

HUNTINGTON BANCSHARES INC/MD

Form 10-K

February 18, 2011

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2010
- 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
(State or other jurisdiction of incorporation or organization)

31-0724920
(I.R.S. Employer Identification No.)

41 S. High Street, Columbus, Ohio
(Address of principal executive offices)

43287
(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:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Exchange Act. 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 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. 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). 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.

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

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

The aggregate market value of voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2010, determined by using a per share closing price of \$5.54, as quoted by NASDAQ on that date, was \$3,857,539,827. As of January 31, 2011, there were 863,338,744 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 2011 Annual Shareholders Meeting.

HUNTINGTON BANCSHARES INCORPORATED
INDEX

<u>PART I.</u>		1
<u>Item 1.</u>	<u>Business</u>	1
<u>Item 1A.</u>	<u>Risk Factors</u>	11
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	19
<u>Item 2.</u>	<u>Properties</u>	20
<u>Item 3.</u>	<u>Legal Proceedings</u>	20
<u>Item 4.</u>	<u>Reserved</u>	20
<u>PART II.</u>		20
<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities</u>	20
<u>Item 6.</u>	<u>Selected Financial Data</u>	22
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	24
	<u>Introduction</u>	24
	<u>Executive Overview</u>	25
	<u>Discussion of Results of Operations</u>	31
	<u>Risk Management and Capital:</u>	
	<u>Credit Risk</u>	49
	<u>Market Risk</u>	78
	<u>Liquidity Risk</u>	82
	<u>Operational Risk</u>	87
	<u>Compliance Risk</u>	88
	<u>Capital</u>	89
	<u>Business Segment Discussion</u>	92
	<u>Additional Disclosures</u>	112
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	122
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	122
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	204
<u>Item 9A.</u>	<u>Controls and Procedures</u>	204
<u>Item 9B.</u>	<u>Other Information</u>	204
<u>PART III.</u>		205
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	205
<u>Item 11.</u>	<u>Executive Compensation</u>	205
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	205
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	206
Item 14.	<u>Principal Accountant Fees and Services</u>	206
<u>PART IV.</u>		206
<u>Item 15.</u>	<u>Exhibits and Financial Statement Schedules</u>	206
Signatures		207

EX-12.1

EX-12.2

EX-21.1

EX-23.1

EX-24.1

EX-31.1

EX-31.2

EX-32.1

EX-32.2

EX-99.1

EX-99.2

EX-101 INSTANCE DOCUMENT

EX-101 SCHEMA DOCUMENT

EX-101 CALCULATION LINKBASE DOCUMENT

EX-101 LABELS LINKBASE DOCUMENT

EX-101 PRESENTATION LINKBASE DOCUMENT

EX-101 DEFINITION LINKBASE DOCUMENT

Table of Contents

Glossary of Acronyms and Terms

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

ABL	Asset Based Lending
ACL	Allowance for Credit Losses
AFCRE	Automobile Finance and Commercial Real Estate
ALCO	Asset-Liability Management Committee
ALLL	Allowance for Loan and Lease Losses
ARM	Adjustable Rate Mortgage
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
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
Freddie Mac	(see FHLMC)
FSP	Financial Stability Plan
FTE	Fully-Taxable Equivalent
FTP	Funds Transfer Pricing
GAAP	Generally Accepted Accounting Principles in the United States of America
HASP	Homeowner Affordability and Stability Plan
HCER Act	Health Care and Education Reconciliation Act of 2010
IPO	Initial Public Offering

Table of Contents

IRS	Internal Revenue Service
LIBOR	London Interbank Offered Rate
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
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
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
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
Unizan	Unizan Financial Corp.
USDA	U.S. Department of Agriculture
VA	U.S. Department of Veteran Affairs
VIE	Variable Interest Entity
WGH	Wealth Advisors, Government Finance, and Home Lending

Table of Contents

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. Through the Bank, we have 145 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, 2010, the Bank had 611 branches as follows:

344 branches in Ohio

119 branches in Michigan

57 branches in Pennsylvania

50 branches in Indiana

28 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.

In late 2010, we reorganized the way in which we manage our business. Our 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, customer service, and pricing of these products.

Beginning in 2010, a key strategic emphasis has been for our business segments to operate in cooperation to provide products and services to our customers 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

Table of Contents

Business Banking provides these services through a banking network of over 600 traditional branches and convenience branches located in grocery stores and retirement centers. In addition, an array of alternative distribution channels is available to customers including internet and mobile banking, telephone banking, and over 1,300 ATMs.

Commercial Banking Our Commercial Banking group 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 protection, foreign exchange hedging and sales, trading of securities, and employee benefit programs (insurance, 410(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) our 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), (2) relationships with established automobile dealerships, (3) our leads through community involvement, and (4) referrals from other professionals.

Wealth Advisors, Government Finance, and Home Lending This segment consists primarily of fee-based businesses including home lending, wealth management, and government finance. 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. We provide 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; retirement plan services, and the national settlements business. 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.

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

liabilities, revenue, and expense.

Table of Contents

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

Competition

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, 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. In addition, our AFCRE segment faces competition from the financing divisions of automobile manufacturers.

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 under our Fair Play banking philosophy, such as our 24-Hour Gracetm account feature introduced in 2010, 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, 2010, in the top 12 metropolitan statistical areas (MSA) in which we compete:

MSA	Rank	Deposits (in millions)	Market Share
Columbus, OH	1	\$ 9,124	22%
Cleveland, OH	5	3,941	8
Detroit, MI	8	3,607	4
Toledo, OH	1	2,306	23
Pittsburgh, PA	7	2,270	3
Cincinnati, OH	5	1,999	4
Indianapolis, IN	4	1,902	6
Youngstown, OH	1	1,877	20
Canton, OH	1	1,485	27
Grand Rapids, MI	3	1,280	10
Akron, OH	5	886	8
Charleston, WV	3	604	11

Source: FDIC.gov, based on June 30, 2010 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.

Table of Contents

Regulatory Matters

General

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.

Because we are a public company, we are also 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.

The Bank, which is chartered by the OCC, is a national bank, and our only bank subsidiary. In addition, we have numerous nonbank subsidiaries. Exhibit 21.1 of this Form 10-K lists all of our subsidiaries. The Bank is subject to examination and supervision by the OCC. Its domestic deposits are insured by the DIF of the FDIC, which also has certain regulatory and supervisory authority over it. 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.

In connection with EESA, we sold TARP Capital and a warrant to purchase shares of common stock to the Treasury pursuant to the CPP under TARP. As a result of our participation in TARP, we were subject to certain restrictions and direct oversight by the Treasury. Upon our repurchase of the TARP Capital on December 22, 2010, we are no longer subject to the TARP-related restrictions on dividends, stock repurchases, or executive compensation.

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, establishes the CFPB, which will have 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. While the overall impact cannot be predicted with any degree of certainty, we believe we are likely to be negatively impacted by the Dodd-Frank Act primarily in the areas of capital requirements, restrictions on fees, and other charges to customers.

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.

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 changes made by 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 to commit resources to support each such subsidiary bank.

Under current federal law, 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.

Table of Contents

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

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

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

The Bank is subject to affiliate transaction restrictions under federal laws, 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 terms and under circumstances that are substantially the same as such transactions with unaffiliated entities.

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.

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.

On October 3, 2008, EESA was enacted. EESA includes, among other provisions, TARP, under which the Secretary of the Treasury was authorized to purchase, insure, hold, and sell a wide variety of financial instruments, particularly those that were based on or related to residential or commercial mortgages originated or issued on or before March 14, 2008. Under TARP, the Treasury authorized a voluntary CPP to purchase up to \$250 billion of senior preferred shares of stock from qualifying financial institutions that elected to participate.

On November 14, 2008, at the request of the Treasury and other regulators, we participated in the CPP by issuing to the Treasury, in exchange for \$1.4 billion, 1.4 million shares of Huntington's fixed-rate cumulative perpetual preferred stock, Series B, par value \$0.01 per share, with a liquidation preference of \$1,000 per share (TARP Capital), and a

ten-year warrant (Warrant), which was immediately exercisable, to purchase up to 23.6 million shares of Huntington's common stock (approximately 3% of common shares outstanding at December 31, 2010), par value \$0.01 per share, at an exercise price of \$8.90 per share. The securities issued to the Treasury were accounted for as additions to our regulatory Tier 1 and Total capital. The proceeds were

Table of Contents

used by the holding company to provide potential capital support for the Bank. This helped the Bank to continue its active lending programs for customers. This is evidenced by the increase in mortgage originations from \$3.8 billion in 2008, to \$5.3 billion in 2009, and \$5.5 billion in 2010.

In connection with the issuance and sale of the TARP Capital to the Treasury, we agreed, among other things, to (1) limit the payment of quarterly dividends on our common stock, (2) limit our ability to repurchase our common stock or our outstanding serial preferred stock, (3) grant the holders of the TARP Capital, the Warrant, and the common stock to be issued under the Warrant certain registration rights, and (4) subject ourselves to the executive compensation limitations contained in EESA. These compensation limitations included (a) prohibiting golden parachute payments, as defined in EESA, to senior executive officers; (b) requiring recovery of any compensation paid to senior executive officers based on criteria that is later proven to be materially inaccurate; and (c) prohibiting incentive compensation that encouraged unnecessary and excessive risks that threaten the value of the financial institution.

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 our \$1.4 billion of 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.

We have participated in certain extraordinary programs of the FDIC.

EESA temporarily raised the limit on federal deposit insurance coverage from \$100,000 to \$250,000 per depositor. This increase was made permanent in the Dodd-Frank Act. Separate from EESA, in October 2008, the FDIC also announced the TLGP to guarantee certain debt issued by FDIC-insured institutions.

On February 3, 2009, the Bank completed the issuance and sale of \$600 million of Floating Rate Senior Bank Notes with a variable interest rate of three month LIBOR plus 40 basis points, due June 1, 2012 (the Notes). The Notes are guaranteed by the FDIC under the TLGP and are backed by the full faith and credit of the United States of America. The FDIC's guarantee costs \$20 million which is being amortized over the term of these notes.

Under TAGP, a component of the TLGP, the FDIC temporarily provided unlimited coverage for noninterest-bearing transaction deposit accounts. We voluntarily began participating in the TAGP in October of 2008, but opted out of the TAGP effective July 1, 2010. Subsequently, both the TLGP and TAGP were terminated in light of Section 343 of the Dodd-Frank Act, which amended the Federal Deposit Insurance Act to provide unlimited deposit insurance coverage for noninterest-bearing transaction accounts beginning December 31, 2010, for a two-year period with no opt out provisions.

We are subject to capital requirements mandated by the Federal Reserve and these requirements will be changing under the Dodd-Frank Act.

The Federal Reserve has issued risk-based capital ratio and leverage ratio guidelines for bank holding companies. Under the guidelines and related policies, bank holding companies must maintain capital sufficient to meet both a risk-based asset ratio test and a leverage ratio test on a consolidated basis. The risk-based ratio is determined by allocating assets and specified off-balance sheet commitments into four weighted categories, with higher weighting assigned to categories perceived as representing greater risk. The risk-based ratio represents total capital divided by total risk-weighted assets. The leverage ratio is core capital divided by total assets adjusted as specified in the

guidelines. The Bank is subject to substantially similar capital requirements.

Table of Contents

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, or core capital, 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, or supplementary capital, includes, among other things, cumulative and limited-life preferred stock, mandatory convertible securities, qualifying subordinated debt, and the allowance for credit losses, up to 1.25% of risk-weighted assets.

Total Capital is Tier 1 plus Tier 2 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, 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 ratio of 8%, with 4% being Tier 1 capital. The appropriate regulatory authority may set higher capital requirements when they believe an institution's circumstances warrant.

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

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

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

FDICIA requires federal banking regulatory authorities to take Prompt Corrective Action with respect to depository institutions that do not meet minimum capital requirements. For these purposes, FDICIA establishes five capital tiers: Well-capitalized, Adequately-capitalized, Under-capitalized, Significantly under-capitalized, and Critically under-capitalized.

Throughout 2010, 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

Table of Contents

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.

		Well- Capitalized Minimums	At December 31, 2010	
			Actual	Excess Capital(1)
(Dollar amounts in billions)				
Ratios:				
Tier 1 leverage ratio	Consolidated	5.00%	9.41%	\$ 2.4
	Bank	5.00	6.97	1.0
Tier 1 risk-based capital ratio	Consolidated	6.00	11.55	2.4
	Bank	6.00	8.51	1.1
Total risk-based capital ratio	Consolidated	10.00	14.46	1.9
	Bank	10.00	12.82	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 \$1.5 billion of such brokered deposits at December 31, 2010.

Under the Dodd-Frank Act, important changes will be implemented concerning the capital requirements for financial institutions. 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 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. We will be assessing the impact on us of these new regulations as they are proposed and implemented.

Table of Contents

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 us without regulatory approval. The Bank may not, without prior regulatory approval, pay a dividend in an amount greater than its undivided profits. In addition, the prior approval of the OCC is required for the payment of a dividend by a national bank 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. As a result, for the year ended December 31, 2010, the Bank did not pay any cash dividends to us. At December 31, 2010, the Bank could not have declared and paid any dividends to the parent company 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 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 2011.

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.

The amount and timing of payments for FDIC Deposit Insurance are changing.

In late 2008, under the assessment regime that was applicable prior to the Dodd-Frank Act, the FDIC raised assessment rates for the first quarter of 2009 by a uniform 7 basis points of adjusted domestic deposits, resulting in a range between 12 and 50 basis points, depending upon the risk category. At the same time, the FDIC proposed further changes in the assessment system beginning in the second quarter of 2009. As amended in a final rule issued in March 2009, the changes, commencing April 1, 2009, set a five-year target of 1.15% for the designated reserve ratio, and set base assessment rates between 12 and 45 basis points of adjusted domestic deposits, depending on the risk category. In addition to these changes in the basic assessment regime, the FDIC, in an interim rule also issued in March 2009, imposed a 20 basis point emergency special assessment on deposits of insured institutions as of June 30, 2009, to be collected on September 30, 2009. In May 2009, the FDIC imposed a further special assessment on insured institutions of five basis points on their June 30, 2009 assets minus Tier 1 capital, also payable September 30, 2009. And in November 2009, the FDIC required all insured institutions to prepay, on December 30, 2009, slightly over three years of estimated insurance assessments.

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 now 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 maintained in connection with lawyers' trust accounts. On February 7, 2011, the FDIC adopted regulations effective for the 2011 second quarter assessment and payable in September 2011, which outline significant changes in the risk-based premiums approach for banks with over \$10 billion of assets and creates 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 changes from deposits to an institution's average total assets minus its average tangible equity. We are

Table of Contents

currently evaluating the effect of these new regulations, but do not expect the 2011 FDIC assessment impact on our Consolidated Financial Statements to be materially higher than the prior period.

As a financial holding company, we are subject to additional 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 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 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 also authorizes 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.

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

Table of Contents

lending and leasing 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, and the Fair Credit Reporting Act.

The Sarbanes-Oxley Act of 2002 imposed new or revised corporate governance, accounting, and reporting requirements on us and all other companies having securities registered with the SEC. 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 2010, we implemented compliance with the Amendment to Regulation E dealing with overdraft fees.

In November 2009, the Federal Reserve Board amended Regulation E of 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 the customer 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. Our strategy to comply with the Regulation E Amendment is to alert our customers that we can no longer cover such overdrafts unless they opt-in to our overdraft service while disclosing the terms of our service and our fees for the service.

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 adequacy 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 equity deferrals, holdbacks, clawback provisions, and the right to terminate compensation plans at any time when undesirable outcomes may result.

Table of Contents

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 will be upgraded and integrated into a more robust system of stress testing in 2011. We believe this tool will further enhance 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 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, (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.

Table of Contents

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 may prove inadequate 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 \$1.3 billion at December 31, 2010, represents 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 adequacy. 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 nonperforming assets. There is no certainty that our ACL will be adequate 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 adequate, our net income and capital could be materially adversely affected which, in turn, could have a material negative adverse affect 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 affect 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. Further declines in home values or reduced levels of home sales 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

Table of Contents

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, 2010, we had:

\$7.7 billion of home equity loans and lines, representing 20% of total loans and leases.

\$4.5 billion in residential real estate loans, representing 12% of total loans and leases.

\$4.7 billion of Federal Agency mortgage-backed securities, \$0.1 billion of private label CMOs, and \$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 greater than 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 affect 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 more quickly 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, 2010, \$2.6 billion, or 13%, of our commercial loan 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 rises to the extent permitted by the terms of the loan, and the increased 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 the loans underlying our participation interests as borrowers refinance their mortgages at lower interest rates.

Changes in interest rates also can affect the value of loans, securities, and other assets, including mortgage and nonmortgage servicing rights and assets under management. Examples of transactional income include trust income, brokerage income, and gain on sales of loans. This type of income can vary significantly from quarter-to-quarter and year-to-year based on a number of different factors, including the interest rate environment. 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 have an adverse impact on net interest income.

Rising interest rates will result in a decline in value of our fixed-rate debt securities and cash flow hedging derivatives portfolio. The unrealized losses resulting from holding these securities and financial

Table of Contents

instruments would be 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 would be reduced. If debt securities in an unrealized loss position are sold, such losses become realized and will 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 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 would have a material adverse effect on our net interest income and our results of operations.

2. The value of our Alt-A mortgage-backed, Pooled-Trust-Preferred and Private Label CMO investment securities are volatile and future valuation declines or other-than-temporary impairments could have a materially adverse affect on our future earnings and regulatory capital.

Continued volatility in the market value for these securities in our investment securities portfolio, whether caused by changes in market perceptions of credit risk, as reflected in the expected market yield of the security, or actual defaults in the portfolio, could result in significant fluctuations in the value of these securities. This could have a material adverse impact on our accumulated OCI and shareholders' equity depending on the direction of the fluctuations. Furthermore, future downgrades or defaults in these securities could result in future classifications as other-than-temporarily impaired and limit our ability to sell these securities at reasonable prices. This could have a material negative impact on our future earnings, although the impact on shareholders' equity would be offset by any amount already included in OCI for securities where we have recorded temporary impairment. At December 31, 2010, the fair value of these securities was \$284.6 million.

3. An issuance of additional capital would have a dilutive effect on the existing holders of our common stock and adversely affect the market price of our common stock.

We and the Bank are highly regulated, and we, as well as our regulators, continue to regularly perform a variety of capital analyses, including the preparation of stress case scenarios. As a result of those assessments, we could determine, or our regulators could require us, to raise additional capital in the future. Any such capital raise could include, among other things, the potential issuance of additional common equity to the public, or the additional conversions of our existing Series A Preferred Stock to common equity. There could also be market perceptions that we need to raise additional capital, and regardless of the outcome of any stress test or other stress case analysis, such perceptions could have an adverse effect on the price of our common stock.

Furthermore, in order to improve our capital ratios above our already Well-capitalized levels, we can decrease the amount of our risk-weighted assets, increase capital, or a combination of both. If it is determined that additional capital is required in order to improve or maintain our capital ratios, we may accomplish this through the issuance of additional common stock.

The issuance of any additional shares of common stock or securities convertible into or exchangeable for common stock or that represent the right to receive common stock, or the exercise of such securities, could be substantially dilutive to existing common shareholders. Shareholders of our common stock have no preemptive rights that entitle them to purchase their pro-rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to existing shareholders. The market price of our common stock could decline as a result of sales of shares of our common stock or securities convertible into, or exchangeable for, common

stock in anticipation of such sales.

Table of Contents

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 the middle of 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 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, 2010, 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.**

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 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, 2010, 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 2011.

Table of Contents

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. As more fully described in Note 22 of the Notes to Consolidated Financial Statements, certain putative class actions and shareholder derivative actions were filed against us, certain affiliated committees, and/or certain of our current or former officers and directors. These cases allege violations of the securities laws, breaches of fiduciary duty, waste of corporate assets, abuse of control, gross mismanagement, unjust enrichment, and violations of Employment Retirement Income Security Act (ERISA) laws in connection with our acquisition of Sky Financial, the transactions between Franklin and us, and the financial and other disclosures related to these transactions. Although no assurance can be given, based on information currently available, consultation with counsel, and available insurance coverage, we believe that the eventual outcome of these claims against us will not, individually or in the aggregate, have a material adverse effect on our consolidated financial position or results of operations. However, 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.

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, 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. In addition, today's threats to customer information and information systems are complex, more wide spread, continually emerging, and increasing at a rapid pace. Although we establish and maintain systems of internal operational controls that provide us with timely and accurate information about our level of operational risks, continue to invest in better tools and processes in all key areas, and monitor threats with increased rigor and focus, these operational risks could lead to expensive litigation and loss of confidence by our customers, regulators, and the capital markets.

Moreover, negative public opinion can result from our actual or alleged conduct in any number of activities, including lending practices, corporate governance, and acquisitions and from actions taken by government regulators and community organizations in response to those activities. Negative public opinion can adversely affect our ability to attract and retain customers and can also expose us to litigation and regulatory action. Relative to acquisitions, we cannot predict if, or when, we will be able to identify and attract acquisition candidates or make acquisitions on favorable terms. We incur risks and challenges associated with the integration of acquired institutions in a timely and efficient manner, and we cannot guarantee that we will be successful in retaining existing customer relationships or achieving anticipated operating efficiencies.

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, Ohio, and Kentucky have 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. We believe the aggregate liabilities related to taxes are appropriately reflected in the Consolidated Financial Statements.

Table of Contents

From time-to-time, we engage in business transactions that may have an effect on 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.

We file income tax returns with the IRS and various state, city, and foreign jurisdictions. Federal income tax audits have been completed through 2007. In addition, various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois.

The IRS and other taxing jurisdictions, including the states of Ohio and Kentucky, have proposed adjustments to our previously filed tax returns. We do not agree with these adjustments and believe that the tax positions taken by us related to such proposed adjustments were correct and supported by applicable statutes, regulations, and judicial authority, and we intend to vigorously defend our positions. Appropriate tax reserves have been established in accordance with ASC 740, Income Taxes and ASC 450, Contingencies. However, it is also 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. 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 future periods. For further discussion, see Note 17 of the Notes to Consolidated Financial Statements.

The Franklin restructuring in the 2009 first quarter 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 the 2009 first quarter. During the 2010 first quarter, a \$38.2 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. In the 2010 fourth quarter, we entered into an asset monetization transaction that generated a tax benefit of \$63.6 million. While we believe that our positions regarding the deferred tax asset and related income recognition is correct, the positions could be subject to challenge.

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. Management continually seeks to improve these controls and procedures.

We believe that our key internal controls over financial reporting are currently effective; however, such controls and procedures will be modified, supplemented, and changed from time-to-time as necessitated by our growth and in reaction to external events and developments. While we will continue to assess our controls and procedures and take immediate action to remediate any future perceived gaps, there can be no guarantee of the effectiveness of these controls and procedures on an on-going basis. 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. If our regulators deem it appropriate, they can take regulatory actions that could materially adversely impact 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

Table of Contents

continuous monitoring, the regulators have the authority to impose restrictions or conditions on our activities and the manner in which we manage the organization. These actions could impact the organization in a variety of ways, including subjecting us to monetary fines, restricting our ability to pay dividends, precluding mergers or acquisitions, limiting our ability to offer certain products or services, or imposing additional capital requirements.

2. Legislative and regulatory actions taken now or in the future to address the current liquidity and credit crisis in 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 materially adversely impacting our financial condition, results of operation, liquidity, or stock price.

Current economic conditions, particularly in the financial markets, have resulted in government regulatory agencies and political bodies placing increased focus on and scrutiny of the financial services industry. 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 economic, political, and market conditions have led to numerous programs and proposals to reform the financial regulatory system and prevent future crises.

On July 21, 2010, the Dodd-Frank Act was signed into law. 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 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.

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 international rules, known as Basel III, generally increase the capital required to be held and narrow the types of instruments which will qualify as providing appropriate capital and impose a new liquidity measurement. The Basel III requirements are complex and will be phased in over many years.

The Basel III rules do not apply to U.S. banks or holding companies automatically. Among other things, the Dodd-Frank Act requires U.S. regulators to reform the system under which the safety and soundness of banks and other financial institutions, individually and systemically, are regulated. That reform effort will include the regulation of capital and liquidity. It is not known whether or to what extent the U.S. regulators will incorporate elements of Basel III into the reformed U.S. regulatory system, but it is expected that the U.S. reforms will include an increase in capital requirements, a narrowing of what qualifies as appropriate capital, and impose a new liquidity measurement. One likely effect of a significant tightening of U.S. capital requirements would be to increase our cost of capital, among other things. 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. Although most financial institutions would be affected, these business impacts could be felt unevenly, depending upon the business and product mix of each institution. Other potential effects could include less 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.

Table of Contents**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	√	
12 story office building, located adjacent to the Huntington Center	Columbus, Ohio	√	
The Crosswoods building	Columbus, Ohio		√
21 story office building, known as the Huntington Building	Cleveland, Ohio		√
12 story office building	Youngstown, Ohio		√
10 story office building	Warren, Ohio		√
18 story office building	Charleston, West Virginia		√
3 story office building	Holland, Michigan		√
office complex	Troy, Michigan		√
data processing and operations center (Easton)	Columbus, Ohio	√	
data processing and operations center (Northland)	Columbus, Ohio		√
data processing and operations center (Parma)	Cleveland, Ohio		√
data processing and operations center	Indianapolis, Indiana		√

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: Reserved.**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, 2011, we had 38,676 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 58 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.

As a condition to participate in the TARP, Huntington could not repurchase any additional shares without prior approval from the Treasury. On February 18, 2009, the board of directors terminated the previously authorized program for the repurchase of up to 15 million shares of common stock (the 2006 Repurchase Program). Huntington did not repurchase any common shares for the year ended December 31, 2010.

Table of Contents

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, 2005, through December 31, 2010. 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, 2005, and the reinvestment of all dividends are assumed.

	2005	2006	2007	2008	2009	2010
HBAN	\$ 100	\$ 104	\$ 69	\$ 39	\$ 19	\$ 35
S&P 500	\$ 100	\$ 116	\$ 122	\$ 77	\$ 97	\$ 112
KBW Bank Index	\$ 100	\$ 117	\$ 91	\$ 48	\$ 47	\$ 58

HBAN S&P 500 KBW Bank Index

Table of Contents**Item 6: Selected Financial Data****Table 1 Selected Financial Data (1), (9)**

	Year Ended December 31,				
	2010	2009	2008	2007	2006
(amounts in thousands, except per share amounts)					
Net income	\$ 2,145,392	\$ 2,238,142	\$ 2,798,322	\$ 2,742,963	\$ 2,071,142
Provision for credit losses	526,587	813,855	1,266,631	1,441,451	1,051,142
Interest income	1,618,805	1,424,287	1,531,691	1,301,512	1,011,142
Provision for credit losses	634,547	2,074,671	1,057,463	643,628	600,142
Interest income after provision for credit losses	984,258	(650,384)	474,228	657,884	951,142
Interest income	1,041,858	1,005,644	707,138	676,603	561,142
Interest expense:					
Bill impairment		2,606,944			
Noninterest expense	1,673,805	1,426,499	1,477,374	1,311,844	1,001,142
Noninterest expense	1,673,805	4,033,443	1,477,374	1,311,844	1,001,142
Income (loss) before income taxes	352,311	(3,678,183)	(296,008)	22,643	511,142
Provision (benefit) for income taxes	39,964	(584,004)	(182,202)	(52,526)	511,142
Income (loss)	\$ 312,347	\$ (3,094,179)	\$ (113,806)	\$ 75,169	\$ 461,142
Dividends on preferred shares	172,032	174,756	46,400		
Income (loss) applicable to common shares	\$ 140,315	\$ (3,268,935)	\$ (160,206)	\$ 75,169	\$ 461,142
Income (loss) per common share - basic	\$ 0.19	\$ (6.14)	\$ (0.44)	\$ 0.25	\$ 0.25
Income (loss) per common share - diluted	0.19	(6.14)	(0.44)	0.25	0.25
Dividends declared per common share	0.0400	0.0400	0.6625	1.0600	1.0600
Balance sheet highlights					
Assets (period end)	\$ 53,819,642	\$ 51,554,665	\$ 54,352,859	\$ 54,697,468	\$ 35,321,142
Long-term debt (period end)(2)	3,813,827	3,802,670	6,870,705	6,954,909	4,511,142
Shareholders' equity (period end)	4,980,542	5,336,002	7,228,906	5,951,091	3,011,142
Long-term debt(2)	3,953,177	5,558,001	7,374,681	5,714,572	4,941,142
Shareholders' equity	5,482,502	5,787,401	6,395,690	4,633,465	2,941,142
Total assets	52,574,231	52,440,268	54,921,419	44,711,676	35,111,142

Table of Contents

	Year Ended December 31,				
	2010	2009	2008	2007	2006
(Dollar amounts in thousands, except per share amounts)					
Key ratios and statistics					
Margin analysis as a % of average earnings assets					
Interest income(3)	4.52%	4.88%	5.90%	7.02%	6.63%
Interest expense	1.08	1.77	2.65	3.66	3.34
Net interest margin(3)	3.44%	3.11%	3.25%	3.36%	3.29%
Return on average total assets	0.59%	(5.90)%	(0.21)%	0.17%	1.31%
Return on average common shareholders equity	3.7	(80.8)	(2.8)	1.6	15.6
Return on average tangible common shareholders equity(4)	5.6	(22.4)	(4.4)	3.9	19.5
Efficiency ratio(5)	60.4	55.4	57.0	62.5	59.4
Dividend payout ratio	0.21	N.R.	N.R.	4.24	52.1
Average shareholders equity to average assets	10.43	11.04	11.65	10.36	8.40
Effective tax rate (benefit)	11.3	(15.9)	(61.6)	N.R.	10.3
Tangible common equity to tangible assets (period end)(6),(8)	7.56	5.92	4.04	5.09	6.93
Tangible equity to tangible assets (period end)(7),(8)	8.24	9.24	7.72	5.09	6.93
Tier 1 leverage ratio (period end)	9.41	10.09	9.82	6.77	8.00
Tier 1 risk-based capital ratio (period end)	11.55	12.50	10.72	7.51	8.93
Total risk-based capital ratio (period end)	14.46	14.55	13.91	10.85	12.79
Other data					
Full-time equivalent employees (period end)	11,341	10,272	10,951	11,925	8,081
Domestic banking offices (period end)	620	611	613	625	381

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

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

Table of Contents

- (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, and the Unizan acquisition in 2006.

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 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 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 2011 expectations.

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, 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 2010 fourth quarter compared with the 2009 fourth quarter.

Table of Contents

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

2010 Financial Performance Review

In 2010, we reported net income of \$312.3 million, or \$0.19 per common share (*see Table 1*). The current year included a nonrecurring reduction of \$0.08 per common share for the deemed dividend resulting from the repurchase of \$1.4 billion in TARP Capital. This compared with a net loss of \$3,094.2 million, or \$6.14 per common share, for 2009.

The 2009 loss primarily reflected two items: \$2,606.9 million in noncash goodwill impairment charges and \$2,074.7 million in provision for credit losses. Most of the \$2,606.9 million in goodwill impairment charges related to the acquisitions of Sky Financial and Unizan. While this impairment charge reduced reported net income, equity, and total assets, it had no impact on key regulatory capital ratios. As a noncash charge, it had no effect on our liquidity. The provision for credit losses reflected higher net charge-offs as we addressed issues in our loan portfolio. We also strengthened our allowance for credit losses because of higher levels of nonperforming assets.

Fully-taxable equivalent net interest income was \$1.6 billion in 2010, up \$0.2 billion, or 14%, from 2009. The increase primarily reflected the favorable impact of the increase in net interest margin to 3.44% from 3.11% and, to a lesser degree, a 3% increase in average total earning assets. A significant portion of the increase in the net interest margin reflected a shift in our deposit mix from higher-cost time deposits to lower-cost transaction-based accounts. Additionally, we grew our average core deposits \$3.1 billion, or 9%, from 2009. Although average total earning assets increased only slightly compared with 2009, this change reflected a \$2.9 billion, or 45%, increase in average total investment securities, partially offset by a \$1.4 billion, or 4%, decline in average total loans and leases. The change in average loan balances from the prior year reflected our strategy to reduce our CRE exposure as average CRE loans declined \$1.9 billion, or 21%, from 2009. Average C&I loans declined \$0.7 billion, or 5%, for the full year. Average automobile loans and leases increased \$1.3 billion, or 38%, from 2009, reflecting the consolidation of a \$0.8 billion automobile loan securitization on January 1, 2010. These changes in loan and investment securities balances from the prior year reflected the execution of our balance sheet management strategy, and not a change in standards for making loans or for investing in securities.

Noninterest income was \$1.0 billion in 2010, a slight increase compared with 2009. The increase in noninterest income was primarily a result of an increase in mortgage banking income, reflecting an increase in origination and secondary marketing income as loan originations and loan sales were substantially higher, and MSR hedging. This was partially offset by a decline in service charges on deposit accounts, which was due to a decline in personal NSF / OD service charges. The decline reflected our implementation of changes to Regulation E and the introduction of our Fair Play banking philosophy. As part of this philosophy, we voluntarily reduced certain NSF / OD fees and implemented our 24-Hour Grace[™] overdraft policy. The goal of our Fair Play banking philosophy is to introduce more customer-friendly fee structures with the objective of accelerating the acquisition and retention of customers.

Noninterest expense was \$1.7 billion in 2010, a decrease of \$2.4 billion, or 59%, compared with 2009. The decrease in noninterest expense was primarily due to goodwill impairment in the year-ago period. The decline also reflected a decrease in OREO and foreclosure expense from lower OREO losses. Further, there was a decline in deposit and other

insurance expense, primarily due to a \$23.6 million FDIC insurance special assessment in 2009, partially offset by continued growth in total deposits and higher FDIC insurance costs in the current period as premium rates increased. The decline was partially offset by a 2009 benefit from a gain on the early extinguishment of debt, and 2010 increases in personnel costs, reflecting a combination of factors

Table of Contents

including higher salaries due to a 10% increase in full-time equivalent staff in support of strategic initiatives, higher sales commissions, and retirement fund and 401(k) plan expenses.

Credit quality performance continued to show strong improvement as our NPAs and NCOs declined and reserve coverage increased. This improvement reflected the benefits of our focused actions taken in 2009 to address credit-related issues. Compared with the prior year, NPAs declined 59%. NCOs were \$874.5 million, or an annualized 2.35% of average total loans and leases, down from \$1,476.6 million, or 3.82%, in 2009. While the ACL as a percentage of loans and leases was 3.39%, down from 4.16% at December 31, 2009, the ACL as a percentage of total NALs increased to 166% from 80%.

In December 2010, we successfully completed multiple capital actions, particularly improving our then relatively low level of common equity. We sold \$920.0 million of common stock in a public offering and issued \$300.0 million of subordinated debt. On December 22, 2010, these proceeds, along with other available funds, were used to complete the repurchase of our \$1.4 billion of TARP Capital we issued to the Treasury under its TARP CPP. Subsequently, on January 19, 2011, we exited our TARP-related relationship with the Treasury by repurchasing the warrant we had issued to the Treasury as part of the TARP CPP for \$49.1 million. The warrant had entitled the Treasury to purchase 23.6 million common shares of stock.

At December 31, 2010, our regulatory Tier 1 and Total risk-based capital were \$2.4 billion and \$1.9 billion, respectively, above the Well-capitalized regulatory thresholds. Our tangible common equity ratio improved 164 basis points to 7.56% and our Tier 1 common risk-based capital ratio improved 253 basis points to 9.29% from December 31, 2009.

Business Overview

General

Our general business objectives are: (1) grow revenue and profitability, (2) grow key fee businesses (existing and new), (3) improve credit quality, including lower NCOs and NPAs, (4) improve cross-sell and share-of-wallet across all business segments, (5) reduce CRE noncore exposure, and (6) continue to improve our overall management of risk.

As further described below, our main challenge to accomplishing our primary objectives results from an economy, that while more stable than a year ago, remains fragile. This impairs our ability to grow loans as customers continue to reduce their debt and / or remain cautious about increasing debt until they have a higher degree of confidence in a meaningful sustainable economic recovery. However, growth in our automobile loan portfolio continued with 2010 originations of \$3.4 billion, an increase of \$1.8 billion compared to 2009. Strong growth in originations reflected increases in all of our markets, as well as the recent expansion of our automobile lending business into Eastern Pennsylvania and five New England states. We expect our growth in the newly entered markets to become more evident over time as we further develop our dealership base. Although our residential real estate portfolio declined slightly from 2009, our mortgage originations increased \$214 million, or 4%, from the prior year. Our CRE portfolio declined throughout the year as a result of our on-going strategy to reduce our CRE exposure. The decline was primarily a result of continuing paydowns in the noncore CRE portfolio.

We face strong competition from other banks and financial service firms in our markets. As such, we have placed strategic emphasis on, and continue to develop and expand resources devoted to, improving cross-sell performance with our core customer base. One example of this emphasis was our recent agreement with Giant Eagle supermarkets to be its exclusive in-store bank in Ohio. During the 2010 fourth quarter, we opened four such in-store branches. When fully implemented, the partnership will give us an additional 100 branches, which in the aggregate will be nearly 500 branches in Ohio, providing us with the largest branch presence among Ohio banks, based on current data.

In-store branches have a strong record for checking account acquisition and are expected to increase the number of households served and drive revenue. Additionally, it will give customers the convenience of operating seven days per week and extended hours banking.

Table of Contents

Economy

The weak residential real estate market and U.S. economy has had a significant adverse impact on the financial services industry as a whole, and specifically on our financial results. In addition, the U.S. recession during 2008 and 2009 and continued high Midwest unemployment have hindered any significant economic recovery. However, some indications of recovery are beginning to take hold. Following is a discussion of certain economic trends in our market area, particularly Ohio and Michigan.

The median home prices in the Midwest market have been directionally consistent with the nationwide averages. In the years preceding the economic crisis, home prices in Michigan and Ohio did not increase as rapidly as the national trend and became more in line with the national averages during the crisis. Therefore, when real estate prices began to decline in 2008, the impact in our Midwest markets was reduced because pre-crisis originations were not based on values that were as inflated as in other parts of the country. Home prices in the Midwest are generally expected to follow the national growth rates over the next two years. Residential real estate sales in the Midwest have been consistent with national averages. Single family home building permits are expected to increase both nationally and in the Midwest through 2013.

Year-over-year changes in median household income in the Midwest have been consistent with national averages and directionally similar with national trends. Both the U.S. and Midwest are expected to have slight, but positive, income growth over the next two years. Unemployment in the Midwest has been consistently higher than the national average for most of the past decade. However, the relative difference is expected to narrow over the next two years, with the Midwest unemployment rate converging to the U.S. average. The exception is Michigan, which has the second highest unemployment level in the country. From October 2009 through October 2010, Indiana's employment growth of 1.1% was among the strongest in the country. Over this same time period, Ohio's manufacturing employment grew 1.4%, which was significantly higher than the 0.8% national average. Cleveland's overall employment growth of 1.0% exceeded the national growth rate of 0.6%.

According to the FRB-Cleveland Beige Book in December 2010, manufacturers in our footprint indicated that new orders and production were stable or rose slightly during the last two months of 2010. Inventory levels were balanced with incoming order demand and capacity utilization trending up for some manufacturers and steel producers. Overall, manufacturers were cautiously optimistic and expect at least modest growth during 2011.

Partially resulting from these economic conditions in our footprint, we experienced higher than historical levels of loan delinquencies and NCOs during 2009 and 2010. The pronounced downturn in the residential real estate market that began in early 2007 resulted in lower residential real estate values and higher delinquencies and NCOs, not only in consumer mortgage loans but also in commercial loans to builders and developers of residential real estate. The value of our investment securities backed by residential and commercial real estate was also negatively impacted by a lack of liquidity in the financial markets and anticipated credit losses. Commercial real estate loans for retail businesses were also challenged by the difficult consumer economic conditions over this period. However, as further discussed in the *Credit Risk* section, we experienced significant improvement in credit performance during 2010.

Legislative and Regulatory

Legislative and regulatory reforms continue to be adopted which impose additional restrictions on current business practices. Recent actions affecting us included an amendment to Regulation E relating to certain overdraft fees for consumer deposit accounts and the passage of the Dodd-Frank Act.

Effective July 1, 2010, the Federal Reserve Board amended Regulation E to prohibit charging overdraft fees for ATM or point-of-sale debit card transactions that overdraw the customer's account unless the customer opts-in to the

discretionary overdraft service. For us, such fees were approximately \$90 million per year prior to the amendment. This change in Regulation E requires us to alert our consumer customers we can no longer allow an overdraft unless they opt-in to our discretionary overdraft service. To date, the number of customers choosing to opt-in has been higher than our expectations. Also, during the second half of 2010, we voluntarily

Table of Contents

reduced certain overdraft fees and introduced 24-Hour Gracetm on overdrafts as part of our Fair Play banking philosophy designed to build on our foundation of service excellence. We expect our 24-Hour Gracetm service to accelerate acquisition of new checking customers, while improving retention of existing customers.

The recently passed Dodd-Frank Act is complex and we continue to assess how this legislation and subsequent rule-making will affect us. As hundreds of regulations are promulgated, we will continue to evaluate impacts such as changes in regulatory costs and fees, modifications to consumer products or disclosures required by the CFPB, and the requirements of the enhanced supervision provisions, among others. Two areas where we are focusing on the financial impact are: interchange fees and the exclusion of trust-preferred securities from our Tier I regulatory capital.

Currently, interchange fees are approximately \$90 million per year. In the future, the Dodd-Frank Act gives the Federal Reserve, and no longer the banks or system owners, the ability to set the interchange rate charged to merchants for the use of debit cards. The ultimate impact to us will depend on rules yet to be issued by the Federal Reserve. Proposed rules were issued on December 28, 2010, and the Dodd-Frank Act requires final interchange rules to be issued by April 21, 2011, and effective no later than July 21, 2011. Based on the Federal Reserve's proposed rules, a maximum interchange rate of \$0.07 would reduce our annual interchange fees by approximately 85%. A maximum interchange rate of \$0.12 would reduce our annual interchange fees by approximately 75%.

At December 31, 2010, we had \$569.9 million of outstanding trust-preferred securities that, if disallowed, would reduce our regulatory Tier 1 risk-based capital ratio by approximately 130 basis points. Even with this reduction, our capital ratios would remain above Well-capitalized levels. There is a three year phase-in period beginning on January 1, 2013, that we believe will provide sufficient time to evaluate and address the impacts of this new legislation on our capital structure. Accordingly, we do not anticipate this potential change will have a significant impact to our business.

During the 2010 third quarter, the Basel Committee on Banking Supervision revised the Capital Accord (Basel III), which narrows the definition of capital and increases capital requirements for specific exposures. The new capital requirements will be phased-in over six years beginning in 2013. If these revisions were adopted currently, we estimate they would have a negligible impact on our regulatory capital ratios based on our current understanding of the revisions to capital qualification. We await clarification from our banking regulators on their interpretation of Basel III and any additional requirements to the stated thresholds. The FDIC has approved issuance of an interagency proposed rulemaking to implement certain provisions of Section 171 of the Dodd-Frank Act (Section 171). Section 171 provides that the capital requirements generally applicable to insured banks shall serve as a floor for other capital requirements the agencies establish. The FDIC noted that the advanced approaches of Basel III allow for reductions in risk-based capital requirements below those generally applicable to insured banks and, accordingly, need to be modified to be consistent with Section 171.

Recent Industry Developments

Foreclosure Documentation We evaluated our foreclosure documentation procedures given the recent announcements made by other financial institutions regarding problems associated with their foreclosure activities. As a result of our review, we have determined that we do not have any significant issues relating to so-called robo-signing, foreclosure affidavits were completed and signed by employees with personal knowledge of the contents of the affidavits, and there is no reason to conclude that foreclosures were filed that should not have been filed. Additionally, we have identified and are implementing process and control enhancements to ensure that affidavits continue to be prepared in compliance with applicable state law. We are consulting with local foreclosure counsel as necessary with respect to additional requirements imposed by the courts in which foreclosure proceedings are pending, which could impact our foreclosure actions.

Representation and Warranty Reserve We primarily conduct our loan sale and securitization activity with Fannie Mae and Freddie Mac. In connection with these and other sale and securitization transactions, we make certain representations and warranties that the loans meet certain criteria, such as collateral type and underwriting standards. In the future, we may be required to repurchase individual loans and / or indemnify

Table of Contents

these organizations against losses due to material breaches of these representations and warranties. At December 31, 2010, we have a reserve for such losses of \$20.2 million, which is included in accrued expenses and other liabilities.

2011 Expectations

Borrower and consumer confidence remains a major factor impacting growth opportunities for 2011. We continue to believe that the economy will remain relatively stable throughout 2011, with the potential for improvement in the latter half. Challenges to earnings growth include (1) revenue headwinds as a result of regulatory and legislative actions, (2) anticipated higher interest rates as we enter 2011, which is expected to reduce mortgage banking income, and (3) continued investments in growing our businesses.

Reflecting these factors, pre-tax, pre-provision income levels are expected to remain in line with 2010 second half performance. Nevertheless, net income growth from the 2010 fourth quarter level is anticipated throughout the year. This will primarily reflect on-going reductions in credit costs. We expect the absolute levels of NCOs, NPAs, and Criticized loans will continue to decline, resulting in lower levels of provision expense. Given the significant credit-related improvements in 2010, coupled with our expectation for continued improvement, our return to more normalized levels of credit costs could occur earlier than previously expected.

The net interest margin is expected to be flat or increase slightly from the 2010 fourth quarter. We anticipate continued benefit from lower deposit pricing. In addition, the absolute growth in loans compared with deposits is anticipated to be more comparable, thus reducing the absolute growth in lower yield investment securities.

The automobile loan portfolio is expected to continue its strong growth, and we anticipate continued growth in C&I loans. Home equity and residential mortgages are likely to show only modest growth. CRE loans are expected to continue to decline, but at a slower rate.

Core deposits are expected to show continued growth. Further, we expect the shift toward lower-cost demand deposit accounts will continue.

Fee income, compared with the 2010 fourth quarter, will be negatively impacted by lower interchange fees due to regulatory fee change and a decline in mortgage banking revenues due to a higher interest rate environment as we enter 2011. With regard to interchange fees, if enacted as recently outlined, the Federal Reserve's proposed interchange fee structure will significantly lower interchange revenue. Other fee categories are expected to grow, reflecting the impact of our cross-sell initiatives throughout the Company, as well as the positive impact from strategic initiatives. Over time, we anticipate more than offsetting revenue challenges with revenue we expect to generate by accelerating customer growth and cross-sell results. Expense levels early in the year should be up modestly from 2010 fourth quarter performance, with increases later in the year due to continued investments to grow the business.

Table of Contents**Table 2 Selected Annual Income Statements (1)**

	Year Ended December 31,					
	2010	Change from 2009		2009	Change from 2008	
		Amount	Percent		Amount	Percent
(in thousands, except per share amounts)						
	\$ 2,145,392	\$ (92,750)	(4)%	\$ 2,238,142	\$ (560,180)	(20)%
	526,587	(287,268)	(35)	813,855	(452,776)	(36)
	1,618,805	194,518	14	1,424,287	(107,404)	(7)
Provision for credit losses	634,547	(1,440,124)	(69)	2,074,671	1,017,208	96
Income after provision for credit losses	984,258	1,634,642	N.R.	(650,384)	(1,124,612)	N.R.
Interest on deposit accounts	267,015	(35,784)	(12)	302,799	(5,254)	(2)
Other interest income	175,782	63,484	57	112,298	103,304	1,149
	112,555	8,916	9	103,639	(22,341)	(18)
	110,234	10,083	10	100,151	9,884	11
	76,413	3,087	4	73,326	702	1
	68,855	4,012	6	64,843	(329)	(1)
Insurance income	61,066	6,194	11	54,872	96	
Leasing lease income	45,964	(5,846)	(11)	51,810	11,959	30
	(274)	9,975	(97)	(10,249)	187,121	(95)
	124,248	(27,907)	(18)	152,155	13,364	10
Income	1,041,858	36,214	4	1,005,644	298,506	42
	798,973	98,491	14	700,482	(83,064)	(11)
Processing and other services	159,248	11,153	8	148,095	17,869	14
	107,862	2,589	2	105,273	(3,155)	(3)
Insurance expense	97,548	(16,282)	(14)	113,830	91,393	407
Other expenses	88,778	12,412	16	76,366	26,753	54
	85,920	2,803	3	83,117	(10,848)	(12)
	65,924	32,875	99	33,049	385	1
Intangibles	60,478	(7,829)	(11)	68,307	(8,587)	(11)
Provision expense	39,049	(54,850)	(58)	93,899	60,444	181
Leasing lease expense	37,034	(6,326)	(15)	43,360	12,078	39
Amortization expense		(2,606,944)	(100)	2,606,944	2,606,944	
Repayment of debt		147,442	(100)	(147,442)	(123,900)	526
	132,991	24,828	23	108,163	(30,243)	(22)
Expense	1,673,805	(2,359,638)	(59)	4,033,443	2,556,069	173
Provision for income taxes	352,311	4,030,494	N.R.	(3,678,183)	(3,382,175)	1,143
Provision for income taxes	39,964	623,968	N.R.	(584,004)	(401,802)	221
	312,347	3,406,526	N.R.	(3,094,179)	(2,980,373)	2,619

Preferred shares		172,032	(2,724)	(2)	174,756	128,356	277
applicable to common shares	\$	140,315	\$ 3,409,250	N.R.%	\$ (3,268,935)	\$ (3,108,729)	1,940%
Shares basic		726,934	194,132	36%	532,802	166,647	46%
Shares diluted(2)		729,532	196,730	37	532,802	166,647	46
Per share:							
Income	\$	0.19	\$ 6.33	N.R.%	\$ (6.14)	\$ (5.70)	1,295%
Net income		0.19	6.33	N.R.	(6.14)	(5.70)	1,295
Dividends declared		0.0400			0.0400	(0.62)	(94)
Operating expense	\$	1,618,805	\$ 194,518	14%	\$ 1,424,287	\$ (107,404)	(7)9
		11,077	(395)	(3)	11,472	(8,746)	(43)
Income(3)		1,629,882	194,123	14	1,435,759	(116,150)	(7)
Expense		1,041,858	36,214	4	1,005,644	298,506	42
	\$	2,671,740	\$ 230,337	9%	\$ 2,441,403	\$ 182,356	8%

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

Table of Contents

- (1) Comparisons for presented periods are impacted by a number of factors. Refer to Significant Items for additional discussion regarding these key factors.
- (2) For the years ended December 31, 2009, and December 31, 2008, the impact of the convertible preferred stock issued in April of 2008 was excluded from the diluted share calculation. It was excluded because the result would have been higher than basic earnings per common share (anti-dilutive) for the year.
- (3) On a FTE basis assuming a 35% tax rate.

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, 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.

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

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

Significant Items Influencing Financial Performance Comparisons

Earnings comparisons among the three years ended December 31, 2010, 2009, and 2008 were impacted by a number of significant items summarized below.

1. *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.

Table of Contents

2. *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.

3. *Franklin Relationship.* Our relationship with Franklin was acquired in the Sky Financial acquisition in 2007. 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.

4. *Early Extinguishment of Debt.* The positive impacts relating to the early extinguishment of debt on our reported results were: \$141.0 million (\$0.18 per common share) in 2009 and \$23.5 million (\$0.04 per common share) in 2008. These amounts were recorded to noninterest expense.

5. *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.*)

6. *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 in noninterest income.

Table 3 Visa® impacts

	2010		2009		2008	
	Earnings	EPS	Earnings	EPS	Earnings	EPS
(Dollar amounts in millions, except per share amounts)						
Gain related to sale of Visa® stock(1)	\$	\$	\$ 31.4	\$ 0.04	\$ 25.1	\$ 0.04
Visa® indemnification liability(2)					17.0	0.03

32

Table of Contents

- (1) *Pretax.* Recorded to noninterest income, and represented a gain on the sale of ownership interest in Visa®. As part of the sale of our Visa® stock in 2009, we released \$8.2 million, as of June 30, 2009, of the remaining indemnification liability. Concurrently, we established a swap liability associated with the conversion protection provided to the purchasers of the Visa® shares.
- (2) *Pretax.* Recorded to noninterest expense, and represented our pro-rata portion of an indemnification liability provided to Visa® by its member banks for various litigation filed against Visa®. Subsequently, in 2008, an escrow account was established by Visa® using a portion of the proceeds received from the IPO. This action resulted in a reversal of a portion of the liability as the escrow account reduced our potential exposure related to the indemnification.
7. *Other Significant Items Influencing Earnings Performance Comparisons.* In addition to the items discussed separately in this section, a number of other items impacted financial results. These included:

2009

\$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.

2008

\$20.4 million (\$0.06 per common share) benefit to provision for income taxes, representing a reduction to the previously established capital loss carry-forward valuation allowance.

\$21.8 million (\$.04 per common share) negative impact due to the merger with Sky Financial completed on July 1, 2007.

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

Table 4 Significant Items Influencing Earnings Performance Comparison (1)

	2010		2009		2008	
	After-tax	EPS	After-tax	EPS	After-tax	EPS
All amounts in thousands, except per share amounts)						
Income (loss) GAAP	\$ 312,347		\$ (3,094,179)		\$ (113,806)	
Change from prior year		\$ 0.19		\$ (6.14)		\$ (0.00)
Change from prior year		6.33		(5.70)		(0.00)
Change from prior year		N.R.%		N.R.%		N.R.%

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

Table of Contents

Significant Items	2010		2009		2008	
	Favorable (Unfavorable) Impact:	Earnings(2) EPS(3)	Earnings(2)	EPS(3)	Earnings(2)	EPS(3)
Franklin-related loans transferred to held for sale	\$ (75,500)	\$ (0.07)	\$	\$	\$	\$
Net tax benefit recognized(4)	38,222	0.05				
Franklin relationship restructuring(4)			159,895	0.30		
Net gain on early extinguishment of debt			141,024	0.18	23,542	0.04
Gain related to sale of Visa® stock			31,362	0.04	25,087	0.04
Deferred tax valuation allowance benefit(4)			12,847	0.02	20,357	0.06
Goodwill impairment			(2,606,944)	(4.89)		
FDIC special assessment			(23,555)	(0.03)		
Preferred stock conversion deemed dividend		(0.08)		(0.11)		
Visa® indemnification liability					16,995	0.03
Merger/Restructuring costs					(21,830)	(0.04)

(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: (1) provision expense, which is excluded because its absolute level is elevated and volatile in times of economic stress, (2) investment securities gains/losses, which are excluded because securities market valuations may also become particularly volatile in times of economic stress, (3) 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 (4) certain other items identified by us (*see Significant Items above*) that we believe may distort our underlying performance trends.

Table of Contents

The following table reflects pretax, pre-provision income for the three years ended December 31, 2010:

Table 5 Pretax, Pre-provision Income (1)

	Twelve Months Ended December 31,		
	2010	2009	2008
(Dollar amounts in thousands)			
Income (Loss) Before Income Taxes	\$ 352,311	\$ (3,678,183)	\$ (296,008)
Add: Provision for credit losses	634,547	2,074,671	1,057,463
Less: Securities gains (losses)	(274)	(10,249)	(197,370)
Add: Amortization of intangibles	60,478	68,307	76,894
Less: Significant Items			
Gain on early extinguishment of debt		141,024	23,542
Goodwill impairment		(2,606,944)	
Gain related to Visa stock		31,362	25,087
Visa indemnification liability			16,995
FDIC special assessment		(23,555)	
Merger/restructuring costs			(21,830)
Total pretax, pre-provision income	\$ 1,047,610	\$ 933,157	\$ 991,925
Change in total pretax, pre-provision income:			
Amount	\$ 114,453	\$ (58,768)	
Percent	12%	(6)%	

(1) 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.

As discussed in more detail in the sections that follow, the increase from 2009 primarily reflected improved revenue, including higher net interest income, partially offset by higher noninterest expense, including personnel costs and marketing.

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.

Table of Contents

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

Fully-taxable equivalent basis(2) (Dollar amounts in millions)	2010 Increase (Decrease) from Previous Year Due to			2009 Increase (Decrease) from Previous Year Due to		
	Volume	Yield/ Rate	Total	Volume	Yield/ Rate	Total
Loans and direct financing leases	\$ (71.3)	\$ (9.6)	\$ (80.9)	\$ (130.2)	\$ (371.3)	\$ (501.5)
Investment securities	96.8	(103.2)	(6.4)	84.4	(86.3)	(1.9)
Other earning assets	(3.8)	(2.2)	(6.0)	(42.1)	(23.4)	(65.5)
Total interest income from earning assets	21.7	(115.0)	(93.3)	(87.9)	(481.0)	(568.9)
Deposits	10.9	(246.0)	(235.1)	16.5	(274.1)	(257.6)
Short-term borrowings	1.1	(0.5)	0.6	(16.6)	(23.3)	(39.9)
Federal Home Loan Bank advances	(15.4)	5.6	(9.8)	(45.3)	(49.6)	(94.9)
Subordinated notes and other long-term debt, including capital securities	(14.3)	(28.8)	(43.1)	9.8	(70.1)	(60.3)
Total interest expense of interest-bearing liabilities	(17.7)	(269.7)	(287.4)	(35.6)	(417.1)	(452.7)
Net interest income	\$ 39.4	\$ 154.7	\$ 194.1	\$ (52.3)	\$ (63.9)	\$ (116.2)

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

(2) Calculated assuming a 35% tax rate.

2010 versus 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% from 3.11% in 2009.

Table of Contents

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

Table 7 Average Loans/Leases and Deposits 2010 vs. 2009

	Twelve Months Ended		Change	
	2010	2009	Amount	Percent
(Dollar amounts in millions)				
Loans/Leases				
Commercial and industrial	\$ 12,431	\$ 13,136	\$ (705)	(5)%
Commercial real estate	7,225	9,156	(1,931)	(21)
Total commercial	19,656	22,292	(2,636)	(12)
Automobile loans and leases	4,890	3,546	1,344	38
Home equity	7,590	7,590		
Residential mortgage	4,476	4,542	(66)	(1)
Other consumer	661	722	(61)	(8)
Total consumer	17,617	16,400	1,217	7
Total loans and leases	\$ 37,273	\$ 38,692	\$ (1,419)	(4)%
Deposits				
Demand deposits noninterest-bearing	\$ 6,859	\$ 6,057	\$ 802	13%
Demand deposits interest-bearing	5,579	4,816	763	16
Money market deposits	11,743	7,216	4,527	63
Savings and other domestic deposits	4,642	4,881	(239)	(5)
Core certificates of deposit	9,188	11,944	(2,756)	(23)
Total core deposits	38,011	34,914	3,097	9
Other deposits	2,727	4,475	(1,748)	(39)
Total deposits	\$ 40,738	\$ 39,389	\$ 1,349	3%

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 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 and increasing 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 in all of our markets. Our recent expansion into Eastern Pennsylvania and the five New England states also began to have 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.

Table of Contents

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.

2009 versus 2008

Fully-taxable equivalent net interest income for 2009 decreased \$116.2 million, or 7%, from 2008. This reflected the unfavorable impact of a \$1.7 billion, or 4%, decrease in average earning assets, which included a \$2.3 billion decrease in average loans and leases. Also contributing to the decline in net interest income was a 14 basis point decline in the fully-taxable net interest margin to 3.11%, primarily due to the unfavorable impact of our stronger liquidity position and an increase in NALs.

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

Table 8 Average Loans/Leases and Deposits 2009 vs. 2008

	Twelve Months Ended		Change	
	2009	2008	Amount	Percent
(Dollar amounts in millions)				
Loans/Leases				
Commercial and industrial	\$ 13,136	\$ 13,588	\$ (452)	(3)%
Commercial real estate	9,156	9,732	(576)	(6)
Total commercial	22,292	23,320	(1,028)	(4)
Automobile loans and leases	3,546	4,527	(981)	(22)
Home equity	7,590	7,404	186	3
Residential mortgage	4,542	5,018	(476)	(9)
Other consumer	722	691	31	4
Total consumer	16,400	17,640	(1,240)	(7)
Total loans and leases	\$ 38,692	\$ 40,960	\$ (2,268)	(6)%
Deposits				
Demand deposits noninterest-bearing	\$ 6,057	\$ 5,095	\$ 962	19%
Demand deposits interest-bearing	4,816	4,003	813	20
Money market deposits	7,216	6,093	1,123	18
Savings and other domestic deposits	4,881	5,147	(266)	(5)
Core certificates of deposit	11,944	11,637	307	3

Total core deposits	34,914	31,975	2,939	9
Other deposits	4,475	5,861	(1,386)	(24)
Total deposits	\$ 39,389	\$ 37,836	\$ 1,553	4%

The \$2.3 billion, or 6%, decrease in average total loans and leases primarily reflected:

\$1.0 billion, or 4%, 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 of NCOs and the 2009 reclassifications of CRE loans to C&I loans (*see Commercial Credit section*). The decline in average C&I loans reflected paydowns, the Franklin restructuring, and a

Table of Contents

reduction in the line-of-credit utilization in our automobile dealer floorplan exposure, partially offset by the 2009 reclassifications.

\$1.0 billion, or 22%, decline in average automobile loans and leases due to the 2009 securitization of \$1.0 billion of automobile loans, as well as the continued runoff of the automobile lease portfolio.

\$0.5 billion, or 9%, decline in residential mortgages reflecting the impact of loan sales, as well as the continued refinance of portfolio loans. The majority of this refinance activity was fixed-rate loans, which we typically sell in the secondary market.

Partially offset by:

\$0.2 billion, or 3%, increase in average home equity loans reflecting higher utilization of existing lines resulting from higher quality borrowers taking advantage of the current relatively lower interest rate environment, as well as a slowdown in runoff.

Total average investment securities increased \$1.7 billion, or 38%, as the cash proceeds from core deposit growth and the capital actions initiated during 2009 were deployed. This increase was partially offset by a \$0.9 billion, or 87%, decline in trading account securities due to the reduction in the use of these securities to hedge MSRs.

The \$1.6 billion, or 4%, increase in average total deposits reflected:

\$2.9 billion, or 9%, growth in total core deposits, primarily reflecting increased sales efforts and initiatives for deposit accounts.

Partially offset by:

\$1.4 billion, or 24%, 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.

Table of Contents**Table 9 Consolidated Average Balance Sheet and Net Interest Margin Analysis**

Fully-taxable equivalent basis(1) (Dollar amounts in millions)	2010	Change from 2009		Average Balances		Change from 2008		2008
		Amount	Percent	2009	Amount	Percent		
ASSETS								
Interest-bearing deposits in banks	\$ 289	\$ (72)	(20)%	\$ 361	\$ 58	19%	\$ 303	
Trading account securities	158	13	9	145	(945)	(87)	1,090	
Federal funds sold and securities purchased under resale agreement		(10)	(100)	10	(425)	(98)	435	
Loans held for sale	529	(53)	(9)	582	166	40	416	
Investment securities:								
Taxable	8,760	2,659	44	6,101	2,223	57	3,878	
Tax-exempt	411	197	92	214	(491)	(70)	705	
Total investment securities	9,171	2,856	45	6,315	1,732	38	4,583	
Loans and leases:(3)								
Commercial:								
Commercial and industrial	12,431	(705)	(5)	13,136	(452)	(3)	13,588	
Commercial real estate:								
Construction	1,096	(762)	(41)	1,858	(203)	(10)	2,061	
Commercial	6,129	(1,169)	(16)	7,298	(373)	(5)	7,671	
Commercial real estate	7,225	(1,931)	(21)	9,156	(576)	(6)	9,732	
Total commercial	19,656	(2,636)	(12)	22,292	(1,028)	(4)	23,320	
Consumer:								
Automobile loans and leases	4,890	1,344	38	3,546	(981)	(22)	4,527	
Home equity	7,590			7,590	186	3	7,404	
Residential mortgage	4,476	(66)	(1)	4,542	(476)	(9)	5,018	
Other loans	661	(61)	(8)	722	31	4	691	
Total consumer	17,617	1,217	7	16,400	(1,240)	(7)	17,640	
Total loans and leases	37,273	(1,419)	(4)	38,692	(2,268)	(6)	40,960	
Allowance for loan and lease losses	(1,430)	(474)	50	(956)	(261)	38	(695)	
Net loans and leases	35,843	(1,893)	(5)	37,736	(2,529)	(6)	40,265	
Total earning assets	47,420	1,315	3	46,105	(1,682)	(4)	47,787	
Cash and due from banks	1,518	(614)	(29)	2,132	1,174	123	958	
Intangible assets	702	(700)	(50)	1,402	(2,044)	(59)	3,446	
All other assets	4,364	825	23	3,539	294	9	3,245	

Total Assets	\$ 52,574	\$ 134	%	\$ 52,440	\$ (2,481)	(5)%	\$ 54,921
---------------------	------------------	---------------	----------	------------------	-------------------	-------------	------------------

LIABILITIES AND SHAREHOLDERS EQUITY

Deposits:

Demand deposits							
noninterest-bearing	\$ 6,859	\$ 802	13%	\$ 6,057	\$ 962	19%	\$ 5,095
Demand deposits interest-bearing	5,579	763	16	4,816	813	20	4,003
Money market deposits	11,743	4,527	63	7,216	1,123	18	6,093
Savings and other domestic deposits	4,642	(239)	(5)	4,881	(266)	(5)	5,147
Core certificates of deposit	9,188	(2,756)	(23)	11,944	307	3	11,637
Total core deposits	38,011	3,097	9	34,914	2,939	9	31,975
Other domestic time deposits of \$250,000 or more	697	(144)	(17)	841	(802)	(49)	1,643
Brokered time deposits and negotiable CDs	1,603	(1,544)	(49)	3,147	(96)	(3)	3,243
Deposits in foreign offices	427	(60)	(12)	487	(488)	(50)	975
Total deposits	40,738	1,349	3	39,389	1,553	4	37,836
Short-term borrowings	1,446	513	55	933	(1,441)	(61)	2,374
Federal Home Loan Bank advances	173	(1,063)	(86)	1,236	(2,045)	(62)	3,281
Subordinated notes and other long-term debt	3,780	(541)	(13)	4,321	227	6	4,094
Total interest-bearing liabilities	39,278	(544)	(1)	39,822	(2,668)	(6)	42,490
All other liabilities	956	182	24	774	(166)	(18)	940
Shareholders equity	5,481	(306)	(5)	5,787	(609)	(10)	6,396
Total Liabilities and Shareholders Equity	\$ 52,574	\$ 134	%	\$ 52,440	\$ (2,481)	(5)%	\$ 54,921

Continued

Table of Contents**Table 9 Consolidated Average Balance Sheet and Net Interest Margin Analysis (Continued)**

Fully-taxable equivalent basis(1) (Dollar amounts in millions)	Interest Income / Expense			Average Rate(2)		
	2010	2009	2008	2010	2009	2008
ASSETS						
Interest-bearing deposits in banks	\$ 0.8	\$ 1.1	\$ 7.7	0.28%	0.32%	2.53%
Trading account securities	2.9	4.3	57.5	1.82	2.99	5.28
Federal funds sold and securities purchased under resale agreement		0.1	10.7		0.13	2.46
Loans held for sale	25.7	30.0	25.0	4.85	5.15	6.01
Investment securities:						
Taxable	239.1	250.0	217.9	2.73	4.10	5.62
Tax-exempt	18.8	14.2	48.2	4.56	6.68	6.83
Total investment securities	257.9	264.2	266.1	2.81	4.18	5.81
Loans and leases:(3)						
Commercial:						
Commercial and industrial	660.6	664.6	770.2	5.31	5.06	5.67
Commercial real estate:						
Construction	30.6	50.8	104.2	2.79	2.74	5.05
Commercial	234.9	262.3	430.1	3.83	3.59	5.61
Commercial real estate	265.5	313.1	534.3	3.67	3.42	5.49
Total commercial	926.1	977.7	1,304.5	4.71	4.39	5.59
Consumer:						
Automobile loans and leases	295.2	252.6	311.5	6.04	7.12	6.88
Home equity	383.7	426.2	475.2	5.06	5.62	6.42
Residential mortgage	216.8	237.4	292.4	4.84	5.23	5.83
Other loans	47.5	56.1	68.0	7.18	7.78	9.85
Total consumer	943.2	972.3	1,147.1	5.35	5.93	6.50
Total loans and leases	1,869.3	1,950.0	2,451.6	5.02	5.04	5.99
Total earning assets	\$ 2,156.6	\$ 2,249.7	\$ 2,818.6	4.55%	4.88%	5.90%
LIABILITIES AND SHAREHOLDERS EQUITY						
Deposits:						
Demand deposits noninterest-bearing	\$	\$	\$	%	%	%
Demand deposits interest-bearing	10.4	9.5	22.2	0.19	0.20	0.55
Money market deposits	103.5	83.6	117.5	0.88	1.16	1.93
Savings and other domestic deposits	48.2	66.8	100.3	1.04	1.37	1.88
Core certificates of deposit	231.6	409.4	495.7	2.52	3.43	4.27

Total core deposits	393.7	569.3	735.7	1.26	1.97	2.73
Other domestic time deposits of \$250,000 or more	9.3	20.8	62.1	1.32	2.48	3.76
Brokered time deposits and negotiable CDs	35.4	83.1	118.8	2.21	2.64	3.66
Deposits in foreign offices	0.8	0.9	15.2	0.20	0.19	1.56
Total deposits	439.2	674.1	931.8	1.30	2.02	2.85
Short-term borrowings	3.0	2.4	42.3	0.21	0.25	1.78
Federal Home Loan Bank advances	3.1	12.9	107.8	1.80	1.04	3.29
Subordinated notes and other long-term debt	81.4	124.5	184.8	2.15	2.88	4.51
Total interest-bearing liabilities	526.7	813.9	1,266.7	1.34	2.04	2.98
Net interest income	\$ 1,629.9	\$ 1,435.8	\$ 1,551.9			
Net interest rate spread				3.21	2.84	2.92
Impact of noninterest-bearing funds on margin				0.23	0.27	0.33
Net Interest Margin				3.44%	3.11%	3.25%

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

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

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

Table of Contents**Provision for Credit Losses**

(This section should be read in conjunction with Significant Item 3, and the Credit Risk section.)

The provision for credit losses is the expense necessary to maintain the ALLL and the AULC at levels adequate 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 2010 was \$634.5 million, down \$1,440.1 million from 2009. The decrease from 2009 primarily reflected the improved credit quality in our loan portfolios including lower NCOs, NALs, and NPAs.

The provision for credit losses in 2009 was \$2,074.7 million, up \$1,017.2 million from 2008, and exceeded NCOs by \$598.1 million. The increase in 2009 from 2008 primarily reflected the continued economic weakness across all our regions and all our loan portfolios, although our commercial loan portfolios were the most affected.

The following table details the Franklin-related impact to the provision for credit losses for each of the past four years.

Table 10 Provision for Credit Losses Franklin-Related Impact

	2010	2009	2007	2008
(Dollar amounts in millions)				
Provision for credit losses				
Franklin	\$ 87.0	\$ (14.1)	\$ 438.0	\$ 410.8
Non-Franklin	547.5	2,088.8	619.5	232.8
Total	\$ 634.5	\$ 2,074.7	\$ 1,057.5	\$ 643.6
Total net charge-offs (recoveries)				
Franklin	\$ 87.0	\$ 115.9	\$ 423.3	\$ 308.5
Non-Franklin	787.5	1,360.7	334.8	169.1
Total	\$ 874.5	\$ 1,476.6	\$ 758.1	\$ 477.6
Provision for credit losses in excess of net charge-offs				
Franklin	\$	\$ (130.0)	\$ 14.7	\$ 102.3
Non-Franklin	(240.0)	728.1	284.8	63.7
Total	\$ (240.0)	\$ 598.1	\$ 299.4	\$ 166.0

Table of Contents**Noninterest Income**

(This section should be read in conjunction with Significant Item 6.)

The following table reflects noninterest income for the three years ended December 31, 2010:

Table 11 Noninterest Income

	Twelve Months Ended December 31,						
	2010	Change from 2009		2009	Change from 2008		2008
Amount		Percent	Amount		Percent		
(Dollar amounts in thousands)							
Service charges on deposit accounts	\$ 267,015	\$ (35,784)	(12)%	\$ 302,799	\$ (5,254)	(2)%	\$ 308,053
Mortgage banking income	175,782	63,484	57	112,298	103,304	1,149	8,994
Trust services	112,555	8,916	9	103,639	(22,341)	(18)	125,980
Electronic banking	110,234	10,083	10	100,151	9,884	11	90,267
Insurance income	76,413	3,087	4	73,326	702	1	72,624
Brokerage income	68,855	4,012	6	64,843	(329)	(1)	65,172
Bank owned life insurance income	61,066	6,194	11	54,872	96		54,776
Automobile operating lease income	45,964	(5,846)	(11)	51,810	11,959	30	39,851
Securities losses	(274)	9,975	(97)	(10,249)	187,121	(95)	(197,370)
Other income	124,248	(27,907)	(18)	152,155	13,364	10	138,791
Total noninterest income	\$ 1,041,858	\$ 36,214	4%	\$ 1,005,644	\$ 298,506	42%	\$ 707,138

Table of Contents

The following table details mortgage banking income and the net impact of MSR hedging activity for the three years ended December 31, 2010:

Table 12 Mortgage Banking Income

	2010	Twelve Months Ended December 31,		2009	Twelve Months Ended December 31,	
		Change from 2009 Amount	Percent		Change from 2008 Amount	Percent
Amounts in thousands, unless otherwise noted)						
Mortgage Banking Income						
and secondary marketing	\$ 117,440	\$ 22,729	24%	\$ 94,711	\$ 57,454	154%
es	48,123	(371)	(1)	48,494	2,936	6
n of capitalized servicing(1)	(47,165)	406	(1)	(47,571)	(20,937)	79
age banking income	16,629	(6,731)	(29)	23,360	6,592	39
	135,027	16,033	13	118,994	46,045	63
on adjustment(1)	(12,721)	(47,026)	(137)	34,305	86,973	N.R.
gains (losses) related to MSR hedging	53,476	94,477	N.R.	(41,001)	(29,714)	263
Mortgage banking income	\$ 175,782	\$ 63,484	57%	\$ 112,298	\$ 103,304	1,149%
iginations (in millions)	\$ 5,476	\$ 214	4%	\$ 5,262	\$ 1,489	39%
ling account securities used to hedge MSR(s) in	64	(6)	(9)	70	(961)	(93)
MSR(s)(2)	196,194	(18,398)	(9)	214,592	47,154	28
ages serviced for others (in millions)(2)	15,933	(77)		16,010	256	2
vestor servicing portfolio	1.23%	(0.11)	(8)%	1.34%	0.28	26%
Impact of MSR Hedging						
on adjustment(1)	\$ (12,721)	\$ (47,026)	N.R.%	\$ 34,305	\$ 86,973	N.R.%
gains (losses) related to MSR hedging	53,476	94,477	N.R.	(41,001)	(29,714)	263
income related to MSR hedging	972	(2,027)	(68)	2,999	(30,140)	(91)
Net loss of MSR hedging	\$ 41,727	\$ 45,424	N.R.%	\$ (3,697)	\$ 27,119	N.R.%

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

(1) The change in fair value for the period represents the MSR valuation adjustment, net of amortization of capitalized servicing.

(2) At period end.

Table of Contents

2010 versus 2009

Noninterest income increased \$36.2 million, or 4%, from the prior year, primarily reflecting:

\$63.5 million, or 57%, increase in mortgage banking income. Net MSR hedging-related activities contributed a \$45.4 million net increase. We use an independent outside third party to monitor our MSR asset valuation and assumptions. During 2010, interest rates were volatile and generally lower than 2009 rates resulting in higher prepayment speeds and lower MSR valuation, which was economically hedged and offset by hedging gains. However, the negative MSR valuation adjustment was partially offset by model assumption updates. Based on updated market data and trends, the prepayment assumptions were lowered, which increased the value of the MSR. The increase also reflected a \$22.7 million increase in origination and secondary marketing income as loan sales and loan originations were substantially higher (*see Table 12*). (*See MSR section located within Market Risk for additional information.*)

\$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 title insurance income due to higher mortgage refinance activity, and to a lesser degree an increase in fixed income product sales, partially offset by lower annuity income.

Partially offset by:

\$35.8 million, or 12%, decrease in service charges on deposit accounts. This decline represented a decrease in personal NSF / OD service charges and reflected a combination of factors. These included the implementation of changes to Regulation E and the introduction of our Fair Play banking philosophy during the 2010 third quarter, as well as the continued underlying decline in activity as customers better manage their account balances. As part of our Fair Play banking philosophy, we voluntarily reduced certain NSF / OD fees and implemented our 24-Hour Gracetm overdraft policy. The goal of our Fair Play banking philosophy is to introduce more customer friendly fee structures with the objective of accelerating the acquisition and retention of customers.

\$27.9 million, or 18%, decline in other income. 2009 included a \$31.4 million gain from the sale of Visa[®] Class B stock.

2009 versus 2008

Noninterest income increased \$298.5 million, or 42%, from 2008, primarily reflecting:

\$103.3 million increase in mortgage banking income, reflecting a \$57.5 million increase in origination and secondary marketing income as loans sales and loan originations were substantially higher, and a \$27.1 million improvement in MSR hedging (*see Table 12*).

\$187.1 million, or 95%, reduction in securities losses as 2008 included \$197.1 million of OTTI adjustments compared with \$10.2 million in 2009.

\$12.0 million, or 30%, increase in automobile operating lease income, reflecting a 21% increase in average operating lease balances as lease originations since the 2007 fourth quarter were recorded as operating leases. However, during the 2008 fourth quarter, we exited the automobile leasing business.

Table of Contents

\$13.4 million, or 10%, increase in other income, reflecting the net impact of a \$22.4 million change in the fair value of derivatives that did not qualify for hedge accounting, partially offset by a \$4.7 million decline in mezzanine lending income and a \$4.1 million decline in customer derivatives income.

\$9.9 million, or 11%, increase in electronic banking, reflecting increased transaction volumes and additional third party processing fees.

Partially offset by:

\$22.3 million, or 18%, decline in trust services income, reflecting the impact of reduced market values on asset management revenues, as well as lower yields on proprietary money market funds.

Noninterest Expense

(This section should be read in conjunction with Significant Items 2, 4, and 7.)

The following table reflects noninterest expense for the three years ended December 31, 2010:

Table 13 Noninterest Expense

	2010	Twelve Months Ended December 31, Change from 2009		2009	Change from 2008		2008
		Amount	Percent		Amount	Percent	
(Dollar amounts in thousands)							
Personnel costs	\$ 798,973	\$ 98,491	14%	\$ 700,482	\$ (83,064)	(11)%	\$ 783,546
Outside data processing and other services	159,248	11,153	8	148,095	17,869	14	130,226
Net occupancy	107,862	2,589	2	105,273	(3,155)	(3)	108,428
Deposit and other insurance expense	97,548	(16,282)	(14)	113,830	91,393	407	22,437
Professional services	88,778	12,412	16	76,366	26,753	54	49,613
Equipment	85,920	2,803	3	83,117	(10,848)	(12)	93,965
Marketing	65,924	32,875	99	33,049	385	1	32,664
Amortization of intangibles	60,478	(7,829)	(11)	68,307	(8,587)	(11)	76,894
REO and foreclosure expense	39,049	(54,850)	(58)	93,899	60,444	181	33,455
Automobile operating lease expense	37,034	(6,326)	(15)	43,360	12,078	39	31,282
Goodwill impairment		(2,606,944)	(100)	2,606,944	2,606,944		
Gain on early extinguishment of debt		147,442	(100)	(147,442)	(123,900)	526	(23,542)
Other expense	132,991	24,828	23	108,163	(30,243)	(22)	138,406
Total noninterest expense	\$ 1,673,805	\$ (2,359,638)	(59)%	\$ 4,033,443	\$ 2,556,069	173%	\$ 1,477,374

2010 versus 2009

As shown in the above table, noninterest expense decreased \$2,359.6 million from the year-ago period. 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.

Table of Contents

\$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.

2009 versus 2008

Noninterest expense increased \$2,556.1 million from 2008, and primarily reflected:

\$2,606.9 million of goodwill impairment recorded in 2009. The majority of the goodwill impairment, \$2,602.7 million, was recorded during the 2009 first quarter. The remaining \$4.2 million of goodwill impairment was recorded in the 2009 second quarter, and was related to the sale of a small payments-related business in July 2009. *(See Goodwill discussion located within the Critical Account Policies and Use of Significant Estimates for additional information).*

\$91.4 million increase in deposit and other insurance expense. This increase was comprised of two components: (1) \$23.6 million FDIC special assessment during the 2009 second quarter, and (2) \$67.8 million increase related to our 2008 FDIC assessments being significantly reduced by a nonrecurring deposit assessment credit provided by the FDIC that was depleted during the 2008 fourth quarter. This deposit insurance credit offset substantially all of our assessment in 2008. Higher levels of deposits also contributed to the increase.

\$60.4 million increase in OREO and foreclosure expense, reflecting higher levels of problem assets, as well as loss mitigation activities.

\$26.8 million, or 54%, increase in professional services, reflecting higher consulting and collection-related expenses.

\$17.9 million, or 14%, increase in outside data processing and other services, primarily reflecting portfolio servicing fees paid to Franklin resulting from the 2009 first quarter restructuring of this relationship.

\$12.1 million, or 39%, increase in automobile operating lease expense, primarily reflecting a 21% increase in average operating leases. However, we exited the automobile leasing business during the 2008 fourth quarter.

Partially offset by:

\$123.9 million positive impact related to gains on early extinguishment of debt.

\$83.1 million, or 11%, decline in personnel expense, reflecting a decline in salaries, and lower benefits and commission expense. Full-time equivalent staff declined 6% from the comparable year-ago period.

\$30.2 million, or 22%, decline in other noninterest expense primarily reflecting lower automobile lease residual value expense as used vehicle prices improved.

Table of Contents

\$10.8 million, or 12%, decline in equipment costs, reflecting lower depreciation costs, as well as lower repair and maintenance costs.

Provision for Income Taxes

(This section should be read in conjunction with Significant Items 3 and 7, and Note 17 of the Notes to Consolidated Financial Statements.)

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. State tax reserves of \$28.8 million (\$18.7 million net of federal benefit) for 2010 were recorded.

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.

The IRS completed the audit of our consolidated federal income tax returns for tax years through 2007. In addition, various state and other jurisdictions remain open to examination, including Ohio, Kentucky, Indiana, Michigan, Pennsylvania, West Virginia and Illinois. Both the IRS and state tax officials, including Ohio and Kentucky, have proposed adjustments to our previously filed tax returns. We believe that our tax positions related to such proposed adjustments are correct and supported by applicable statutes, regulations, and judicial authority, and intend to vigorously defend them. It is possible that the ultimate resolution of the proposed adjustments, if unfavorable, may be material to the results of operations in the period it occurs. However, although no assurance can be given, 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.

2009 versus 2008

The provision for income taxes was a benefit of \$584.0 million for 2009 compared with a benefit of \$182.2 million in 2008. The tax benefit for both years included the benefits from tax-exempt income, tax-advantaged investments, and general business credits. 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.

RISK MANAGEMENT AND CAPITAL

Risk awareness, identification, reporting, and active management are key elements in overall risk management. We manage risk to an aggregate moderate-to-low risk profile strategy 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.

As a strategy, we have identified sources of risks and primary risks in coordination with 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.

Table of Contents

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 our borrowers' 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 obligations resulting from external macro market issues, investor perception of financial strength, and events unrelated to us such as war, terrorism, or financial institution market specific issues. 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 investment securities portfolio (*see Investment Securities Portfolio discussion*). 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 focusing significant resources to 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 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 2010, 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, 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.

The weak residential real estate market and U.S. economy continued to have significant impact on the financial services industry as a whole, and specifically on our financial results. A pronounced downturn in the residential real estate market that began in early 2007 has resulted in significantly lower residential real estate

Table of Contents

values and higher delinquencies and NCOs, including loans to builders and developers of residential real estate. In addition, continued high unemployment, among other factors, throughout 2010, has slowed any significant recovery from the U.S. recession during 2008 and 2009. As a result, we experienced higher than historical levels of delinquencies and NCOs in our loan portfolios during 2009 and 2010. The value of our investment securities backed by residential and commercial real estate was also negatively impacted by a lack of liquidity in the financial markets and anticipated credit losses.

Loan and Lease Credit Exposure Mix

At December 31, 2010, our loans and leases totaled \$38.1 billion, representing a 4% increase from December 31, 2009. The composition of the portfolio has changed significantly over the past 12 months. From December 31, 2009, to December 31, 2010, the consumer loan portfolio increased \$2.2 billion, or 13%, primarily driven by the automobile loan portfolio. In 2010, our indirect automobile finance business generated significant levels of high credit-quality loan originations, and we also adopted a new accounting standard resulting in the consolidation of a \$0.8 billion automobile loan securitization. At December 31, 2010, these securitized loans had a remaining balance of \$522.7 million. These increases were partially offset by a \$0.9 billion, or 4%, decline in the commercial loan portfolio, primarily as a result of a planned strategy to reduce the concentration of our noncore CRE portfolio.

At December 31, 2010, commercial loans totaled \$19.7 billion, and represented 52% of our total credit exposure. Our commercial loan portfolio is diversified along product type, 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 expand C&I loan growth, 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. We have also added a national 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 product 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.

Table of Contents

Total consumer loans were \$18.4 billion at December 31, 2010, and represented 48% of our total credit exposure. The consumer portfolio was diversified among home equity loans, residential mortgages, and automobile loans and leases (*see Consumer Credit discussion*).

Automobile loans/leases Automobile loans/leases are primarily comprised of loans made through automotive dealerships and includes exposure in selected states outside of our primary banking markets. In 2009, we exited several states, including Florida, Arizona, and Nevada. In 2010, we expanded into eastern Pennsylvania and five New England states. The recent expansions included hiring experienced colleagues with existing dealer relationships in those markets. No state outside of our primary banking market represented more than 5% of our total automobile loan and lease portfolio at December 31, 2010. Our automobile lease portfolio represents an immaterial portion of the total portfolio as we exited the automobile leasing business during the 2008 fourth quarter.

Home equity Home equity lending includes both home equity loans and lines-of-credit. This type of lending, which is secured by a first- 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. As a result, the proportion of first-lien loans has increased significantly in our portfolio over the past 24 months. 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 may impact the severity of losses. We actively manage the amount of credit extended through debt-to-income policies and LTV policy limits.

Residential mortgages Residential mortgage loans represent loans to consumers for the purchase or refinance of a residence. These loans are generally financed over a 15- 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, the majority of the loans in our portfolio are ARMs. These ARMs primarily consist of a fixed-rate of interest for the first 3 to 5 years, and then adjust annually. These loans comprised approximately 57% of our total residential mortgage loan portfolio at December 31, 2010.

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

Table of Contents**Table 14 Loan and Lease Portfolio Composition**

	2010		2009		At December 31, 2008		2007		2006	
(Dollar amounts in millions)										
Commercial:(1)										
Commercial and industrial	\$ 13,063	34%	\$ 12,888	35%	\$ 13,541	33%	\$ 13,126	33%	\$ 7,850	30%
Commercial real estate:										
Construction	650	2	1,469	4	2,080	5	1,962	5	1,229	5
Commercial	6,001	16	6,220	17	8,018	20	7,221	18	3,275	13
Total commercial real estate	6,651	18	7,689	21	10,098	25	9,183	23	4,504	18
Total commercial	19,714	52	20,577	56	23,639	58	22,309	56	12,354	48
Consumer:										
Automobile loans and leases(2)	5,614	15	3,390	9	4,464	11	4,294	11	3,895	15
Home equity	7,713	20	7,563	21	7,557	18	7,290	18	4,927	19
Residential mortgage	4,500	12	4,510	12	4,761	12	5,447	14	4,549	17
Other loans	566	1	751	2	671	1	715	1	428	1
Total consumer	18,393	48	16,214	44	17,453	42	17,746	44	13,799	52
Total loans and leases	\$ 38,107	100%	\$ 36,791	100%	\$ 41,092	100%	\$ 40,055	100%	\$ 26,153	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) 2010 included an increase of \$522.7 million resulting from the adoption of a new accounting standard to consolidate a previously off-balance automobile loan securitization transaction.

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

Table 15 Total Loan and Lease Portfolio by Collateral Type

	2010		2009		At December 31, 2008		2007		2006	
(Dollar amounts in millions)										

Real estate	\$ 22,603	59%	\$ 23,462	64%	\$ 25,439	62%	\$ 25,886	65%	\$ 15,831	60%
Vehicles	7,134	19	4,600	13	6,063	15	5,722	14	5,003	19
Receivables/Inventory	3,763	10	3,582	10	3,915	10	3,391	8	2,369	9
Machinery/Equipment	1,766	5	1,772	5	1,916	5	1,715	4	1,206	5
Unsecured	1,117	3	1,106	3	1,666	4	1,423	4	982	4
Securities/Deposits	734	2	1,145	3	862	2	788	2	427	2
Other	990	2	1,124	2	1,231	2	1,130	3	335	1
Total loans and leases	\$ 38,107	100%	\$ 36,791	100%	\$ 41,092	100%	\$ 40,055	100%	\$ 26,153	100%

The majority of our loans secured by real estate are discussed in detail in later sections.

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

Table of Contents

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 less than \$5.0 million, 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 probability-of-default and loss-given-default (severity of loss). This two-dimensional rating methodology provides granularity in the portfolio management process. The probability-of-default is rated and applied at the borrower level. The loss-given-default is rated and applied based on the type of credit extension and the underlying collateral. The internal risk ratings are assessed and updated with each periodic monitoring event. There is also extensive macro portfolio management analysis on an on-going basis. As an example, the retail properties class of the CRE portfolio has received more frequent evaluation at the individual loan level given the weak environment, portfolio concentration, and stressed performance trends (*see Retail Properties discussion*). We continually review and adjust our risk-rating criteria based on actual experience, which provides us with the current risk level in the portfolio and is the basis for determining an appropriate ACL amount for this portfolio.

In addition to the initial credit analysis initiated during the approval process, the Credit Review group performs testing to provide an independent review and assessment of the quality and / or risk of the new loan production. This group is part of our Risk Management area, and conducts portfolio reviews on a risk-based cycle to evaluate individual loans, validate risk ratings, as well as test the consistency of credit processes. Similarly, to provide consistent oversight, a centralized portfolio management team monitors and reports on the performance of small business banking loans.

The commercial loan ratings described above are categorized as follows:

Pass: Commercial loans categorized as Pass are higher quality loans that do not fit any of the other categories described below.

OLEM: Commercial loans categorized as OLEM are potentially weak. The credit risk may be relatively minor yet represents a risk given certain specific circumstances. If the potential weaknesses are not monitored or mitigated, the asset may weaken or inadequately protect our position in the future.

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

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

Commercial loans rated as OLEM, Substandard, or Doubtful are considered Criticized. Commercial loans rated as Substandard or Doubtful are considered Classified. Commercial loans may be designated as Criticized when warranted by individual borrower performance or by industry and environmental factors. Commercial Criticized loans are subjected to additional monthly reviews to adequately assess the borrower's credit status and develop appropriate action plans. We re-evaluate the risk-rating of these Criticized commercial loans as conditions change, potentially resulting in a further rating adjustment. Changes in the rating can be impacted by borrower performance, external factors such as industry and economic changes, as well as structural

Table of Contents

changes to the loan arrangements including, but not limited to, amortization, collateral, guarantees, and covenants.

All Classified commercial loans are managed by our SAD. The SAD is a specialized credit group that handles the day-to-day management of workouts, commercial recoveries, and problem loan sales. Its responsibilities include developing action plans, assessing risk ratings, and determining the adequacy of the reserve, the accrual status, and the ultimate collectability of the Classified loan portfolio.

Our commercial loan portfolio, including CRE loans, is diversified by customer size, as well as geographically throughout our footprint. During 2009, we engaged in a large number of enhanced portfolio management initiatives, including a review to ensure the appropriate classification of CRE loans. The results of this initiative included reclassifications in 2009 totaling \$1.4 billion that increased C&I loan balances, and correspondingly decreased CRE loan balances, primarily representing owner-occupied properties. We believe the changes provide improved visibility and clarity to us and our investors. We have continued this active portfolio management process throughout 2010, primarily focusing on improving our ability to identify changing conditions at the borrower level, which in most cases, significantly improved the outcome. This process allows us to provide clarity regarding the credit trends in our portfolios.

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 outstanding commercial loans 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, concentration limits, on-going loan 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.

C&I borrowers have been challenged by the weak economy, and 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 over the past 12 months.

As shown in the following table, C&I loans totaled \$13.1 billion at December 31, 2010:

Table 16 Commercial and Industrial Loans and Leases by Class

At December 31, 2010

(Dollar amounts in millions)	Commitments		Loans Outstanding	
	Amount	Percent	Amount	Percent
Class:				
Owner-occupied	\$ 4,320	23%	\$ 3,823	29%
Other commercial and industrial	14,676	77	9,240	71
Total	\$ 18,996	100%	\$ 13,063	100%

Table of Contents

The differences in the composition between the commitments and loans outstanding results from the owner-occupied class consisting almost entirely of term loans, while the remainder of the C&I portfolio contains a significant amount of working capital lines-of-credit. The funding percentage associated with the lines-of-credit has been a significant indicator of credit quality, as businesses have reduced their borrowings. Generally, borrowers that fully utilize their line-of-credit consistently, over time, have a higher risk profile. This represents one of many credit risk factors we utilize in assessing the credit risk portfolio of individual borrowers and the overall portfolio.

CRE PORTFOLIO

We manage the risks inherent in this portfolio the same as the C&I portfolio, with the addition of preleasing requirements, as applicable. 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 non-owner-occupied, require that at least 50% of the space of the project be pre-leased.

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 the new loan production.

Appraisal values are obtained in conjunction with all originations and renewals, and on an as needed basis, in compliance with regulatory requirements. Given the stressed environment for some loan types, we perform on-going portfolio level reviews of certain loan classes such as the retail properties class within the CRE portfolio (*see Retail Properties discussion*). These reviews generate action plans based on occupancy levels or sales volume associated with the projects being reviewed. The results of these reviews indicate that some additional stress is likely due to the continued weak economic conditions. 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.

We actively monitor the concentrations and performance metrics of all CRE loan types, with a focus on higher risk classes. Macro-level stress-test scenarios based on retail sales and home-price depreciation trends for the classes are embedded in our performance expectations, and lease-up and absorption scenarios are assessed.

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 the borrower generating an acceptable return on capital or demonstrates the prospect of becoming one. The core CRE portfolio was \$4.0 billion at December 31, 2010, representing 61% 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.

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

Table of Contents

portfolio declined from \$3.7 billion at December 31, 2009, to \$2.6 billion at December 31, 2010, and represented 39% of total CRE loans. Of the loans in the noncore portfolio at December 31, 2010, 49% were classified as Pass, 95% had guarantors, 99% were secured, and 93% were located within our geographic footprint. However, it is within the noncore portfolio where most of the credit quality challenges exist. For example, \$0.3 billion, or 13%, of related outstanding balances, are classified as NALs. SAD administered \$1.4 billion, or 54%, of total noncore CRE loans at December 31, 2010. We expect to exit the majority of noncore CRE relationships over time through normal repayments, possible sales should economically attractive opportunities arise, or the reclassification to a core CRE relationship if it expands to meet the core criteria.

The table below provides a segregation of the CRE portfolio as of December 31, 2010:

Table 17 Core Commercial Real Estate Loans by Property Type and Property Location

	At December 31, 2010									Total Amount	%
	Ohio	Michigan	Pennsylvania	Indiana	Kentucky	Florida	West Virginia	Other			
(Dollar amounts in millions)											
Core portfolio:											
Retail properties	\$ 458	\$ 90	\$ 72	\$ 75	\$ 8	\$ 38	\$ 30	\$ 364	\$ 1,135	17%	
Office	347	151	83	22	12	1	39	53	708	11	
Multi family	277	87	40	33	29		42	58	566	9	
Industrial and warehouse	257	81	23	44	3	3	6	82	499	8	
Other commercial real estate	715	138	35	45	8	21	54	118	1,134	17	
Total core portfolio	2,054	547	253	219	60	63	171	675	4,042	61	
Total noncore portfolio	1,424	412	168	226	36	110	64	169	2,609	39	
Total	\$ 3,478	\$ 959	\$ 421	\$ 445	\$ 96	\$ 173	\$ 235	\$ 844	\$ 6,651	100%	

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

Table 18 Commercial Real Estate Core vs. Noncore portfolios

	December 31, 2010						Nonaccrual Loans
	Ending	Prior	ACL		Credit		
	Balance	NCOs	ACL \$	ACL %	Mark(1)		
(Dollar amounts in millions)							

Edgar Filing: HUNTINGTON BANCSHARES INC/MD - Form 10-K

Total core	\$ 4,042	\$ 5	\$ 160	3.96%	4.08%	\$ 15.7
Noncore SAD(2)	1,400	379	329	23.50	39.80	307.2
Noncore Other	1,209	5	105	8.68	9.06	40.8
Total noncore	2,609	384	434	16.63	27.33	348.0
Total commercial real estate	\$ 6,651	\$ 389	\$ 594	8.93%	13.96%	\$ 363.7

	December 31, 2009					
	Ending Balance	Prior NCOs	ACL \$	ACL %	Credit Mark(1)	Nonaccrual Loans
Total core	\$ 4,038	\$	\$ 168	4.16%	4.16%	\$ 3.8
Noncore SAD(2)	1,809	511	410	22.66	39.70	861.0
Noncore Other	1,842	26	186	10.10	11.35	71.0
Total noncore	3,651	537	596	16.32	27.05	932.0
Total commercial real estate	\$ 7,689	\$ 537	\$ 764	9.94%	15.82%	\$ 935.8

(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.

Table of Contents

As shown in the above table, the ending balance of the CRE portfolio at December 31, 2010, declined \$1.0 billion compared with December 31, 2009. This decline was entirely centered in the noncore segment of the portfolio and was a result of payoffs and NCOs as we actively focus on the noncore portfolio to reduce our overall CRE exposure. This reduction occurred in a very difficult market, and demonstrates our commitment to maintaining a moderate-to-low risk profile. We anticipate further noncore CRE declines in future periods based on our overall strategy to reduce our overall CRE exposure.

Also as shown above, substantial reserves for the noncore portfolio have been established. At December 31, 2010, the ACL related to the noncore portfolio was 16.63%. 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. We believe the combined credit activity is appropriate for each of the CRE segments.

Within the CRE portfolio, the retail properties and single family home builder classes continue to be stressed as a result of the continued decline in the housing markets and general economic conditions and are discussed below.

Retail Properties

Our portfolio of CRE loans secured by retail properties totaled \$1.8 billion, or approximately 5% of total loans and leases, at December 31, 2010. Loans within this portfolio segment declined \$0.4 billion, or 17%, from \$2.1 billion at December 31, 2009. Credit approval in this portfolio segment is generally dependent on preleasing requirements, and net operating income from the project must cover debt service by specified percentages when the loan is fully funded.

The weakness of the economic environment in our geographic regions continued to impact the projects that secure the loans in this portfolio segment. Lower occupancy rates, reduced rental rates, and the expectation these levels will remain stressed for the foreseeable future may adversely affect some of our borrowers' ability to repay these loans. We have increased the level of credit risk management activity on this portfolio segment, and we analyze our retail property loans in detail by combining property type, geographic location, and other data, to assess and manage our credit concentration risks. We review the majority of this portfolio segment on a monthly basis.

Single Family Home Builders

At December 31, 2010, we had \$0.6 billion of CRE loans to single family home builders. Such loans represented 1% of total loans and leases. The \$0.6 billion represented a \$0.3 billion, or 35%, decrease compared with \$0.9 billion at December 31, 2009. The decrease primarily reflected runoff activity as few new loans have been originated since 2008, property sale activity, and NCOs. Based on portfolio management processes over the past three years, including NCO activity, we believe we have substantially addressed the credit issues in this portfolio. We do not anticipate any future significant credit impact from this portfolio segment.

FRANKLIN RELATIONSHIP

In 2010, we sold our portfolio of Franklin-related loans to unrelated third parties. Also, we recorded \$87.0 million of Franklin-related NCOs, of which \$75.5 million related to the loan sales. The 2010 provision for credit losses included \$87.0 million related to Franklin, with \$75.5 million related to the loan sales. At December 31, 2010, the only Franklin-related nonperforming assets remaining were \$9.5 million of OREO properties, which were marked to the lower of cost or fair value less costs to sell.

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

Table of Contents

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 probability-of-default and loss-given-default. The probability-of-default is generally based on the borrower's most recent credit bureau score (FICO), which we update quarterly, while the loss-given-default 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 loan type 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.

AUTOMOBILE LOANS AND LEASES PORTFOLIO

The performance of the automobile loan and lease portfolio improved in 2010, despite the continued economic conditions that have adversely affected the residential mortgage and home equity portfolios (*discussed below*). 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. This strategy resulted in a significant improvement in performance metrics in 2010 compared to 2009, and provides us with substantial confidence for future performance of this portfolio.

In 2010, 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 are developing alternative plans to address any growth in excess of our established portfolio concentration limits, including both securitizations and loan sales. The automobile sales market expanded in 2010 and by entering into eastern Pennsylvania and five New England states, we are positioned to take advantage of a continued expansion in 2011.

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.

RESIDENTIAL-SECURED PORTFOLIOS

The residential mortgage and home equity portfolios are primarily located throughout our footprint. The continued slowdown in the housing market negatively impacted the performance of our residential mortgage and home equity portfolios. While the degree of price depreciation varied across our markets, all regions throughout our footprint were affected.

Table of Contents**Table 19 Selected Home Equity and Residential Mortgage Portfolio Data**

	December 31, 2010		
	Home Equity		Residential Mortgages(3)
	Secured by first-lien	Secured by second-lien	
(Dollar amounts in millions)			
Ending balance	\$ 3,055	\$ 4,658	\$ 4,500
Portfolio weighted average LTV ratio(1)	70%	80%	77%
Portfolio weighted average FICO score(2)	745	733	721
Year Ended December 31, 2010			
	Home Equity		Residential Mortgages(3)
	Secured by first-lien	Secured by second-lien	
Originations	\$ 1,310	\$ 754	\$ 1,607
Origination weighted average LTV ratio(1)	69%	79%	81%
Origination weighted average FICO score(2)	767	756	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- and second- 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.

At December 31, 2010, approximately 40% of our home equity portfolio was secured by first-mortgage liens. The credit risk profile is substantially reduced when we hold a first-mortgage lien position. During 2010, more than 65% 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 required interest-only amount. Additionally, since we focus on developing complete relationships with our customers, many of our home equity borrowers are utilizing other products and services.

We believe we have underwritten credit conservatively within this portfolio. We have not originated stated income home equity loans or lines-of-credit that allow negative amortization. Also, 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 it is likely some loans with an original LTV ratio of less than 100% currently have an LTV ratio greater than 100%.

For certain home equity loans and lines-of-credit, we may utilize an automated valuation model (AVM) or other model-driven value estimate during the credit underwriting process. We utilize a series of credit parameters to determine the appropriate valuation methodology. 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. Regardless of the estimate methodology, we supplement our underwriting with a third party fraud detection system to limit our exposure to flipping, and outright fraudulent

Table of Contents

transactions. We update values as we believe 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, 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, often through the use of an automated underwriting system. 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 appraisal during the credit underwriting process. Additionally, we supplement our underwriting with a third party fraud detection system to limit our exposure to flipping and outright fraudulent transactions. 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.

Also, it is important to note the recent issuance of new regulatory guidelines regarding real estate valuations, the intent of which is to ensure there is complete independence in the requesting and review of real estate valuations associated with loan decisions. We have been 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 new guidelines.

Several government actions were enacted that impacted the residential mortgage portfolio, including various refinance programs which positively affected the availability of credit for the industry. We are utilizing these programs to enhance our existing strategies of working closely with our customers.

Credit Quality

We believe the most meaningful way to assess overall credit quality performance for 2010 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 2010 improved significantly compared with 2009. While NCOs remain elevated compared with long-term expectations, 2010 continued to show improvement across the portfolio, and delinquency trends improved as well. OREO also declined significantly in 2010. We do not believe there will be a meaningful improvement in property values in the near term, and believe it prudent to dispose of the OREO properties instead of incurring the on-going expenses associated with maintaining the properties. As such, the decrease in the OREO balances resulted from an active selling strategy, as well as a lower level of inflows associated with residential properties due to our active loss mitigation and short-sale strategies.

The economic environment remained challenging. Yet, reflecting the benefit of our focused credit actions of 2009 and 2010, we experienced declines in total NPAs, new NPAs, and commercial Criticized loans. Our ACL declined \$240.2 million to \$1,291.1 million, or 3.39% of period-end loans and leases from \$1,531.4 million, or 4.16% at 2009. Importantly, our ACL as a percent of period-end NALs increased to 166% from 80%, and coverage ratios associated with NPAs and Criticized assets also increased. These improved coverage ratios indicated a strengthening of our reserve position relative to troubled assets from the prior year end. These coverage ratios are a key component of our

internal adequacy assessment process and provide an important consideration in the determination of the adequacy of the ACL.

Table of ContentsNPAs, NALs, AND TDRs

(This section should be read in conjunction with Significant Item 3.)

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. A C&I or CRE loan is generally placed on nonaccrual status when collection of principal or interest is in doubt or when the loan is 90-days past due. Residential mortgage loans are placed on nonaccrual status at 180-days past due, and a charge-off recorded if it is determined that insufficient equity exists in the collateral property to support the entire outstanding loan amount. A home equity loan is placed on nonaccrual status at 180-days past due, and a charge-off recorded if it is determined there is not sufficient equity in the collateral property to cover our position. For loans secured by residential real estate, the collateral equity position is determined by a current property valuation based on an expected marketing time period consistent with the market. When interest accruals are suspended, accrued interest income is reversed with current year accruals charged to earnings and prior-year amounts generally charged-off as a credit loss. When, in our judgment, the borrower's ability to make required interest and principal payments has resumed and collectability is no longer in doubt, the loan or lease is returned to accrual status.

Table 20 reflects period-end NALs and NPAs detail for each of the last five years. Table 21 details the Franklin-related impacts to NALs and NPAs for each of the last five years. There were no Franklin-related NALs or NPAs at December 31, 2006.

Table 20 Nonaccrual Loans and Nonperforming Assets

	At December 31,				
	2010	2009	2008	2007	2006
(Dollar amounts in thousands)					
Commercial and industrial(1)	\$ 346,720	\$ 578,414	\$ 932,648	\$ 87,679	\$ 58,393
Commercial real estate	363,692	935,812	445,717	148,467	37,947
Total residential mortgages(1)	45,010	362,630	98,951	59,557	32,527
Home equity	22,526	40,122	24,831	24,068	15,266
Total nonaccrual loans and leases	777,948	1,916,978	1,502,147	319,771	144,133
Other real estate owned, net					
Residential	31,649	71,427	63,058	60,804	47,898
Commercial	35,155	68,717	59,440	14,467	1,589
Total other real estate, net	66,804	140,144	122,498	75,271	49,487
Impaired loans held for sale(2)		969	12,001	73,481	
Other nonperforming assets(3)				4,379	
Total nonperforming assets	\$ 844,752	\$ 2,058,091	\$ 1,636,646	\$ 472,902	\$ 193,620
Nonaccrual loans as a % of total loans and leases	2.04%	5.21%	3.66%	0.80%	0.55%
Nonperforming assets ratio(4)	2.21	5.57	3.97	1.18	0.74

**Nonperforming Franklin
assets(1)**

Commercial	\$	\$	\$ 650,225	\$	\$
Residential mortgage			299,670		
Other real estate owned	9,477		23,826		
Home equity			15,004		
Total Nonperforming Franklin assets	\$ 9,477	\$ 338,500	\$ 650,225	\$	\$

Table of Contents

- (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, nonaccrual Franklin loans were reported as residential mortgage loans, home equity loans, and other real estate owned.
- (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 represent 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.

Table 21 Nonaccrual Loans and Nonperforming Assets Franklin-Related Impact

	2010	2009	December 31, 2008	2007	2006
(Dollar amounts in millions)					
Nonaccrual loans					
Franklin	\$	\$ 314.7	\$ 650.2	\$	\$
Non-Franklin	777.9	1,602.3	851.9	319.8	144.1
Total	\$ 777.9	\$ 1,917.0	\$ 1,502.1	\$ 319.8	\$ 144.1
Total loans and leases					
Franklin	\$	\$ 443.9	\$ 650.2	\$ 1,187.0	\$
Non-Franklin	38,106.5	36,346.8	40,441.8	38,867.3	26,153.4
Total	\$ 38,106.5	\$ 36,790.7	\$ 41,092.0	\$ 40,054.3	\$ 26,153.4
Nonaccrual loan ratio					
Total	2.04%	5.21%	3.66%	0.80%	0.55%
Non-Franklin	2.04	4.41	2.11	0.82	0.55

	2010	2009	December 31, 2008	2007	2006
(Dollar amounts in millions)					
Nonperforming assets					
Franklin	\$	\$ 338.5	\$ 650.2	\$	\$
Non-Franklin	835.3	1,719.6	986.4	472.9	193.6
Total	\$ 844.8	\$ 2,058.1	\$ 1,636.6	\$ 472.9	\$ 193.6

Edgar Filing: HUNTINGTON BANCSHARES INC/MD - Form 10-K

Total loans and leases	\$ 38,106.5	\$ 36,790.7	\$ 41,092.0	\$ 40,054.3	\$ 26,153.4
Total other real estate owned, net	66.8	140.1	122.5	75.3	49.5
Impaired loans held for sale		1.0	12.0	73.5	
Other nonperforming assets				4.4	
Total	38,173.3	36,931.8	41,226.5	40,207.5	26,202.9
Franklin	9.5	338.5	650.2	1,187.0	
Non-Franklin	\$ 38,163.8	\$ 36,593.3	\$ 40,576.3	\$ 39,020.5	\$ 26,202.9
Nonperforming assets ratio					
Total	2.21%	5.57%	3.97%	1.18%	0.74%
Non-Franklin	2.19	4.72	2.43	1.21	0.74

Table of Contents

NALs were \$777.9 million at December 31, 2010, compared with \$1,917.0 million at December 31, 2009. The decrease of \$1,139.0 million primarily reflected:

\$572.1 million decrease in CRE NALs, primarily reflecting both NCO activity and problem loan resolutions including borrower payments and pay-offs. Payments and pay-offs received were substantial and are a direct result of our commitment to the on-going proactive management of these problem loans by our SAD. Also, inflow levels were significantly lower in 2010 compared to 2009. The level of inflows, or migration, is an important indicator of the future trend for this portfolio.

\$317.6 million decrease in residential mortgage NALs, primarily reflecting the Franklin-related loan sales in 2010.

\$231.7 million decrease in C&I NALs, primarily reflecting both NCO activity and problem loan resolutions, including pay-offs. The decline was associated with loans throughout our footprint, with no specific geographic or industry concentration.

\$17.6 million decrease in home equity NALs, primarily reflecting the Franklin-related loans sales in 2010.

Also, of the \$710.4 million of CRE and C&I-related NALs at December 31, 2010, \$183.4 million, or 26%, represented loans that were less than 30 days past due, demonstrating our commitment to proactive credit risk management.

NPAs, which include NALs, were \$844.8 million at December 31, 2010, and represented 2.21% of related assets. This compared with \$2,058.1 million, or 5.57%, at December 31, 2009. The \$1,213.3 million decrease reflected:

\$1,139.0 million decrease to NALs, discussed above.

\$73.3 million decrease to OREO. This reflected a focused effort to reduce our level of OREO properties through active selling strategies during the year, as well as lower levels of new OREO properties resulting from an increase in loss mitigation activity and short sales prior to foreclosure. We do not believe there will be a meaningful improvement in property values in the near term, and believe it prudent to dispose of the property instead of incurring the on-going expenses associated with maintaining the property.

NPA activity for each of the past five years was as follows:

Table 22 Nonperforming Asset Activity

(Dollar amounts in thousands)	At December 31,				
	2010	2009	2008	2007	2006
Nonperforming assets, beginning of year	\$ 2,058,091	\$ 1,636,646	\$ 472,902	\$ 193,620	\$ 117,155
New nonperforming assets	925,699	2,767,295	1,082,063	468,056	222,043
Franklin-related impact, net(1)	(329,023)	(311,726)	650,225		
Acquired nonperforming assets				144,492	33,843
Returns to accruing status	(370,798)	(215,336)	(42,161)	(24,952)	(43,999)
Loan and lease losses	(639,766)	(1,148,135)	(202,249)	(120,959)	(45,648)
Other real estate owned losses	(7,936)	(62,665)	(19,582)	(5,795)	(543)

Edgar Filing: HUNTINGTON BANCSHARES INC/MD - Form 10-K

Payments	(650,429)	(497,076)	(194,692)	(86,093)	(59,469)
Sales	(141,086)	(110,912)	(109,860)	(95,467)	(29,762)
Nonperforming assets, end of year	\$ 844,752	\$ 2,058,091	\$ 1,636,646	\$ 472,902	\$ 193,620

(1) The activity above excludes the 2007 impact of the placement of the loans to Franklin on nonaccrual status and their return to accrual status upon the restructuring of these loans. At 2007 year-end, the loans to

Table of Contents

Franklin were not included in the nonperforming assets total. At 2008 year-end, the loans to Franklin were reported as nonaccrual commercial and industrial loans. At 2009 year-end, nonaccrual Franklin loans were reported as residential mortgage loans, home equity loans, and other real estate owned. The 2009 impact primarily reflects loan and lease losses, as well as payments.

TDR Loans

TDRs are modified loans in which a concession is provided to a borrower experiencing financial difficulties. Loan modifications are considered TDRs when the concession provided is not available to the borrower through either normal channels or other sources. However, not all loan modifications are TDRs. Our standards relating to loan modifications consider, among other factors, minimum verified income requirements, cash flow analysis, and collateral valuations. However, each potential loan modification is reviewed individually and the terms of the loan are modified to meet a borrower's specific circumstances at a point in time. All loan modifications, including those classified as TDRs, are reviewed and approved. Our ALLL is largely driven by updated risk ratings to commercial loans, updated borrower credit scores on consumer loans, and borrower delinquency history in both the commercial and consumer loan portfolios. As such, the provision for credit losses is impacted primarily by changes in borrower payment performance rather than the TDR classification.

TDRs can be classified as either accrual or nonaccrual loans. Nonaccrual TDRs are included in NALs whereas accruing TDRs are excluded because the borrower remains contractually current. The table below provides a summary of our TDRs (both accrual and nonaccrual) by loan type at December 31, 2010 and 2009:

Table 23 Accruing and Nonaccruing Troubled Debt Restructured Loans

	December 31,	
	2010	2009
(Dollar amounts in thousands)		
Restructured loans and leases accruing:		
Mortgage loans	\$ 328,411	\$ 229,470
Other consumer loans	76,586	52,871
Commercial loans	222,632	157,049
Total restructured loans and leases accruing	627,629	439,390
Restructured loans and leases nonaccruing:		
Mortgage loans	5,789	4,988
Other consumer loans		
Commercial loans	33,462	108,458
Total restructured loans and leases nonaccruing	39,251	113,446
Total restructured loans and leases	\$ 666,880	\$ 552,836

In the workout of a problem loan, there are many factors considered when determining the most favorable resolution. For consumer loans, we evaluate the ability and willingness of the borrower to make contractual or reduced payments, the value of the underlying collateral, and the costs associated with the foreclosure or repossession, and remarketing of

the collateral. For commercial loans, we consider similar criteria and also evaluate the borrower's business prospects.

Residential Mortgage loan TDRs Residential mortgage TDRs represent loan modifications associated with traditional first-lien mortgage loans in which a concession has been provided to the borrower. Residential mortgages identified as TDRs involve borrowers who are unable to refinance their mortgages through our normal mortgage origination channels or through other independent sources. Some, but not all, of the loans may be delinquent. Modifications can include adjustments to rates and/or principal. Modified loans identified as TDRs are aggregated into pools for analysis. Cash flows and weighted average interest rates are used to calculate impairment at the pooled-loan level. Once the loans are aggregated into the pool, they continue to be

Table of Contents

classified as TDRs until contractually repaid or charged-off. No consideration is given to removing individual loans from the pools.

Residential mortgage loans not guaranteed by a U.S. government agency such as the FHA, VA, and the USDA, including restructured loans, are reported as accrual or nonaccrual based upon delinquency status. NALs are those that are greater than 180 days contractually past due. Loans guaranteed by U.S. government organizations continue to accrue interest upon delinquency.

Residential mortgage loan TDR classifications resulted in an impairment adjustment of \$6.6 million in 2010. Prior to the TDR classification, residential mortgage loans individually had minimal ALLL associated with them because the ALLL is calculated on a total portfolio pooled basis.

Other Consumer loan TDRs Generally, these are TDRs associated with home equity borrowings and automobile loans. We make similar interest rate, term, and principal concessions as with residential mortgage loan TDRs. The TDR classification for these other consumer loans resulted in an impairment adjustment of \$1.3 million in 2010.

Commercial loan TDRs Commercial accruing TDRs represent loans in which a loan rated as Classified is current on contractual principal and interest but undergoes a loan modification. Accruing TDRs often result from loans rated as Classified receiving an extension on the maturity of their loan, for example, to allow additional time for the sale or lease of underlying CRE collateral. Often, it is prudent to extend the maturity rather than foreclose on a commercial loan, particularly for borrowers who are generating cash flows to support contractual interest payments. These borrowers cannot obtain the modified loan through other independent sources because of their current financial circumstances, therefore a concession is provided and the modification is classified as a TDR. The TDR remains in accruing status as long as the customer is current on payments and no loss is probable.

Commercial nonaccrual TDRs result from either workouts where an existing commercial NAL is restructured into multiple new loans, or from an accruing commercial TDR being placed on nonaccrual status. At December 31, 2010, approximately \$19.9 million of our commercial nonaccrual TDRs resulted from such workouts. The remaining \$12.0 million represented the reclassifications of accruing TDRs to NALs.

For certain loan workouts, we create two or more new notes. The senior note is underwritten based upon our normal underwriting standards at current market rates and is sized so projected cash flows are sufficient to repay contractual principal and interest. The terms on the subordinate note(s) vary by situation, but often defer interest payments until after the senior note is repaid. Creating two or more notes often allows the borrower to continue a project or weather a temporary economic downturn and allows us to right-size a loan based upon the current expectations for a project performance. The senior note is considered for return to accrual status if the borrower has sustained sufficient cash flows for a six-month period of time and we believe no loss is probable. This six-month period could extend before or after the restructure date. Subordinated notes created in the workout are charged-off immediately. Any interest or principal payments received on the subordinated notes are applied to the principal of the senior note first until the senior note is repaid. Further payments are recorded as recoveries on the subordinated note.

As the loans are already considered Classified, an adequate ALLL has been recorded when appropriate. Consequently, a TDR classification on commercial loans does not usually result in significant additional reserves. We consider removing the TDR status on commercial loans if the loan is at a market rate of interest and after the loan has performed in accordance with the restructured terms for a sustained period of time, generally one year.

Table of Contents

The following table reflects period-end accruing TDRs and past due loans and leases detail for each of the last five years:

Table 24 Accruing Past Due Loans and Leases and Accruing Troubled Debt Restructured Loans

	2010	2009	At December 31, 2008	2007	2006
(Dollar amounts in thousands)					
Accruing loans and leases past due 90 days or more					
Commercial and industrial	\$	\$	\$ 10,889	\$ 10,474	\$ 170
Commercial real estate			59,425	25,064	1,711
Residential mortgage (excluding loans guaranteed by the U.S. government)	53,983	78,915	71,553	67,391	35,555
Home equity	23,497	53,343	29,039	24,086	13,423
Other loans and leases	10,177	13,400	18,039	13,962	6,650
Total, excl. loans guaranteed by the U.S. government	87,657	145,658	188,945	140,977	57,509
Add: loans guaranteed by the U.S. government	98,288	101,616	82,576	51,174	31,308
Total accruing loans and leases past due 90 days or more, including loans guaranteed by the U.S. government	\$ 185,945	\$ 247,274	\$ 271,521	\$ 192,151	\$ 88,817
Ratios:(1)					
Excluding loans guaranteed by the U.S. government, as a percent of total loans and leases	0.23%	0.40%	0.46%	0.35%	0.22%
Guaranteed by the U.S. government, as a percent of total loans and leases	0.26	0.28	0.20	0.13	0.12
Including loans guaranteed by the U.S. government, as a percent of total loans and leases	0.49	0.68	0.66	0.48	0.34
Accruing troubled debt restructured loans					
Commercial(2)	\$ 222,632	\$ 157,049	\$ 185,333	\$ 1,187,368	\$
Total residential mortgages	328,411	229,470	84,993	32,005	7,496
Other	76,586	52,871	41,094		
Total accruing troubled debt restructured loans	\$ 627,629	\$ 439,390	\$ 311,420	\$ 1,219,373	\$ 7,496

- (1) Percent of related loans and leases.
- (2) 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, nonaccrual Franklin loans were reported as residential mortgage loans, home equity loans, and other real estate owned.

The over 90-day delinquency ratio for total loans not guaranteed by a U.S. government agency was 0.23% at December 31, 2010, representing a 17 basis point decline compared with December 31, 2009. This decrease primarily reflected continued improvement in our core performance, as well as the impact of the sale of certain underperforming loans in 2010.

The increase in accruing TDRs primarily reflects our loss mitigation efforts to proactively work with borrowers having difficulty making their payments.

Table of Contents

ACL

(This section should be read in conjunction with Significant Item 3, and Notes 1 and 6 of the Notes to the Consolidated Financial Statements.)

We maintain two reserves, both of which in our judgment are adequate 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 adequacy of the ACL. The ALLL represents the estimate of probable 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 adequate to absorb credit losses inherent in our loan and lease portfolio. The provision for credit losses in 2010 was \$634.5 million, compared with \$2,074.7 million in 2009, primarily reflecting significantly lower NCOs in 2010 compared with 2009, and improved credit quality metrics. While credit quality metrics have significantly improved during 2010, provision expense since 2007 has been higher than historical levels, reflecting the pronounced downturn in the U.S. economy, as well as significant deterioration in the residential real estate market that began in early 2007. Declining real estate valuations and higher levels of delinquencies and NCOs have negatively affected the quality of our loans secured by real estate. Portions of the residential portfolio, as well as the single family home builder and developer loans in the commercial portfolio, experienced the majority of the credit issues related to the residential real estate market.

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

Our ACL assessment process includes the on-going assessment of credit quality metrics, and a comparison of certain ACL adequacy benchmarks to current performance. While the total ACL balance declined in 2010 compared with 2009, all of the relevant benchmarks improved as a result of the asset quality improvement. The coverage ratios of NALs, Criticized and Classified loans all showed significant improvement in 2010 despite the decline in the ACL level.

Table 25 reflects activity in the ALLL and ACL for each of the last five years. Table 26 displays the Franklin-related impacts to the ALLL and ACL for each of the last five years. There were not any Franklin-related impacts to either the ALLL or ACL at December 31, 2010 or 2006.

Table of Contents**Table 25 Summary of Allowance for Credit Losses and Related Statistics**

	Year Ended December 31,				
	2010	2009	2008	2007	2006
(Dollar amounts in thousands)					
Allowance for loan and lease losses, beginning of year	\$ 1,482,479	\$ 900,227	\$ 578,442	\$ 272,068	\$ 268,347
Acquired allowance for loan and lease losses				188,128	23,785
Loan and lease charge-offs					
Commercial:					
Commercial and industrial	(316,771)	(525,262)	(538,434)	(359,457)	(33,244)
Commercial real estate:					
Construction	(116,428)	(196,148)	(6,631)	(11,902)	(4,156)
Commercial	(187,567)	(500,534)	(65,565)	(29,152)	(4,393)
Commercial real estate	(303,995)	(696,682)	(72,196)	(41,054)	(8,549)
Total commercial	(620,766)	(1,221,944)	(610,630)	(400,511)	(41,793)
Consumer:					
Automobile loans and leases	(46,308)	(76,141)	(72,108)	(41,241)	(33,789)
Home equity	(140,831)	(110,400)	(70,457)	(37,221)	(24,950)
Residential mortgage	(163,427)	(111,899)	(23,012)	(12,196)	(4,767)
Other loans	(32,575)	(40,993)	(30,123)	(26,773)	(14,393)
Total consumer	(383,141)	(339,433)	(195,700)	(117,431)	(77,899)
Total charge-offs	(1,003,907)	(1,561,378)	(806,330)	(517,942)	(119,692)
Recoveries of loan and lease charge-offs					
Commercial:					
Commercial and industrial	61,839	37,656	12,269	13,617	12,376
Commercial real estate:					
Construction	7,420	3,442	5	48	602
Commercial	21,013	10,509	3,451	1,902	1,163
Total commercial real estate	28,433	13,951	3,456	1,950	1,765
Total commercial	90,272	51,607	15,725	15,567	14,141
Consumer:					
Automobile loans and leases	19,736	19,809	17,543	13,549	15,014
Home equity	1,458	4,224	2,901	2,795	3,096
Residential mortgage	10,532	1,697	1,765	825	262

Edgar Filing: HUNTINGTON BANCSHARES INC/MD - Form 10-K

Other loans	7,435	7,454	10,329	7,575	4,803
Total consumer	39,161	33,184	32,538	24,744	23,175
Total recoveries	129,433	84,791	48,263	40,311	37,316
Net loan and lease charge-offs	(874,474)	(1,476,587)	(758,067)	(477,631)	(82,376)
Provision for loan and lease losses	641,299	2,069,931	1,067,789	628,802	62,312
Economic reserve transfer			12,063		
Allowance for assets sold and securitized	(296)	(9,188)			
Allowance for loans transferred to held for sale		(1,904)		(32,925)	
Allowance for loan and lease losses, end of year	1,249,008	1,482,479	900,227	578,442	272,068
Allowance for unfunded loan commitments, beginning of year	48,879	44,139	66,528	40,161	36,957
Acquired allowance for unfunded loan commitments (Reduction in) Provision for unfunded loan commitments and letters of credit losses	(6,752)	4,740	(10,326)	14,826	2,879
Economic reserve transfer			(12,063)		
Allowance for unfunded loan commitments, end of year	42,127	48,879	44,139	66,528	40,161
Allowance for credit losses, end of year	\$ 1,291,135	\$ 1,531,358	\$ 944,366	\$ 644,970	\$ 312,229
ALLL as a % of total period end loans and leases	3.28%	4.03%	2.19%	1.44%	1.04%
AULC as a % of total period end loans and leases	0.11	0.13	0.11	0.17	0.15
ACL as a % of total period end loans and leases	3.39%	4.16%	2.30%	1.61%	1.19%

Table of Contents**Table 26 Allowance for Loan and Lease Losses and Allowance for Credit Losses Franklin-Related Impact**

	2010	2009	December 31, 2008	2007	2006
(Dollar amounts in millions)					
Allowance for loan and lease losses					
Franklin	\$	\$	\$ 130.0	\$ 115.3	\$
Non-Franklin	1,249.0	1,482.5	770.2	463.1	272.1
Total	\$ 1,249.0	\$ 1,482.5	\$ 900.2	\$ 578.4	\$ 272.1
Allowance for credit losses					
Franklin	\$	\$	\$ 130.0	\$ 115.3	\$
Non-Franklin	1,291.1	1,531.4	814.4	529.7	312.2
Total	\$ 1,291.1	\$ 1,531.4	\$ 944.4	\$ 645.0	\$ 312.2
Total loans and leases					
Franklin	\$	\$ 443.9	\$ 650.2	\$ 1,187.0	\$
Non-Franklin	38,106.5	36,346.8	40,441.8	38,868.0	26,153.4
Total	\$ 38,106.5	\$ 36,790.7	\$ 41,092.0	\$ 40,055.0	\$ 26,153.4
ALLL as % of total loans and leases					
Total	3.28%	4.03%	2.19%	1.44%	1.04%
Non-Franklin	3.28	4.08	1.90	1.19	1.04
ACL as % of total loans and leases					
Total	3.39%	4.16%	2.30%	1.61%	1.19%
Non-Franklin	3.39	4.21	2.01	1.36	1.19
Nonaccrual loans					
Franklin	\$	\$ 314.7	\$ 650.2	\$	\$
Non-Franklin	777.9	1,602.3	851.9	319.8	144.1
Total	\$ 777.9	\$ 1,917.0	\$ 1,502.1	\$ 319.8	\$ 144.1
ALLL as % of NALs					
Total	161%	77%	60%	181%	189%
Non-Franklin	161	93	90	145	189
ACL as % of NALs					
Total	166%	80%	63%	202%	217%
Non-Franklin	166	96	96	166	217

The reduction in the ACL, compared with December 31, 2009, reflected a decline in the commercial portfolio ALLL as a result of 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 (*refer to the Commercial Credit section for additional information regarding loan risk ratings*). As shown in the table below, commercial Criticized loans declined \$1.9 billion, or 38%, from December 31, 2009, reflecting upgrade and payment activity.

Table of Contents**Table 27 Criticized Commercial Loan Activity**

	At December 31,				
	2010	2009	2008	2007	2006
(Dollar amounts in thousands)					
Criticized commercial loans, beginning of period	\$ 4,971,637	\$ 3,311,280	\$ 2,736,166	\$ 662,425	\$ 646,925
New additions/increases	1,284,216	4,707,518	1,688,022	2,670,616	573,246
Advances	298,511	390,872	292,295	282,614	177,314
Upgrades to Pass	(1,456,132)	(522,150)	(378,027)	(271,394)	(279,413)
Payments	(1,465,374)	(1,843,535)	(858,996)	(531,255)	(456,110)
Loan losses	(558,377)	(1,072,348)	(168,180)	(76,840)	463
Criticized commercial loans, end of period	\$ 3,074,481	\$ 4,971,637	\$ 3,311,280	\$ 2,736,166	\$ 662,425

Compared with December 31, 2009, the AULC declined \$6.8 million as a result of a substantive reduction in the level of unfunded loan commitments in the commercial portfolio. A concerted effort was made to reduce potential exposure associated with unfunded lines and to generate an appropriate level of return on those that remain in place. In addition, borrowers continued to reassess their borrowing needs and reduced their desired funding capacity.

The ACL coverage ratio associated with NALs was 166% at December 31, 2010, representing a significant improvement compared with 80% at December 31, 2009. This improvement reflected substantial reductions in C&I and CRE NALs.

Although credit quality asset metrics and trends, including those mentioned above, improved during 2010, the economic environment in our markets remained weak and uncertain as reflected by continued stressed residential values, continued weakness in industrial employment in northern Ohio and southeast Michigan, and the significant subjectivity involved in commercial real estate valuations for properties located in areas with limited sale or refinance activities. Residential real estate values continued to be negatively impacted by high unemployment, increased foreclosure activity, and the elimination of home-buyer tax credits. In the near-term, we believe these factors will result in continued stress in our portfolios secured by residential real estate and an elevated level of NCOs compared to historic levels. During 2010, the inflows of both new commercial Criticized loans and new NPAs declined significantly compared with 2009 levels, however both have shown volatility during 2010. In the 2010 third quarter, inflows of both new commercial Criticized loans and NPAs increased compared to the prior quarter. Although both of these levels declined in the 2010 fourth quarter from the 2010 third quarter, we believe this volatility evidences a fragile economic environment. Further, concerns continue to exist regarding the economic conditions in both national and international markets, the state of financial and credit markets, the unemployment rate, the impact of the Federal Reserve monetary policy, and continued uncertainty regarding federal, state, and local government budget deficits. We do not anticipate any meaningful change in the overall economy in the near-term. All of these factors are impacting consumer confidence, as well as business investments and acquisitions. Given the combination of these factors, we believe that our ACL coverage levels are appropriate.

Table of Contents

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

Table 28 Allocation of Allowances for Credit Losses (1)

	2010		2009		At December 31, 2008		2007		2006
(in amounts in thousands)									
Commercial	\$ 340,614	34%	\$ 492,205	35%	\$ 412,201	33%	\$ 295,555	33%	\$ 117,481
Commercial and Commercial real	588,251	18	751,875	21	322,681	25	172,998	23	72,272
Commercial	928,865	52	1,244,080	56	734,882	58	468,553	56	189,753
Consumer									
Consumer	49,488	15	57,951	9	44,712	11	28,635	11	28,400
Consumer	150,630	20	102,039	21	63,538	18	45,957	18	32,572
Consumer	93,289	12	55,903	12	44,463	12	20,746	14	13,349
Consumer	26,736	1	22,506	2	12,632	1	14,551	1	7,994
Consumer	320,143	48	238,399	44	165,345	42	109,889	44	82,315
Allowance for and lease losses	1,249,008	100%	1,482,479	100%	900,227	100%	578,442	100%	272,068
Allowance for and loan commitments	42,127		48,879		44,139		66,528		40,161
Allowance for losses	\$ 1,291,135		\$ 1,531,358		\$ 944,366		\$ 644,970		\$ 312,229

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

NCOs

(This section should be read in conjunction with Significant Item 3.)

Table 29 reflects NCO detail for each of the last five years. Table 30 displays the Franklin-related impacts for each of the last five years. There were no Franklin-related NCOs in 2006.

Table of Contents**Table 29 Net Loan and Lease Charge-offs**

	Year Ended December 31,				
	2010	2009	2008	2007	2006
(Dollar amounts in thousands)					
Net charge-offs by loan and lease type					
Commercial:					
Commercial and industrial	\$ 254,932	\$ 487,606	\$ 526,165	\$ 345,840	\$ 20,868
Commercial real estate:					
Construction	109,008	192,706	6,626	11,854	3,553
Commercial	166,554	490,025	62,114	27,250	3,230
Total commercial real estate	275,562	682,731	68,740	39,104	6,783
Total commercial	530,494	1,170,337	594,905	384,944	27,651
Consumer:					
Automobile loans and leases	26,572	56,332	54,565	27,692	18,775
Home equity	139,373	106,176	67,556	34,426	21,854
Residential mortgage	152,895	110,202	21,247	11,371	4,505
Other loans	25,140	33,540	19,794	19,198	9,591
Total consumer	343,980	306,250	163,162	92,687	54,725
Total net charge-offs	\$ 874,474	\$ 1,476,587	\$ 758,067	\$ 477,631	\$ 82,376
Net charge-offs ratio:(1)					
Commercial:					
Commercial and industrial	2.05%	3.71%	3.87%	3.25%	0.28%
Commercial real estate:					
Construction	9.95	10.37	0.32	0.77	0.28
Commercial	2.72	6.71	0.81	0.52	0.10
Commercial real estate	3.81	7.46	0.71	0.57	0.15
Total commercial	2.70	5.25	2.55	2.21	0.23
Consumer:					
Automobile loans and leases	0.54	1.59	1.21	0.67	0.46
Home equity	1.84	1.40	0.91	0.56	0.44
Residential mortgage	3.42	2.43	0.42	0.23	0.10
Other loans	3.80	4.65	2.86	3.63	2.18
Total consumer	1.95	1.87	0.92	0.59	0.39
	2.35%	3.82%	1.85%	1.44%	0.32%

**Net charge-offs as a % of average
loans**

(1) Percentage of related average loan balances.

72

Table of Contents**Table 30 Net Loan and Lease Charge-offs Franklin-Related Impact**

	2010	2009	December 31, 2008	2007	2006
(Dollar amounts in millions)					
Commercial and industrial net charge-offs (recoveries)					
Franklin	\$ (5.1)	\$ 114.5	\$ 423.3	\$ 308.5(1)	\$
Non-Franklin	260.0	373.1	102.9	37.3	20.9
Total	\$ 254.9	\$ 487.6	\$ 526.2	\$ 345.8	\$ 20.9
Commercial and industrial net charge-offs ratio					
Total	2.05%	3.71%	3.87%	3.25%	0.28%
Non-Franklin	2.09	2.87	0.83	0.38	0.28
Total commercial net charge-offs (recoveries)					
Franklin	\$ (5.1)	\$ 114.5	\$ 423.3	\$ 308.5	\$
Non-Franklin	535.6	1,055.8	171.6	76.4	27.7
Total	\$ 530.5	\$ 1,170.3	\$ 594.9	\$ 384.9	\$ 27.7
Total commercial loan net charge-offs ratio					
Total	2.70%	5.25%	2.55%	2.21%	0.23%
Non-Franklin	2.72	4.77	0.77	0.46	0.23
Total home equity net charge-offs (recoveries)					
Franklin	\$ 20.8	\$ (0.1)	\$	\$	\$
Non-Franklin	118.6	106.3	67.6	34.4	21.9
Total	\$ 139.4	\$ 106.2	\$ 67.6	\$ 34.4	\$ 21.9
Total home equity net charge-offs ratio					
Total	1.84%	1.40%	0.91%	0.56%	0.44%
Non-Franklin	1.57	1.41	0.91	0.56	0.44
Total residential mortgage net charge-offs (recoveries)					
Franklin	\$ 71.3	\$ 1.6	\$	\$	\$
Non-Franklin	81.6	108.6	21.2	11.4	4.5
Total	\$ 152.9	\$ 110.2	\$ 21.2	\$ 11.4	\$ 4.5
Total residential mortgage net charge-offs ratio					
Total	3.42%	2.43%	0.42%	0.23%	0.10%

Non-Franklin	1.90	2.56	0.42	0.23	0.10
Total consumer loan net charge-offs (recoveries)					
Franklin	\$ 92.1	\$ 1.4	\$	\$	\$
Non-Franklin	251.9	304.9	163.2	92.7	54.7
Total	\$ 344.0	\$ 306.3	\$ 163.2	\$ 92.7	\$ 54.7
Total consumer loan net charge-offs ratio					
Total	1.95%	1.87%	0.92%	0.59%	0.39%
Non-Franklin	1.45	1.90	0.92	0.59	0.39
Total net charge-offs (recoveries)					
Franklin	\$ 87.0	\$ 115.9	\$ 423.3	\$ 308.5	\$
Non-Franklin	787.5	1,360.7	334.8	169.1	82.4
Total	\$ 874.5	\$ 1,476.6	\$ 758.1	\$ 477.6	\$ 82.4
Total net charge-offs ratio					
Total	2.35%	3.82%	1.85%	1.44%	0.32%
Non-Franklin	2.12	3.56	0.84	0.52	0.32

(1) 2007 includes charge-offs totaling \$397.0 million associated with the Franklin restructuring. These charge-offs were reduced by the unamortized discount associated with the loans, and by other amounts received by Franklin totaling \$88.5 million, resulting in net charge-offs of \$308.5 million.

In assessing NCO trends, it is helpful to understand the process of how loans are treated as they deteriorate over time. Reserves for loans are established at origination consistent with the level of risk

Table of Contents

associated with the original underwriting. If the quality of a loan subsequently deteriorates, it migrates to a lower quality risk rating through our on-going portfolio management process, and a higher reserve amount is assigned. As a part of our on-going portfolio management process for commercial loans, the loan is reviewed and reserves are increased or decreased as warranted. Charge-offs, if necessary, are generally recognized in a period after the reserves were established. If the previously established reserves exceed that needed to satisfactorily resolve the problem loan, a reduction in the overall level of the reserve could be recognized. In summary, if loan quality deteriorates, the typical credit sequence is periods of reserve building, followed by periods of higher NCOs as previously established reserves are utilized. Additionally, increases in reserves either precede or are in conjunction with increases in NALs. When a loan is classified as NAL, it is evaluated for specific reserves or charge-off. As a result, an increase in NALs may not necessarily result in an increase in reserves or an expectation of higher future NCOs.

The significant \$602.1 million decline in total NCOs reflected a combination of some economic stabilization, as well as the proactive credit management practices begun in 2009. These practices continued in 2010, and remain on-going.

The \$113.1 million decrease in non-Franklin-related C&I NCOs reflected improvement in the overall credit quality of the portfolio compared with 2009.

The \$407.2 million decrease in CRE NCOs primarily reflected our proactive credit management practices begun in 2009. These practices continued in 2010, and remain on-going.

The \$29.8 million decline in automobile loans and leases reflected our consistent high quality of originations since the beginning of 2008. The focus on origination quality has been the primary driver for the improvement in this portfolio compared with the 2009. We believe the quality of the loans originated in 2010 will result in industry-standard levels of NCOs going forward as well.

Non-Franklin-related home equity NCOs increased \$12.2 million reflecting the continuing stress to our borrowers associated with the fragile economy and the significant reduction of collateral equity since 2006. Delinquencies continued to be driven by lower income resulting from job loss or reduced revenues for borrowers that are self-employed. Frequently, first-lien loans can be refinanced, however, there are limited financing options for second-lien loans, particularly in situations when the collateral equity has lost value. While we charge-off loans in these situations, we generally do not forgive the debt, resulting in longer-term opportunities for recoveries. Although 2010 NCOs were higher compared with 2009, early-stage delinquency levels in the home equity line-of-credit portfolio declined, supporting our longer-term positive view for the performance of the home equity portfolio. We have been successful in originating new loans to higher quality borrowers, as evidenced by our 2010 home equity line-of-credit originations were 100% current as of December 31, 2010.

Non-Franklin-related residential mortgage NCOs declined \$27.0 million. This decline reflected a \$48.1 million sale of certain underperforming residential mortgage loans in 2010 that resulted in \$16.4 million of NCOs, compared with a 2009 sale of \$44.8 million of similar loans resulting in \$17.6 million of NCOs. The remaining decrease in the non-Franklin-related residential mortgage NCOs compared with the prior year primarily reflected a combination of a general stabilization of home prices, as well as an increase in active loss mitigation activity. The 2010 loan sale resulted in the elimination of loans with potential future credit losses and foreclosure expenses. As we believe there will be no meaningful improvement in home prices in the foreseeable future, the selective reduction of underperforming loans is consistent with our moderate-to-low risk profile strategy.

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 Notes 1 and 4 of the Notes to Consolidated Financial Statements.)

Our available-for-sale and other 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.

Table of Contents

Our available-for-sale and other securities portfolio is comprised of various financial instruments. At December 31, 2010, our available-for-sale and other securities portfolio totaled \$9.9 billion, an increase of \$1.3 billion from 2009. The duration of the portfolio increased by 0.6 years as a result of the purchase of additional structured mortgage, municipal and corporate debt securities. Municipal securities comprise 4.5% of the portfolio and consist primarily of general obligation and revenue bonds for essential services from 18 different states. The composition and maturity of the portfolio is presented on the following two tables.

Table 31 Available-for-sale and Other Securities Portfolio Summary at Fair Value

(Dollar amounts in thousands)	At December 31,		
	2010	2009	2008
U.S. Government backed agencies	\$ 7,048,028	\$ 6,566,653	\$ 2,242,978
Other	2,847,216	2,021,261	2,141,479
Total available-for-sale and other securities	\$ 9,895,244	\$ 8,587,914	\$ 4,384,457
Duration in years(1)	3.0	2.4	5.2

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

Table 32 Available-for-sale and Other Securities Portfolio Composition and Maturity

(Dollar amounts in thousands)	At December 31, 2010		
	Amortized Cost	Fair Value	Yield(1)
U.S. Treasury			%
Under 1 year	\$ 52,425	\$ 51,781	1.02
1-5 years			
6-10 years			
Over 10 years			
Total U.S. Treasury	52,425	51,781	1.02
Federal agencies mortgage backed securities			
Under 1 year			
1-5 years			
6-10 years	656,176	664,793	2.72
Over 10 years	4,077,655	4,089,611	3.03
Total Federal agencies mortgage backed securities	4,733,831	4,754,404	2.99

TLGP securities			
Under 1 year	156,450	157,931	1.54
1-5 years	25,230	25,536	1.47
6-10 years			
Over 10 years			
Total TLGP securities	181,680	183,467	1.53
Other agencies			
Under 1 year	158,273	159,288	1.45
1-5 years	1,898,867	1,885,230	1.27
6-10 years	13,082	13,359	3.08
Over 10 years	500	499	3.06
Total other Federal agencies	2,070,722	2,058,376	1.30
Total U.S. Government backed agencies	7,038,658	7,048,028	2.44

(Continued)

Table of Contents

	At December 31, 2010		
	Amortized Cost	Fair Value	Yield(1)
(Dollar amounts in thousands)			
Municipal securities			
Under 1 year			
1-5 years	149,151	148,587	2.78
6-10 years	124,552	125,656	4.05
Over 10 years	182,341	181,472	4.89
Total municipal securities	456,044	455,715	3.97
Private label CMO			
Under 1 year			
1-5 years			
6-10 years	10,429	10,887	6.15
Over 10 years	124,080	111,038	4.86
Total private label CMO	134,509	121,925	4.98
Asset-backed securities			
Under 1 year	19,669	19,694	1.78
1-5 years	697,001	700,749	1.59
6-10 years	323,411	323,995	1.51
Over 10 years	301,326	162,684	2.10
Total asset-backed securities	1,341,407	1,207,122	1.64
Other			
Under 1 year	800	802	3.94
1-5 years	717,509	698,607	1.95
6-10 years	1,007	1,037	2.43
Over 10 years			
Nonmarketable equity securities	308,722	308,722	4.38
Marketable equity securities	53,944	53,286	0.16
Total other	1,081,982	1,062,454	2.57
Total available-for-sale and other securities	\$ 10,052,600	\$ 9,895,244	2.46%

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

Declines in the fair value of available-for-sale and other securities are recorded as temporary impairment, noncredit OTTI, or credit OTTI adjustments.

Temporary impairment adjustments are recorded when the fair value of a security declines below its historical cost. Temporary impairment adjustments are recorded in OCI, and reduce equity. Temporary impairment adjustments do not impact net income or risk-based capital. A recovery of available-for-sale security prices also is recorded as an adjustment to OCI for securities that were previously temporarily impaired and results in an increase to equity.

Because the available-for-sale and other securities portfolio is recorded at fair value, the determination that a security's decline in value is other-than-temporary does not significantly impact equity, as the amount of any of temporary adjustment has already been reflected in OCI. A recovery in the value of an other-than-temporarily impaired security is recorded as additional interest income over the remaining life of the security.

During 2010, we recorded \$13.7 million of credit OTTI losses. This amount was comprised of \$4.9 million related to pooled-trust-preferred securities, \$7.1 million related to CMO securities, and \$1.6 million related to Alt-A securities. Given the continued disruption in the housing and financial markets, we may be required to recognize additional credit OTTI losses in future periods with respect to our available-for-sale and other securities portfolio. The amount and timing of any additional credit OTTI will depend on the decline in the

Table of Contents

underlying cash flows of the securities. If our intent to hold temporarily impaired securities changes in future periods, we may be required to recognize noncredit OTTI through income, which will negatively impact earnings.

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

Our three highest risk segments of our investment portfolio are the Alt-A mortgage backed, pooled-trust-preferred, and private-label CMO portfolios. The Alt-A mortgage-backed securities and pooled-trust-preferred securities are located within the asset-backed securities portfolio. The performance of the underlying securities in each of these segments continued to reflect the stressed economic environment. Each of these securities in these three segments is subjected to a rigorous review of their projected cash flows. These reviews are supported with analysis from independent third parties. (See the *Investment Securities* section located within the *Critical Accounting Policies and Use of Significant Estimates* section for additional information).

The following table presents the credit ratings for our Alt-A, pooled-trust-preferred, and private label CMO securities as of December 31, 2010:

Table 33 Credit Ratings of Selected Investment Securities (1)

	Amortized Cost	Fair Value	Average Credit Rating of Fair Value Amount				
			AAA	AA +/-	A +/-	BBB +/-	<BBB-
(Dollar amounts in millions)							
Private label CMO securities	\$ 134.5	\$ 121.9	\$ 25.4	\$ 6.5	\$ 5.0	\$ 15.1	\$ 69.9
Alt-A mortgage-backed securities	68.9	60.4	15.8	27.3			17.3
Pooled-trust-preferred securities	232.4	102.3			24.7		77.6
Total at December 31, 2010	\$ 435.8	\$ 284.6	\$ 41.2	\$ 33.8	\$ 29.7	\$ 15.1	\$ 164.8
Total at December 31, 2009	\$ 912.3	\$ 700.3	\$ 62.1	\$ 72.9	\$ 35.6	\$ 121.3	\$ 408.4

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

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

Table of Contents

The following table summarizes the relevant characteristics of our pooled-trust-preferred securities portfolio at December 31, 2010. Each security is part of a pool of issuers and supports a more senior tranche of securities except for the I-Pre TSL II, MM Comm II and MM Comm III securities which are the most senior class.

Table 34 Trust-preferred Securities Data**December 31, 2010**

Deal Name (Dollar amounts in thousands)	Par Value	Amortized Cost	Fair Value	Unrealized Loss	Lowest Credit Rating(2)	Currently Performing/Remaining(3)	Actual	Expected	Excess
							Deferrals and Defaults as a % of	Deferrals and Defaults as a % of	
Alesco II(1)	\$ 41,040	\$ 31,540	\$ 9,870	\$ (21,670)	C	32/43	25%	17%	%
Alesco IV(1)	20,659	10,571	2,370	(8,201)	C	35/53	34	21	
ICONS	20,000	20,000	12,846	(7,154)	BB	28/29	3	14	54
I-Pre TSL II	36,916	36,814	24,681	(12,133)	A	29/29		15	71
MM Comm II	21,085	20,150	18,675	(1,475)	BB	4/7	5	3	
MM Comm III(1)	11,150	10,653	5,450	(5,203)	CC	5/11	12	15	
Pre TSL IX(1)	5,000	4,035	1,428	(2,607)	C	34/49	27	21	
Pre TSL X(1)	17,506	9,915	3,254	(6,661)	C	35/55	40	30	
Pre TSL XI(1)	25,119	23,038	7,609	(15,429)	C	47/65	27	21	
Pre TSL XIII(1)	27,809	23,269	6,265	(17,004)	C	47/65	30	25	
Reg Diversified(1)	25,500	7,499	472	(7,027)	D	24/45	46	37	
Soloso(1)	12,500	3,906	393	(3,513)	C	42/69	31	28	
Tropic III	31,000	31,000	8,983	(22,017)	CC	26/45	36	25	18
Total	\$ 295,284	\$ 232,390	\$ 102,296	\$ (130,094)					

(1) Security was determined to have other-than-temporary impairment. As such, the book value is net of recorded credit impairment.

(2) For purposes of comparability, the lowest credit rating expressed is equivalent to Fitch ratings even where lowest rating is based on another nationally recognized credit rating agency.

(3) Includes both banks and/or insurance companies.

(4)

Excess subordination percentage represents the additional defaults in excess of both current and projected defaults that the CDO can absorb before the bond experiences credit impairment. Excess subordinated percentage is calculated by (a) determining what percentage of defaults a deal can experience before the bond has credit impairment, and (b) subtracting from this default breakage percentage both total current and expected future default percentages.

Market Risk

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

Interest Rate Risk

OVERVIEW

Interest rate risk is the risk to earnings and value arising from changes in market interest rates. Interest rate risk arises from timing differences in the repricings and maturities of interest-earning assets and interest-bearing liabilities (reprice risk), changes in the expected maturities of assets and liabilities arising from

Table of Contents

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).

Our board of directors establishes broad policy limits with respect to interest rate risk. ALCO establishes specific operating guidelines within the parameters of the board of directors' policies. In general, we seek to minimize the impact of changing interest rates on net interest income and the economic values of assets and liabilities. Our ALCO regularly monitors the level of interest rate risk sensitivity to ensure compliance with the board of directors' approved risk limits.

Interest rate risk management is an active process that encompasses monitoring loan and deposit flows complemented by investment and funding activities. Effective management of interest rate risk begins with understanding the dynamic characteristics of assets and liabilities and determining the appropriate interest rate risk posture given business segment forecasts, management objectives, market expectations, and policy constraints.

An asset sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate higher net interest income, as rates earned on our interest-earning assets would reprice upward more quickly than rates paid on our interest-bearing liabilities, thus expanding our net interest margin. Conversely, a liability sensitive position refers to a balance sheet position in which an increase in short-term interest rates is expected to generate lower net interest income, as rates paid on our interest-bearing liabilities would reprice upward more quickly than rates earned on our interest-earning assets, thus compressing our net interest margin.

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 net interest income 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 income simulation modeling 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 income simulation model. The models include the effects of derivatives, such as interest rate swaps, caps, floors, and other types of interest rate options.

The baseline scenario for income simulation 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 remaining unchanged 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

Table of Contents

market interest rates. The table below shows the results of the scenarios as of December 31, 2010, and December 31, 2009. All of the positions were within the board of directors policy limits.

Table 35 Net Interest Income at Risk

	Net Interest Income at Risk (%)			
	-200	-100	+100	+200
Basis point change scenario	-200	-100	+100	+200
Board policy limits	-4.0%	-2.0%	-2.0%	-4.0%
December 31, 2010	-3.2	-1.8	0.3	0.0
December 31, 2009	-0.3	0.2	-0.1	-0.4

The net interest income at risk reported as of December 31, 2010 for the +200 basis points scenario shows a change to a neutral near-term interest rate risk position compared with December 31, 2009. The primary factors contributing to this change are the decline in market interest rates over the course of 2010 along with growth in deposits and net free funds, offset by increases in fixed-rate loans and securities and updated model assumptions.

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 34.6% sensitive to changes in market interest rates, while total interest sensitive expense is 43.8% sensitive to changes in market interest rates. However, net interest income at risk for the +200 basis points scenario has a neutral near-term interest rate risk position because of the larger base of total interest sensitive income relative to total interest sensitive expense.

Table 36 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			
		-200	-100	+100	+200
Basis point change scenario		-200	-100	+100	+200
Total loans	78%	-19.2%	-25.8%	35.8%	37.1%
Total investments and other earning assets	22	-24.6	-33.0	41.3	28.9
Total interest sensitive income		-19.7	-26.7	36.1	34.6
Total interest-bearing deposits	72	-11.3	-16.5	39.8	39.8
Total borrowings	12	-20.5	-38.0	65.9	67.8
Total interest-sensitive expense		-12.6	-19.6	43.5	43.8

(1) At December 31, 2010

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, 2010, results compared with December 31, 2009. All of the positions were within the board of directors policy limits.

Table of Contents**Table 37 Economic Value of Equity at Risk**

	Economic Value of Equity at Risk (%)			
	-200	-100	+100	+200
Basis point change scenario	-200	-100	+100	+200
Board policy limits	-12.0%	-5.0%	-5.0%	-12.0%
December 31, 2010	-0.5	1.3	-4.0	-8.9
December 31, 2009	0.8	2.7	-3.7	-9.1

The EVE at risk reported as of December 31, 2010 for the +200 basis points scenario shows a change to a slightly lower long-term liability sensitive position compared with December 31, 2009. The primary factors contributing to the change are the decline in market interest rates over the course of 2010 along with growth in deposits and net free funds, offset by increases in fixed-rate loans, securities, and interest rate swaps used for asset-liability management purposes.

The following table shows the economic value sensitivity of select portfolios to changes in market interest rates. The change in economic value for each portfolio is measured as the percent change from the base economic value for that portfolio. For the +200 basis points scenario, total net tangible assets decreased in value 3.4% to changes in market interest rates, while total net tangible liabilities increased in value 2.5% 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 38 Economic Value Sensitivity

	Percent of Total Net	Percent Change in Economic Value for a Given Change in Interest Rates			
	Tangible Assets(1)	Over / (Under) Base Case Parallel Shocks			
		-200	-100	+100	+200
Basis point change scenario		-200	-100	+100	+200
Total loans	71%	1.4%	1.0%	-1.4%	-2.9%
Total investments and other earning assets	20	3.7	2.4	-2.9	-5.8
Total net tangible assets(2)		1.8	1.2	-1.7	-3.4
Total deposits	78	-2.2	-1.3	1.3	2.6
Total borrowings	11	-2.0	-1.1	1.0	1.9
Total net tangible liabilities(3)		-2.2	-1.2	1.3	2.5

- (1) At December 31, 2010.
- (2) Tangible assets excluding ALLL.
- (3) Tangible liabilities excluding AULC.

MSR

(This section should be read in conjunction with Note 5 of the Notes to the Consolidated Financial Statements.)

At December 31, 2010, we had a total of \$196.2 million of capitalized MSRs representing the right to service \$15.9 billion in mortgage loans. Of this \$196.2 million, \$125.7 million was recorded using the fair value method, and \$70.5 million was recorded using the amortization method. If we actively engage in hedging, the MSR asset is carried at fair value.

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

Table of Contents

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 and presented in Table 12.

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. 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, 2010, sufficient sources of funds were available to meet our financial obligations and fund our operations for 2011. 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

Table of Contents

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.

Most credit markets in which we participate and rely upon as sources of funding were significantly disrupted in mid-2007 through 2009 with an improving trend during 2010. Throughout 2008 and 2009, we strengthened our liquidity position by significantly reducing noncore funds and wholesale borrowings, increasing liquid assets, and shifting from a net purchaser of overnight federal funds to holding an excess reserve position at the Federal Reserve Bank. The percentage of assets funded with noncore or wholesale funding declined to 16% by the end of 2010 from 25% at 2008 year-end. During 2010, the economy continued to stabilize and financial credit spreads tightened, resulting in a more liquid secondary market for our debt. In addition, all three major rating agencies upgraded both the Bank's and the parent company's credit ratings and /or outlook resulting in a significantly lower rate on the \$300.0 million of subordinated debt issued in December of 2010.

Bank Liquidity and Sources of Liquidity

Our primary sources of funding for the Bank are retail and commercial core deposits. As of December 31, 2010, these core deposits funded 73% of total assets. At December 31, 2010, total core deposits represented 93% of total deposits, an increase from 92% 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. We voluntarily began participating in the FDIC's TAGP in October of 2008. Under this program, all noninterest-bearing and interest-bearing transaction accounts with a rate of less than 0.50% were fully guaranteed by the FDIC for a customer's entire account balance.

In April of 2010, the FDIC adopted an interim rule extending the TAGP through December 31, 2010, for financial institutions that desired to continue participating in the TAGP. On April 30, 2010, we notified the FDIC of our decision to opt-out of the TAGP extension effective July 1, 2010.

Demand deposit overdrafts that have been reclassified as loan balances were \$13.1 million and \$40.4 million at December 31, 2010 and 2009, respectively.

Other domestic time deposits of \$250,000 or more and brokered deposits and negotiable CDs totaled \$2.2 billion at the end of 2010 and \$2.7 billion at the end of 2009. The contractual maturities of these deposits at December 31, 2010, were as follows: \$0.8 billion in three months or less, \$0.3 billion in three months through six months, \$0.5 billion in six months through twelve months, and \$0.6 billion after twelve months.

Table of Contents

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

Table 39 Deposit Composition

	2010		2009		At December 31, 2008		2007		2006	
	(in millions)		(in millions)		(in millions)		(in millions)		(in millions)	
Core deposits	\$ 41,854	100%	\$ 40,494	100%	\$ 37,943	100%	\$ 37,743	100%	\$ 25,048	
Commercial	\$ 12,476	32%	\$ 11,368	30%	\$ 7,971	25%	\$ 9,018	28%	\$ 6,063	
Retail	26,788	68	26,019	70	24,557	75	22,945	72	13,835	
Core deposits	\$ 39,264	100%	\$ 37,387	100%	\$ 32,528	100%	\$ 31,963	100%	\$ 19,898	
Time deposits:										
Interest-bearing	\$ 7,217	17%	\$ 6,907	17%	\$ 5,477	14%	\$ 5,138	14%	\$ 3,616	
Non-interest-bearing	5,469	13	5,890	15	4,083	11	4,049	11	2,389	
Money market deposits	13,410	32	9,485	23	5,182	14	6,643	18	5,362	
Deposits and other domestic										
Time deposits	4,643	11	4,652	11	4,930	13	5,282	14	3,101	
Certificates of deposit	8,525	20	10,453	26	12,856	34	10,851	29	5,430	
Core deposits	39,264	93	37,387	92	32,528	86	31,963	86	19,898	
Domestic deposits of \$250,000 or more	675	2	652	2	1,328	3	1,676	4	1,012	
Brokered deposits and negotiable CDs	1,532	4	2,098	5	3,354	9	3,377	9	3,346	
Deposits in foreign offices	383	1	357	1	733	2	727	1	792	
Core deposits	\$ 41,854	100%	\$ 40,494	100%	\$ 37,943	100%	\$ 37,743	100%	\$ 25,048	
Core deposits:										
Commercial	\$ 12,476	32%	\$ 11,368	30%	\$ 7,971	25%	\$ 9,018	28%	\$ 6,063	
Retail	26,788	68	26,019	70	24,557	75	22,945	72	13,835	
Core deposits	\$ 39,264	100%	\$ 37,387	100%	\$ 32,528	100%	\$ 31,963	100%	\$ 19,898	

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, 2010, total wholesale funding was \$8.4 billion, an increase from \$7.8 billion at December 31, 2009. The \$8.4 billion portfolio at December 31, 2010, had a weighted average maturity of 4.2 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

Table of Contents

to borrow if necessary, and unused borrowing capacity at both the Federal Reserve Bank and the FHLB is outlined in the following table:

Table 40 Federal Reserve Bank and FHLB-Cincinnati Borrowing Capacity

	December 31,	
	2010	2009
(Dollar amounts in billions)		
Loans and Securities Pledged:		
Federal Reserve Bank	\$ 9.7	\$ 8.5
FHLB	7.8	8.0
Total loans and securities pledged	\$ 17.5	\$ 16.5
Total unused borrowing capacity at Federal Reserve Bank and FHLB	\$ 8.8	\$ 7.9

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, 2010, we believe the Bank had sufficient liquidity to meet its cash flow obligations for the foreseeable future.

Table 41 Maturity Schedule of Commercial Loans

	December 31, 2010				
	One Year or Less	One to Five Years	After Five Years	Total	Percent of total
(Dollar amounts in millions)					
Commercial and industrial	\$ 4,736	\$ 6,589	\$ 1,738	\$ 13,063	67%
Commercial real estate construction	418	226	6	650	3
Commercial real estate commercial	2,510	2,763	728	6,001	30
Total	\$ 7,664	\$ 9,578	\$ 2,472	\$ 19,714	100%
Variable-interest rates	\$ 7,223	\$ 7,818	\$ 2,043	\$ 17,084	87%
Fixed-interest rates	441	1,760	429	2,630	13
Total	\$ 7,664	\$ 9,578	\$ 2,472	\$ 19,714	100%
Percent of total	39%	49%	12%	100%	

At December 31, 2010, the fair value of our portfolio of investment securities was \$9.9 billion, of which \$4.7 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 32.

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.

During the 2010 fourth quarter, we completed a public offering and sale of 146.0 million shares of common stock at a price of \$6.30 per share, or \$920.0 million in aggregate gross proceeds. Also during the 2010 fourth quarter, we completed the public offering and sale of \$300.0 million aggregate principal amount

Table of Contents

of 7.00% Subordinated Notes due 2020. We used the net proceeds from these transactions to repurchase our TARP Capital (*see Capital section*). On January 19, 2011, we repurchased the warrant the Company had issued to the Treasury at an agreed upon purchase price of \$49.1 million. The warrant had entitled the Treasury to purchase 23.6 million shares of common stock.

During 2010, the parent company contributed \$0.4 billion of capital to the Bank, which increased the Bank's regulatory capital levels above its already Well-capitalized levels.

At December 31, 2010, the parent company had \$0.6 billion in cash and cash equivalents, compared with \$1.4 billion at December 31, 2009. The decrease primarily reflected the net impact of the equity and debt public offerings, the repurchase of our TARP Capital, additional capital contributions made by the parent company to the Bank, and dividend payments on our common and preferred stock. Appropriate limits and guidelines are in place to ensure the parent company has sufficient cash to meet operating expenses and other commitments during 2011 without relying on subsidiaries or capital markets for funding.

Based on the current dividend of \$0.01 per common share, cash demands required for common stock dividends are estimated to be approximately \$8.6 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.

Based on a regulatory dividend limitation, the Bank could not have declared and paid a dividend to the parent company at December 31, 2010, 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.

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

Off-Balance Sheet Arrangements

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

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

Through our credit process, we monitor the credit risks of outstanding standby letters of credit. When it is probable that a standby letter of credit will be drawn and not repaid in full, losses are recognized in the provision for credit losses. At December 31, 2010, we had \$0.6 billion of standby letters of credit outstanding, of which 73% 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, 2010, and December 31, 2009, we had commitments to sell residential real estate loans of \$998.7 million and \$662.9 million, respectively. These contracts mature in less than one year.

Table of Contents

Effective January 1, 2010, we consolidated an automobile loan securitization that previously had been accounted for as an off-balance sheet transaction. We elected to account for the automobile loan receivables and the associated notes payable at fair value per accounting guidance supplied in ASC 810 Consolidation. (See Note 2 and Note 5 of the Notes to the Consolidated Financial Statements.)

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

Table 42 Contractual Obligations(1)

	December 31, 2010				Total
	One Year or Less	1 to 3 Years	3 to 5 Years	More than 5 Years	
(Dollar amounts in millions)					
Deposits without a stated maturity	\$ 29,526	\$	\$	\$	\$ 29,526
Certificates of deposit and other time deposits	6,773	4,729	562	264	12,328
FHLB advances	155	10		8	173
Short-term borrowings	2,041				2,041
Other long-term debt	5	1,000	108	1,031	2,144
Subordinated notes		114	137	1,246	1,497
Operating lease obligations	43	80	71	306	500
Purchase commitments	87	67	20	14	188

(1) Amounts do not include associated interest payments.

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.

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 Fannie Mae and Freddie Mac. 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 were estimated based on historical and expected repurchase activity, average loss rates, and current economic trends, including an increase in the amount of repurchase losses in recent quarters.

Table of Contents

The table below reflects activity in the representations and warranties reserve for each of the last three years:

Table 43 Summary of Reserve for Representations and Warranties on Mortgage Loans Serviced for Others

	Year Ended December 31,		
	2010	2009	2008
(Dollar amounts in thousands)			
Reserve for representations and warranties, beginning of year	\$ 5,916	\$ 5,270	\$ 2,934
Acquired reserve for representations and warranties	7,000		
Reserve charges	(9,012)	(2,516)	(3,586)
Provision for representations and warranties	16,267	3,162	5,922
Reserve for representations and warranties, end of year	\$ 20,171	\$ 5,916	\$ 5,270

Foreclosure Documentation

In light of recent announcements regarding alleged irregularities in the mortgage loan foreclosure processes of certain high volume loan servicers, state law enforcement authorities, the United States Department of Justice, and other federal agencies have stated they are investigating mortgage servicers foreclosure practices, and private litigation over such practices has begun to appear in the courts. Those investigations, as well as any other governmental or regulatory scrutiny of foreclosure processes and private litigation, could result in fines, penalties, damages, or other equitable remedies and result in significant legal costs in responding to possible governmental investigations and litigation.

Compared to the high volume servicers, we service a relatively low volume of residential mortgage foreclosures, with approximately 3,100 foreclosure cases as of December 31, 2010, in states that require foreclosures to proceed through the courts. In response to industry-wide issues involving mortgage loan foreclosure irregularities, we conducted a review in October 2010 of our residential foreclosure process, focusing on the accuracy of completed foreclosure affidavits in pending foreclosure proceedings and the steps taken by us to ensure this documentation was properly reviewed and validated prior to filing the affidavit in the foreclosure proceeding. As a result of our review, we have determined that we do not have any significant issues relating to so-called robo-signing, and that foreclosure affidavits were completed and signed by employees with personal knowledge of the contents of the affidavits. There is no reason to conclude that foreclosures were filed that should not have been filed. Additionally, we have identified and are strengthening processes and controls to ensure that affidavits are prepared in compliance with applicable state law. We consult with local foreclosure counsel, as necessary, with respect to additional requirements imposed by the courts in which foreclosure proceedings are pending.

Compliance Risk

Financial institutions are subject to a myriad of laws, rules and regulations emanating at both the Federal and State levels. These mandates cover a broad scope, including but 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 adds to the overall compliance risk. At Huntington, we take these mandates seriously and have invested in people, processes and systems to help ensure we meet expectations. At the corporate level we have a team of compliance experts and lawyers dedicated to ensuring our conformance. We provide, and require, training for our colleagues on a number of broad-based laws and regulations. For example, all of our employees are expected to take, and pass, courses on anti-money laundering and customer privacy. Those 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 in this regard.

Table of Contents

Capital

(This section should be read in conjunction with Significant Items 1 and 5, and Notes 12 and 14 of the Notes to the 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.

Shareholders' equity totaled \$5.0 billion at December 31, 2010. This represented a \$0.4 billion decrease compared with December 31, 2009, primarily reflecting the repurchase of all 1.4 million shares of TARP Capital held by the Treasury as part of our participation in the TARP CPP, offset by the \$920.0 million common stock issuance and 2010 earnings.

We believe our current level of capital is adequate.

TARP Capital

During 2008, we received \$1.4 billion of equity capital by issuing to the Treasury: (1) 1.4 million shares of TARP Capital and, (2) a ten-year warrant to purchase up to 23.6 million shares of our common stock, par value \$0.01 per share, at an exercise price of \$8.90 per share. Upon receipt of the TARP Capital in 2008, the proceeds were allocated to the preferred stock and additional paid-in-capital. During the period of time that we held the TARP Capital, the resulting discount was amortized which resulted in additional dilution to our earnings per share. The TARP Capital was not a component of Tier 1 common equity.

In the 2010 fourth quarter, we issued \$920.0 million of common stock and \$300.0 million of 7.00% subordinated notes due in 2020. The net proceeds of these issuances, along with other funds, were used to repurchase all \$1.4 billion of the TARP Capital. The accretion of the remaining issuance discount on the TARP Capital was accelerated, and a corresponding reduction to retained earnings of \$56.3 million was recorded. Subsequently, on January 19, 2011, we exited our TARP-related relationship by repurchasing the ten-year warrant we had issued to the Treasury as part of the TARP CPP for \$49.1 million.

Table of Contents**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 44 Capital Adequacy

	2010	2009	December 31, 2008	2007	2006
(Dollar amounts in millions)					
Consolidated capital calculations:					
Common shareholders equity	\$ 4,618	\$ 3,648	\$ 5,351	\$ 5,951	\$ 3,016
Preferred shareholders equity	363	1,688	1,878		
Total shareholders equity	4,981	5,336	7,229	5,951	3,016
Goodwill	(444)	(444)	(3,055)	(3,059)	(571)
Intangible assets	(229)	(289)	(357)	(428)	(59)
Intangible asset deferred tax liability(1)	80	101	125	150	21
Total tangible equity(2)	4,388	4,704	3,942	2,614	2,407
Preferred shareholders equity	(363)	(1,688)	(1,878)		
Total tangible common equity(2)	\$ 4,025	\$ 3,016	\$ 2,064	\$ 2,614	\$ 2,407
Total assets	\$ 53,820	\$ 51,555	\$ 54,353	\$ 54,697	\$ 35,329
Goodwill	(444)	(444)	(3,055)	(3,059)	(571)
Other intangible assets	(229)	(289)	(357)	(428)	(59)
Intangible asset deferred tax liability(1)	80	101	125	150	21
Total tangible assets(2)	\$ 53,227	\$ 50,923	\$ 51,066	\$ 51,360	\$ 34,720
Tier 1 equity	\$ 5,022	\$ 5,201	\$ 5,036	\$ 3,460	\$ 2,784
Preferred shareholders equity	(363)	(1,688)	(1,878)		
Trust-preferred securities	(570)	(570)	(736)	(785)	(320)
REIT preferred stock	(50)	(50)	(50)	(50)	(50)
Tier 1 common equity(2)	\$ 4,039	\$ 2,893	\$ 2,372	\$ 2,625	\$ 2,414
Risk-weighted assets (RWA)	\$ 43,471	\$ 43,248	\$ 46,994	\$ 46,044	\$ 31,155
Tier 1 common equity / RWA ratio(2)	9.29%	6.69%	5.05%	5.70%	7.75%
Tangible equity / tangible asset ratio(2)	8.24	9.24	7.72	5.09	6.93
Tangible common equity / tangible asset ratio(2)	7.56	5.92	4.04	5.09	6.93
Tangible common equity / RWA ratio(2)	9.26	6.97	4.39	5.68	7.73

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

Our consolidated TCE ratio was 7.56% at December 31, 2010, an increase from 5.92% at December 31, 2009. The significant increase from December 31, 2009, primarily reflected the increased capital resulting from our \$920.0 million common stock issuance during the 2010 fourth quarter, and to a lesser extent, 2010 earnings.

Table of Contents**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 capital and Tier 2 capital. The sum of Tier 1 capital and Tier 2 capital equals our total risk-based capital. The following table reflects changes and activity to the various components utilized in the calculation of our consolidated Tier 1, Tier 2, and total risk-based capital amounts during 2010.

Table 45 Regulatory Capital Activity

	Common Shareholders Equity(1)	Preferred Shareholders Equity	Qualifying Core Capital(2)	Disallowed Goodwill & Intangible Assets	Disallowed Other Adjustments (net)	Tier 1 Capital
(Dollar amounts in millions)						
Balance at December 31, 2009	\$ 3,804.9	\$ 1,687.5	\$ 620.5	\$ (632.2)	\$ (279.5)	\$ 5,201.2
Cumulative effect of accounting changes	(1.8)					(1.8)
Earnings	312.3					312.3
Changes to disallowed adjustments				25.0	11.7	36.7
Cash dividends declared	(129.1)					(129.1)
Issuance of common stock	886.2					886.2
Repurchase of TARP Capital		(1,398.1)				(1,398.1)
Preferred stock discount accretion and repurchase	(73.1)	73.1				
Disallowance of deferred tax assets					98.9	98.9
Change in minority interest			(0.2)			(0.2)
Other	15.7					15.7
Balance at December 31, 2010	\$ 4,815.1	\$ 362.5	\$ 620.3	\$ (607.2)	\$ (168.9)	\$ 5,021.8

Qualifying

	Qualifying	Subordinated		Tier 1	Total
	ACL	Debt	Tier 2	Capital	Risk-Based
			capital	(from above)	Capital
Balance at December 31, 2009	\$ 556.3	\$ 473.2	\$ 1,029.5	\$ 5,201.2	\$ 6,230.7
Change in qualifying subordinated debt		237.3	237.3		237.3
Change in qualifying ACL	(4.0)		(4.0)		(4.0)
Changes to Tier 1 capital (see above)				(179.4)	(179.4)
Balance at December 31, 2010	\$ 552.3	\$ 710.5	\$ 1,262.8	\$ 5,021.8	\$ 6,284.6

(1) Excludes OCI and minority interest.

(2) Includes minority interest.

Table of Contents

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

Table 46 Regulatory Capital Ratios

		At December 31,				
		2010	2009	2008	2007	2006
(Dollar amounts in millions)						
Total risk-weighted assets	Consolidated	\$ 43,471	\$ 43,248	\$ 46,994	\$ 46,044	\$ 31,155
	Bank	43,281	43,149	46,477	45,731	30,779
Tier 1 leverage ratio	Consolidated	9.41%	10.09%	9.82%	6.77%	8.00%
	Bank	6.97	5.59	5.99	5.99	5.81
Tier 1 risk-based capital ratio	Consolidated	11.55	12.03	10.72	7.51	8.93
	Bank	8.51	6.66	6.44	6.64	6.47
Total risk-based capital ratio	Consolidated	14.46	14.41	13.91	10.85	12.79
	Bank	12.82	11.08	10.71	10.17	10.44

Our consolidated Tier 1 risk-based capital ratios at December 31, 2010, declined from 2009, primarily reflecting a reduction in Tier 1 capital. The primary drivers of the decline in Tier 1 Capital were the \$1.4 billion repurchase of TARP Capital, offset by the \$0.9 billion common stock issuance and \$0.3 billion of earnings in 2010. Our total risk-based capital ratio was little changed as the decline in Tier 1 capital was offset by an increase in Tier 2 capital. The change in Tier 2 capital primarily reflected our \$0.3 billion subordinated debt issuance.

The Bank's Tier 1 risk-based capital ratios improved, reflecting an increase in Tier 1 capital, primarily due to an increase in retained earnings (see Parent Company Liquidity discussion). The repurchase of the TARP Capital did not affect the Bank's capital ratios.

At December 31, 2010, our Tier 1 and total risk-based capital in excess of the minimum level required to be considered Well-capitalized were \$2.4 billion and \$1.9 billion, respectively. The Bank had Tier 1 and Total risk-based capital in excess of the minimum level required to be considered Well-capitalized of \$1.1 billion and \$1.2 billion, respectively, at December 31, 2010.

Other Capital Matters

In 2010, shareholders passed a proposal to amend our charter resulting in an increase of authorized common stock to 1.5 billion shares from 1.0 billion shares. No shares were repurchased during 2010.

BUSINESS SEGMENT DISCUSSION**Overview**

For detail on each segment's objectives, strategies, and priorities, please read this section in conjunction with the Item 1: Business section. This section reviews financial performance from a business segment perspective and 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.

During the 2010 fourth quarter, we reorganized our business segments to better align certain business unit reporting with segment executives in order to accelerate cross-sell results and provide greater focus on the execution of strategic plans. We have four major business segments: Retail and Business Banking; Commercial Banking; Automobile Finance and Commercial Real Estate; and Wealth Advisors, Government Finance, and Home Lending. A Treasury / Other function includes our insurance business, and other unallocated assets, liabilities, revenue, and expense. All periods presented have been reclassified to conform to the current period classification.

Table of Contents

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.

Funds Transfer Pricing

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.

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. The most significant revenues for which fee sharing is allocated relate to customer derivatives and brokerage services, which are recorded by WGH and shared primarily with Retail and Business Banking and Commercial Banking. 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, servicing Franklin-related assets, reported Significant Items (except for the goodwill impairment), and a small amount of other residual unallocated expenses, are allocated to the four business segments.

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, bank owned life insurance, and the loans and OREO properties acquired through the 2009 first quarter Franklin restructuring. 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

Table of Contents

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 47 Net Income (Loss) by Business Segment

	Year Ended December 31,		
	2010	2009	2008
(Dollar amounts in thousands)			
Retail and Business Banking	\$ 131,036	\$ (26,479)	\$ 257,844
Commercial Banking	38,462	(158,736)	80,313
AFCRE	46,492	(588,154)	(14,158)
WGH	34,801	1,743	42,994
Treasury / Other	61,556	251,265	(480,799)
Unallocated goodwill impairment(1)		(2,573,818)	
Total net income (loss)	\$ 312,347	\$ (3,094,179)	\$ (113,806)