selected Quarterly Income Statement Data(1)

	2010			
(dollar amounts in thousands, except per share amounts)	Fourth	Third	Second	First
Interest income	$ 528,291	$ 534,669	$ 535,653	$ 546,779
Interest expense	112,997	124,707	135,997	152,886
Net interest income	415,294	409,962	399,656	393,893
Provision for credit losses	86,973	119,160	193,406	235,008
Net interest income after provision for credit losses	328,321	290,802	206,250	158,885
Total noninterest income	264,220	267,143	269,643	240,852
Total noninterest expense	434,593	427,309	413,810	398,093
Income before income taxes	157,948	130,636	62,083	1,644
Provision (benefit) for income taxes	35,048	29,690	13,319	(38,093)
Net income	$ 122,900	$ 100,946	$ 48,764	$ 39,737
Dividends on preferred shares	83,754	29,495	29,426	29,357
Net income applicable to common shares	$ 39,146	$ 71,451	$ 19,338	$ 10,380
Common shares outstanding				
Average basic	757,924	716,911	716,580	716,320
Average diluted(2)	760,582	719,567	719,387	718,593
Ending	863,319	717,132	716,623	716,557
Book value per share	$ 5.35	$ 5.39	$ 5.22	$ 5.13
Tangible book value per share(3)	4.66	4.55	4.37	4.26
Per common share				
Net income basic	$ 0.05	$ 0.10	$ 0.03	$ 0.01
Net income diluted	0.05	0.10	0.03	0.01
Cash dividends declared	0.01	0.01	0.01	0.01
Common stock price, per share				
High(4)	$ 7.00	$ 6.45	$ 7.40	$ 5.81
Low(4)	5.43	5.04	5.26	3.65
Close	6.87	5.69	5.54	5.39
Average closing price	6.05	5.79	6.13	4.84
Return on average total assets	0.90%	0.76%	0.38%	0.31%
Return on average common shareholders equity	3.8	7.4	2.1	1.1
Return on average tangible common shareholders equity(5)	5.6	10.0	3.8	2.7
Efficiency ratio(6)	61.4	60.6	59.4	60.1
Effective tax rate (benefit)	22.2	22.7	21.5	N.R.
Margin analysis-as a % of average earning assets(7)				
Interest income(7)	4.29%	4.49%	4.63%	4.82%
Interest expense	0.92	1.04	1.17	1.35
Net interest margin(7)	3.37%	3.45%	3.46%	3.47%
Revenue FTE				
Net interest income	$ 415,294	$ 409,962	$ 399,656	$ 393,893
FTE adjustment	3,708	2,631	2,490	2,248
Net interest income(7)	419,002	412,593	402,146	396,141

Noninterest income	264,220	267,143	269,643	240,852
Total revenue(7)	$ 683,222	$ 679,736	$ 671,789	$ 636,993

N.R. - Not relevant. The denominator of the calculation is a positive value and the numerator is a negative value.

Continued

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Table 52 Selected Quarterly Income Statement, Capital, and Other Data Continued(1)

	2010			
Capital adequacy	**December 31,**	**September 30,**	**June 30,**	**March 31,**
Total risk-weighted assets (in millions)	$ 43,471	$ 42,759	$ 42,486	$ 42,418
Tier 1 leverage ratio	9.41%	10.54%	10.45%	10.05%
Tier 1 risk-based capital ratio	11.55	12.82	12.51	12.00
Total risk-based capital ratio	14.46	15.08	14.79	14.31
Tier 1 common risk-based capital ratio	9.29	7.39	7.06	6.53
Tangible common equity / tangible asset ratio(8)	7.56	6.20	6.12	5.96
Tangible equity / tangible asset ratio(9)	8.24	9.43	9.43	9.26
Tangible common equity / risk-weighted assets ratio	9.26	7.63	7.37	7.20

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

(2) For all quarterly periods presented above, the impact of the convertible preferred stock issued in April of 2008 was excluded from the diluted share calculation because the result would have been higher than basic earnings per common share (anti-dilutive) for the periods.

(3) Deferred tax liability related to other intangible assets is calculated assuming a 35% tax rate.

(4) High and low stock prices are intra-day quotes obtained from NASDAQ.

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

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

(7) Presented on a FTE basis assuming a 35% tax rate.

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

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

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. 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 the collateral could prove less valuable than otherwise assumed and assumed cash flows may be worse than expected; (2) changes in economic conditions; (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, and timing of governmental actions and reforms, including the Dodd-Frank Act, as well as future regulations which will be adopted by the relevant regulatory agencies, including the CFPB, to implement the Dodd-Frank Act s provisions; 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.

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 definition, 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-K in their entirety, and not to rely on any single financial measure.

Pretax, Pre-provision Income

Pretax, pre-provision income is a non-GAAP financial measure. Any ratio utilizing this financial measure is also non-GAAP. This financial measure has been included as it is considered to be an important metric with which to analyze and evaluate our results of operations and financial strength. Other companies may calculate this financial measure differently. Going forward we do not intend to report a PTPP metric with our credit costs now returning to more normal levels.

Risk Factors

More information on risk is set forth under the heading Risk Factors included in Item 1A and incorporated by reference into this MD&A. Additional information regarding risk factors can also be found in the Risk Management and Capital discussion, as well as the Regulatory Matters section included in Item 1 and incorporated by reference into the MD&A.

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Critical Accounting Policies and Use of Significant Estimates

Our Consolidated Financial Statements are prepared in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires us to establish accounting policies and make estimates that affect amounts reported in our Consolidated Financial Statements. Note 1 of the Notes to Consolidated Financial Statements, which is incorporated by reference into this MD&A, describes the significant accounting policies we use in our Consolidated Financial Statements.

An accounting estimate requires assumptions and judgments about uncertain matters that could have a material effect on the Consolidated Financial Statements. Estimates are made under facts and circumstances at a point in time, and changes in those facts and circumstances could produce results substantially different from those estimates. The most significant accounting policies and estimates and their related application are discussed below.

Total Allowance for Credit Losses

Our ACL of $1.0 billion at December 31, 2011, represents our estimate of probable credit losses inherent in our loan and lease portfolio and our unfunded loan commitments and letters of credit. We regularly review our ACL for appropriateness by performing on-going evaluations of the loan and lease portfolio. In doing so, we consider factors such as the differing economic risk 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 also 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. There is no certainty that our ACL will be appropriate over time to cover losses in the portfolio because of unanticipated adverse changes in the economy, market conditions, or events adversely affecting specific customers, industries, or markets. If the credit quality of our customer base materially deteriorates, the risk profile of a market, industry, or group of customers changes materially, or if the ACL is not appropriate, our net income and capital could be materially adversely affected which, in turn, could have a material negative adverse effect on our financial condition and results of operations.

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

Fair Value Measurements

(This section should be read in conjunction with Note 19 of the Notes to Consolidated Financial Statements.)

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

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. A three-level valuation hierarchy was established for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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Assets and liabilities carried at fair value inherently result in a higher degree of financial statement volatility. Assets measured at fair value include mortgage loans held for sale, available-for-sale and other certain securities, certain securitized automobile loans, derivatives, certain MSRs, trading account securities, and certain securitization trust notes payable. At December 31, 2011, approximately $8.9 billion of our assets and $0.4 billion of our liabilities were recorded at fair value. In addition to the above mentioned on-going fair value measurements, fair value is also the unit of measure for recording business combinations.

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 to measure fair value at the measurement date.

The fair values measured at each level of the fair value hierarchy, as well as additional discussion regarding fair value measurements, can be found in Note 19 of the Notes to the Consolidated Financial Statements.

INVESTMENT SECURITIES

(This section should be read in conjunction with the Investment Securities Portfolio discussion and Note 1 and Note 4 in the Notes to Consolidated Financial Statements.)

Level 3 Analysis on Certain Securities Portfolios

Our Alt-A, private label CMO, and pooled-trust-preferred securities portfolios are classified as Level 3, and as such, the significant estimates used to determine the fair value of these securities have greater subjectivity. The Alt-A and private label CMO securities portfolios are subjected to a monthly review of the projected cash flows, while the cash flows of our pooled-trust-preferred securities portfolio are reviewed quarterly. These reviews are supported with analysis from independent third parties, and are used as a basis for impairment analysis. These three portfolios, and the results of our impairment analysis for each portfolio, are discussed in further detail below:

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

Pooled-trust-preferred securities are CDOs backed by a pool of debt securities issued by financial institutions. The collateral generally consists of trust-preferred securities and subordinated debt securities issued by banks, bank holding companies, and insurance companies. A full cash flow analysis is used to estimate fair values and assess impairment for each security within this portfolio. We engaged a third party specialist with direct industry experience in pooled-trust-preferred securities valuations to provide assistance in estimating the fair value and expected cash flows for each security in this portfolio. Relying on cash flows is necessary because there was a lack of observable transactions in the market and many of the original sponsors or dealers for these securities are no longer able to provide a fair value that is compliant with ASC 820.

Certain other assets and liabilities which are not financial instruments also involve fair value measurements. A description of these assets and liabilities, and the methodologies utilized to determine fair value are discussed below:

GOODWILL

Goodwill is an intangible asset representing the difference between the purchase price of an asset and its fair market value and is created when a company pays a premium to acquire the assets of another company. We test goodwill for impairment annually, as of October 1, using a two-step process that begins with an estimation of the fair value of a reporting unit. Goodwill impairment exists when a reporting unit s carrying value of goodwill exceeds its implied fair value. Goodwill is also tested for impairment on an interim basis, using the same two-step process as the annual testing, if an event occurs or circumstances change between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying amount.

The first step (Step 1) of impairment testing requires comparing the fair value of each reporting unit with goodwill to its carrying value to identify potential impairment. For our annual impairment testing conducted during 2011, we identified four reporting units with goodwill: Retail and Business Banking, Regional and Commercial Banking, Wealth Advisors, Government Finance, and Home Lending (WGH), and Insurance. Auto Finance and Commercial Real Estate was not subject to impairment testing as it had no goodwill associated with the unit. In addition, although Insurance is included within Treasury/Other for business segment reporting, it was evaluated as a separate reporting unit for goodwill impairment testing because it had its own separately allocated goodwill resulting from prior acquisitions.

For all four reporting units identified in the above paragraph, we utilized both income and market approaches to determine the fair value for each reporting unit. The income approach was based on discounted cash flows derived from assumptions of balance sheet and income statement activity. An internal forecast was developed by considering several long-term key business drivers such as anticipated loan and deposit growth, net interest margins, and efficiency ratios. Long-term growth rates were estimated to assist in determining the terminal values. The discount rates were estimated based on the Capital Asset Pricing Model, which considered the risk-free interest rate (20-year Treasury Bonds), market-risk premium, equity-risk premium, and a company-specific risk factor. The company-specific risk factor was used to address the uncertainty of growth estimates and earnings projections of Management. For the market approach, revenue, earnings and market capitalization multiples of comparable public companies were selected and applied to each reporting unit s applicable metrics such as book and tangible book values. The results of the income and market approaches are combined to arrive at the final calculation of fair value. The aggregate fair market value of the reporting units compared with market capitalization indicated an implied premium of 29% at September 30, 2011. A control premium analysis indicated that the implied premium was within range of overall premiums observed in the market place. All four of the reporting units tested passed Step 1.

The second step (Step 2) of impairment testing is necessary only if the reporting unit does not pass Step 1. Step 2 compares the implied fair value of the reporting unit goodwill with the carrying amount of the goodwill for the reporting unit. The implied fair value of goodwill is determined in the same manner as goodwill that is recognized in a business combination. Significant judgment and estimates are involved in estimating the fair value of the assets and liabilities of the reporting unit. As none of the reporting units failed step 1, step 2 was not applicable during 2011 testing.

Significant judgment is applied when goodwill is assessed for impairment. This judgment includes developing cash flow projections, selecting appropriate discount rates, identifying relevant market comparables, incorporating general economic and market conditions, and selecting an appropriate control premium. The selection and weighting of the various fair value techniques may result in a higher or lower fair value. Judgment is applied in determining the weightings that are most representative of fair value.

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Due to the current economic environment and other uncertainties, it is possible that our estimates and assumptions may adversely change in the future. If our market capitalization decreases, we may be required to record goodwill impairment losses in future periods, whether in connection with our next annual impairment testing or prior to that time, if any changes constitute a triggering event.

The 2010 and 2009 interim and annual assessments discussed below were performed in a manner consistent with the 2011 process described above. The assessments were based on our reporting units at that time.

2010 Annual Impairment Testing and Interim Evaluations

In 2010, we performed an annual assessment at October 1 and interim evaluations of our goodwill balances at March 31 and June 30. No impairment was recorded in 2010.

2009 Other Interim and Annual Impairment Testing

During the 2009 first quarter, our stock price declined 78%, from $7.66 per common share at December 31, 2008, to $1.66 per common share at March 31, 2009. Many peer banks also experienced similar significant declines in market capitalization during this same period. This decline primarily reflected the continuing economic slowdown and increased market concern surrounding financial institutions credit risks and capital positions, as well as uncertainty related to increased regulatory supervision and intervention. We determined that these changes would more-likely-than-not reduce the fair value of certain reporting units below their carrying amounts. Therefore, we performed an interim goodwill impairment test during the 2009 first quarter.

Our 2009 first quarter interim testing determined that the Regional Banking and Insurance reporting units goodwill carrying values exceeded their implied fair values of goodwill by $2,573.8 million and $28.9 million, respectively. As a result, we recorded a noncash pretax impairment charge of $2,602.7 million in the 2009 first quarter. In addition, we recorded an impairment charge of $4.2 million in the 2009 second quarter related to the sale of a small payments-related business completed in July 2009. No other goodwill impairment was required during the remainder of 2009.

PENSION

Pension plan assets consist of mutual funds and our common stock. Investments are accounted for at cost on the trade date and are reported at fair value. Mutual funds are valued at quoted Net Asset Value. Our common stock is traded on a national securities exchange and is valued at the last reported sales price.

The discount rate and expected return on plan assets used to determine the benefit obligation and pension expense are both assumptions. Actual results may be materially different. *(See Note 18 of the Notes to the Consolidated Financial Statements).*

OTHER REAL ESTATE OWNED

OREO property obtained in satisfaction of a loan is recorded at its estimated fair value less anticipated selling costs based upon the property s appraised value at the date of transfer, with any difference between the fair value of the property and the carrying value of the loan charged to the ALLL. Subsequent declines in value are reported as adjustments to the carrying amount and are charged to noninterest expense. Gains or losses resulting from the sale of OREO are recognized in noninterest expense on the date of sale. At December 31, 2011, OREO totaled $38.4 million, representing a 42% decrease compared with $66.8 million at December 31, 2010.

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Income Taxes and Deferred Tax Assets

INCOME TAXES

The calculation of our provision for income taxes is complex and requires the use of estimates and judgments. We have two accruals for income taxes: (1) our income tax payable represents the estimated net amount currently due to the federal, state, and local taxing jurisdictions, net of any reserve for potential audit issues, and is reported as a component of accrued income and other assets in our consolidated balance sheet; (2) our deferred federal income tax asset, reported as a component of accrued income and other assets, represents the estimated impact of temporary differences between how we recognize our assets and liabilities under GAAP, and how such assets and liabilities are recognized under the federal tax code.

In the ordinary course of business, we operate in various taxing jurisdictions and are subject to income and non-income taxes. The effective tax rate is based in part on our interpretation of the relevant current tax laws. We believe the aggregate liabilities related to taxes are appropriately reflected in the consolidated financial statements. We review the appropriate tax treatment of all transactions taking into consideration statutory, judicial, and regulatory guidance in the context of our tax positions. In addition, we rely on various tax opinions, recent tax audits, and historical experience.

From time-to-time, we engage in business transactions that may affect our tax liabilities. Where appropriate, we have obtained opinions of outside experts and have assessed the relative merits and risks of the appropriate tax treatment of business transactions taking into account statutory, judicial, and regulatory guidance in the context of the tax position. However, changes to our estimates of accrued taxes can occur due to changes in tax rates, implementation of new business strategies, resolution of issues with taxing authorities regarding previously taken tax positions, and newly enacted statutory, judicial, and regulatory guidance. Such changes could affect the amount of our accrued taxes and could be material to our financial position and / or results of operations. *(See Note 17 of the Notes to Consolidated Financial Statements.)*

DEFERRED TAX ASSETS

At December 31, 2011, we had a net federal deferred tax asset of $365.0 million and a net state deferred tax liability of $0.2 million. A valuation allowance is provided when it is more-likely-than-not that some portion of the deferred tax asset will not be realized. All available evidence, both positive and negative, was considered to determine whether, based on the weight of that evidence, impairment should be recognized. Our forecast process includes judgmental and quantitative elements that may be subject to significant change. If our forecast of taxable income within the carryforward periods available under applicable law is not sufficient to cover the amount of net deferred tax assets, such assets may be impaired. Based on our analysis of both positive and negative evidence and our ability to offset the net deferred tax assets against our forecasted future taxable income, there was no impairment of the deferred tax assets at December 31, 2011.

Recent Accounting Pronouncements and Developments

Note 2 to Consolidated Financial Statements discusses new accounting pronouncements adopted during 2011 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 Consolidated Financial Statements.

Acquisitions

Sky Financial

The merger with Sky Financial was completed on July 1, 2007. At the time of acquisition, Sky Financial had assets of $16.8 billion, including $13.3 billion of loans, and total deposits of $12.9 billion. The impact of this acquisition was included in our consolidated results for the last six months of 2007.

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Franklin-Related Impacts

NCOs

The following table reflects the Franklin-related impact to NCOs for 2010 and 2011.

Table 53 Net Loan and Lease Charge-offs Franklin-Related Impact

(dollar amounts in millions)

	Year Ended December 31,	
	2011	**2010**
Total home equity net charge-offs (recoveries)		
Franklin	**$**	$ 20.8
Non-Franklin	**101.8**	118.6
Total	**$ 101.8**	$ 139.4
Total home equity net charge-offs ratio		
Total	**1.28%**	1.84%
Non-Franklin	**1.28**	1.57
Total residential mortgage net charge-offs (recoveries)		
Franklin	**$ (2.5)**	$ 71.3
Non-Franklin	**59.2**	81.6
Total	**$ 56.7**	$ 152.9
Total residential mortgage net charge-offs ratio		
Total	**1.20%**	3.42%
Non-Franklin	**1.25**	1.90

Item 7A: ***Quantitative and Qualitative Disclosures About Market Risk***
Information required by this item is set forth under the heading of Market Risk in Item 7 (MD&A), which is incorporated by reference into this item.

Item 8: ***Financial Statements and Supplementary Data***
Information required by this item is set forth in the Report of Independent Registered Public Accounting Firm, Consolidated Financial Statements and Notes, and Selected Quarterly Income Statements, which is incorporated by reference into this item.

REPORT OF MANAGEMENT

The Management of Huntington Bancshares Incorporated (Huntington or the Company) is responsible for the financial information and representations contained in the Consolidated Financial Statements and other sections of this report. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the United States. In all material respects, they reflect the substance of transactions that should be included based on informed judgments, estimates, and currently available information. Management maintains a system of internal accounting controls, which includes the careful selection and training of qualified personnel, appropriate segregation of responsibilities, communication of written policies and procedures, and a broad program of internal audits. The costs of the controls are balanced against the expected benefits. During 2011, the audit committee of the board of directors met regularly with Management, Huntington s internal auditors, and the independent registered public accounting firm, Deloitte & Touche LLP, to review the scope of the audits and to discuss the evaluation of internal accounting controls and financial reporting matters. The independent registered public accounting firm and the internal auditors have free access to, and meet confidentially with, the audit committee to discuss appropriate matters. Also, Huntington maintains a disclosure review committee. This committee s purpose is to design and maintain disclosure controls and procedures to ensure that material information relating to the financial and operating condition of Huntington is properly reported to its chief executive officer, chief financial officer, internal auditors, and the audit committee of the board of directors in connection with the preparation and filing of periodic reports and the certification of those reports by the chief executive officer and the chief financial officer.

REPORT OF MANAGEMENT S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, including accounting and other internal control systems that, in the opinion of Management, provide reasonable assurance that (1) transactions are properly authorized, (2) the assets are properly safeguarded, and (3) transactions are properly recorded and reported to permit the preparation of the Consolidated Financial Statements in conformity with accounting principles generally accepted in the United States. Huntington s Management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2011. In making this assessment, Management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Based on that assessment, Management believes that, as of December 31, 2011, the Company s internal control over financial reporting is effective based on those criteria. The Company s internal control over financial reporting as of December 31, 2011 has been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing on the next page.

Stephen D. Steinour Chairman, President, and Chief Executive Officer

Donald R. Kimble Senior Executive Vice President and Chief Financial Officer

February 17, 2012

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Huntington Bancshares Incorporated

Columbus, Ohio

We have audited the internal control over financial reporting of Huntington Bancshares Incorporated and subsidiaries (the Company) as of December 31, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Report of Management s Assessment of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2011 of the Company and our report dated February 17, 2012 expressed an unqualified opinion on those financial statements.

Columbus, Ohio

February 17, 2012

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Huntington Bancshares Incorporated

Columbus, Ohio

We have audited the accompanying consolidated balance sheets of Huntington Bancshares Incorporated and subsidiaries (the Company) as of December 31, 2011 and 2010, and the related consolidated statements of income, changes in shareholders equity, and cash flows for each of the three years in the period ended December 31, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Huntington Bancshares Incorporated and subsidiaries as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2011, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 17, 2012 expressed an unqualified opinion on the Company s internal control over financial reporting.

Columbus, Ohio

February 17, 2012

Huntington Bancshares Incorporated

Consolidated Balance Sheets

(dollar amounts in thousands, except number of shares)	December 31, 2011	2010
Assets		
Cash and due from banks	**$ 1,115,968**	$ 847,888
Interest-bearing deposits in banks	**90,943**	135,038
Trading account securities	**45,899**	185,404
Loans held for sale (includes $343,588 and $754,117 respectively, measured at fair value)(1)	**1,618,391**	793,285
Available-for-sale and other securities	**8,078,014**	9,895,244
Held-to-maturity securities	**640,551**	
Loans and leases (includes $296,250 and $522,717 respectively, measured at fair value):(2)		
Commercial and industrial loans and leases	**14,699,371**	13,063,293
Commercial real estate loans	**5,825,709**	6,651,156
Automobile loans and leases	**4,457,446**	5,614,711
Home equity loans	**8,215,413**	7,713,154
Residential mortgage loans	**5,228,276**	4,500,366
Other consumer loans	**497,568**	563,827
Loans and leases	**38,923,783**	38,106,507
Allowance for loan and lease losses	**(964,828)**	(1,249,008)
Net loans and leases	**37,958,955**	36,857,499
Bank owned life insurance	**1,549,783**	1,500,401
Premises and equipment	**564,429**	491,602
Goodwill	**444,268**	444,268
Other intangible assets	**175,302**	228,620
Accrued income and other assets	**2,168,149**	2,440,393
Total assets	**$ 54,450,652**	$ 53,819,642
Liabilities and shareholders equity		
Liabilities		
Deposits in domestic offices		
Demand deposits noninterest-bearing	**$ 11,157,805**	$ 7,216,751
Interest-bearing	**31,761,039**	34,254,807
Deposits in foreign offices	**360,781**	382,340
Deposits	**43,279,625**	41,853,898
Short-term borrowings	**1,441,092**	2,040,732
Federal Home Loan Bank advances	**362,972**	172,519
Other long-term debt (includes $123,039 and $356,089 respectively, measured at fair value)(2)	**1,231,517**	2,144,092
Subordinated notes	**1,503,368**	1,497,216
Accrued expenses and other liabilities	**1,213,978**	1,130,643
Total liabilities	**49,032,552**	48,839,100
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**	

Common stock		
Par value of $0.01 and authorized 1,500,000,000 shares	**8,656**	8,642
Capital surplus	**7,596,809**	7,630,093
Less treasury shares, at cost	**(10,255)**	(8,771)
Accumulated other comprehensive loss	**(173,763)**	(197,496)
Retained (deficit) earnings	**(2,389,639)**	(2,814,433)
Total shareholders equity	**5,418,100**	4,980,542
Total liabilities and shareholders equity	**$ 54,450,652**	$ 53,819,642
Common shares issued	**865,584,517**	864,195,369
Common shares outstanding	**864,406,152**	863,319,435
Treasury shares outstanding	**1,178,365**	875,934
Preferred shares issued	**1,967,071**	1,967,071
Preferred shares outstanding	**398,007**	362,507

(1) Amounts represent loans for which Huntington has elected the fair value option. See Note 19.

(2) Amounts represent certain assets and liabilities of a consolidated VIE for which Huntington has elected the fair value option. See Note 21.

See Notes to Consolidated Financial Statements

Huntington Bancshares Incorporated

Consolidated Statements of Income

	Year Ended December 31,		
	2011	**2010**	**2009**
(dollar amounts in thousands, except per share amounts)			
Interest and fee income:			
Loans and leases	**$ 1,727,784**	$ 1,865,848	$ 1,944,269
Available-for-sale and other securities			
Taxable	**207,984**	239,065	249,968
Tax-exempt	**9,785**	11,680	8,824
Held-to-maturity securities	**11,213**		
Other	**13,460**	28,799	35,081
Total interest income	**1,970,226**	2,145,392	2,238,142
Interest expense			
Deposits	**260,052**	439,050	674,101
Short-term borrowings	**3,500**	3,007	2,366
Federal Home Loan Bank advances	**824**	3,121	12,882
Subordinated notes and other long-term debt	**76,680**	81,409	124,506
Total interest expense	**341,056**	526,587	813,855
Net interest income	**1,629,170**	1,618,805	1,424,287
Provision for credit losses	**174,059**	634,547	2,074,671
Net interest income after provision for credit losses	**1,455,111**	984,258	(650,384)
Service charges on deposit accounts	**243,507**	267,015	302,799
Trust services income	**119,382**	112,555	103,639
Electronic banking income	**111,697**	110,234	100,151
Mortgage banking income	**83,408**	175,782	112,298
Brokerage income	**80,367**	68,855	64,843
Insurance income	**69,470**	76,413	73,326
Bank owned life insurance income	**62,336**	61,066	54,872
Capital markets income	**36,540**	23,886	10,851
Gain (loss) on sales of loans	**31,944**	6,275	(7,576)
Automobile operating lease income	**26,771**	45,964	51,810
Net gains (losses) on sales of available-for-sale and other securities	**3,682**	13,448	48,815
Impairment losses on available-for-sale and other securities:			
Impairment losses on available-for-sale and other securities	**4,174**	9,847	(183,472)
Noncredit-related losses on securities not expected to be sold (recognized in other comprehensive income)	**(11,537)**	(23,569)	124,408
Net impairment losses on investment securities	**(7,363)**	(13,722)	(59,064)
Other income	**118,882**	94,087	148,880
Total noninterest income	**980,623**		