HUNTINGTON BANCSHARES INC/MD
Form 10-Q
July 30, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

THE SECURITIES EXCHANGE ACT OF 1934

QUARTERLY PERIOD ENDED June 30, 2012

Commission File Number 1-34073

Huntington Bancshares Incorporated

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

41 South High Street, Columbus, Ohio 43287

Registrant s telephone number (614) 480-8300

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

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

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

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

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

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

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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:

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

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

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

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PART I. FINANCIAL INFORMATION

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

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

INTRODUCTION

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

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

Our discussion is divided into key segments:

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

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

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

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

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

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

EXECUTIVE OVERVIEW

Summary of 2012 Second Quarter Results

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

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

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

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

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

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

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

Business Overview

General

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

The second quarter results clearly showed the benefit of 11.6% annualized growth in consumer checking account households and 11.9% annualized growth in commercial relationships, with both electronic banking and service charges on deposits up over 9%. Not only are we gaining customers, we are selling deeper with 76.0% of consumer checking account households and 32.6% commercial relationships now with 4 or more products or services. A portion of our strategic investments remains in the early stages, such as our in-store strategy. In contrast, others have matured and are adding meaningfully to the bottom line, like our customer focused capital markets activities, which posted a record quarter resulting in 35% linked quarter and 58% year-over-year revenue growth.

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Economy

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

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

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

Legislative and Regulatory

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

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

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

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

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

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

Expectations

For the remainder of 2012, average net interest income is expected to show modest improvement from the second quarter level as we anticipate an increase in total loans, excluding the impacts of any future loan securitizations. Those benefits to net interest income are expected to be mostly offset, however, by downward NIM pressure due to the anticipated competitive pressures on loan pricing, as well as lower rate securities through reinvestment, and declining positive impacts from deposit repricing. The C&I portfolio is expected to continue to show meaningful growth. Our sales pipeline remains robust with much of this reflecting the positive impact from strategic initiatives to expand our commercial lending expertise into areas such as specialty banking, asset based lending, and equipment financing. It also reflects our long-standing, continued support of middle market and small business lending. Automobile loan balances are expected to grow from period-end balances. Residential mortgages and home equity loans are expected to be relatively flat as we continue to evaluate the impact of the proposed capital rules recently released by our regulators. CRE loans likely will experience modest levels of declines from current levels.

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

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

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

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

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DISCUSSION OF RESULTS OF OPERATIONS

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

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Table 1 - Selected Quarterly Income Statement Data (1)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Significant Items

Definition of Significant Items

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

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

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

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

Significant Items Influencing Financial Performance Comparisons

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

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

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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

	Three Months Ended					
	June 30, 2012		March 31, 2012		June 30, 2011	
(dollar amounts in thousands, except per share amounts)	**After-tax**	**EPS (2)**	After-tax	EPS (2)	After-tax	EPS (2)
Net income GAAP	**$ 152,706**		$ 153,270		$ 145,918	
Earnings per share, after tax		**$ 0.17**		$ 0.17		$ 0.16
Change from prior quarter $				0.03		0.02
Change from prior quarter %		**%**		21 %		14 %
Change from year-ago $		**$ 0.01**		$ 0.03		$ 0.13
Change from year-ago %		**6 %**		21 %		433 %

Significant Items favorable (unfavorable) impact:	**Earnings (1)**	**EPS (2)**	Earnings (1)	EPS (2)	Earnings (1)	EPS (2)
Bargain purchase gain	**$**	**$**	$ 11,409	$ 0.01	$	$
Litigation reserves addition			(23,500)	(0.02)		

	Six Months Ended			
	June 30, 2012		June 30, 2011	
(dollar amounts in thousands)	**After-tax**	**EPS (2)**	After-tax	EPS (2)
Net income	**$ 305,976**		$ 272,364	
Earnings per share, after tax		**$ 0.33**		$ 0.30
Change from a year-ago $		**0.03**		0.26
Change from a year-ago %		**10 %**		650 %

Significant Items favorable (unfavorable) impact:	**Earnings (1)**	**EPS (2)**	Earnings (1)	EPS (2)
Bargain purchase gain	**$ 11,409**	**$ 0.01**	$	$
Litigation reserves addition	**(23,500)**	**(0.02)**	(17,028)	(0.01)

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

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Net Interest Income / Average Balance Sheet

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

Table 4 - Consolidated Quarterly Average Balance Sheets

	Average Balances				
	2012		2011		
(dollar amounts in millions)	**Second**	First	Fourth	Third	Second
Assets					
Interest-bearing deposits in banks	**$ 124**	$ 100	$ 107	$ 164	$ 131
Trading account securities	**54**	50	81	92	112
Federal funds sold and securities purchased under resale agreement					21
Loans held for sale	**410**	1,265	316	237	181
Available-for-sale and other securities:					
Taxable	**8,285**	8,171	8,065	7,902	8,428
Tax-exempt	**387**	404	409	421	436
Total available-for-sale and other securities	**8,672**	8,575	8,474	8,323	8,864
Held-to-maturity securities taxable	**611**	632	650	665	174
Loans and leases: (1)					
Commercial:					
Commercial and industrial	**16,094**	14,824	14,219	13,664	13,370
Commercial real estate:					
Construction	**584**	598	533	670	554
Commercial	**5,491**	5,254	5,425	5,441	5,679
Commercial real estate	**6,075**	5,852	5,958	6,111	6,233
Total commercial	**22,169**	20,676	20,177	19,775	19,603
Consumer:					
Automobile	**4,985**	4,576	5,639	6,211	5,954
Home equity	**8,310**	8,234	8,149	8,002	7,874
Residential mo					